

## MUNICIPAL YEAR 2017/18 REPORT NO. 129

### MEETING TITLE AND DATE:

Audit & Risk Management  
Committee  
11 January 2018

### REPORT OF:

Director of Finance, Resources and  
Customer Services

Agenda – Part:	Item: 10
<b>Subject: 2017/18 Audit and Risk Management Service Progress Report</b>	
<b>Wards: All</b>	
<b>Cabinet Member consulted:</b>	

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### 1. EXECUTIVE SUMMARY

- 1.1 This report summarises the work that the Audit and Risk Management Service has undertaken for the period 01 April to 20 December 2017.
- 1.2 Progress has been made with delivering the 2017/18 internal audit plan, with 99% of reviews commenced. Of these, 31% have been finalised.
- 1.3 Tracking of agreed actions has confirmed that managers have implemented 46% of high priority and 42% of medium priority recommendations, which were targeted for implementation by 1 December 2017.
- 1.4 A summary of proactive, reactive and preventative fraud work that has been undertaken by the Counter Fraud Team is reported.
- 1.5 Details of performance measures for the internal audit service are also presented.

### 2. RECOMMENDATIONS

- 2.1 To note the progress made in delivering the Audit and Risk Management Service's 2017/18 work plan and the outcomes achieved to date.
- 2.2 To note managers' progress with the implementation of internal audit recommendations.

### 3. BACKGROUND

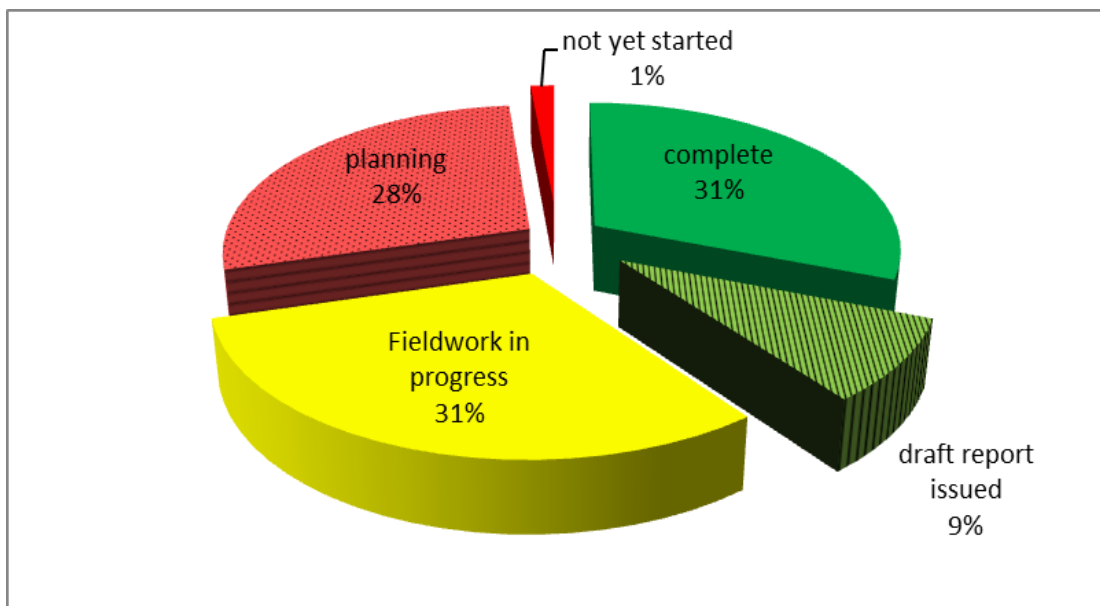
- 3.1 The Audit and Risk Management Service carries out its duties in accordance with appropriate professional standards, including the Public Service Internal Audit Standards (PSIAS). These standards require regular reporting of progress with planned activities to senior managers and the Audit & Risk Management Committee.
- 3.2 The Internal Audit Plan for 2017/18 was submitted to and agreed by the Audit & Risk Management Committee on 7 March 2017.
- 3.3 This report summarises the work completed by the Audit and Risk Management Service (ARMS) between 1 April 2017 and 20 December 2017.

#### 2017/18 Audit and Risk Management Service Progress Update

##### Internal Audit

- 3.4 During the period 1 April 2017 to 20 December 2017, the Internal Audit team has commenced 67 assignments (99% of the current plan) of which 21 (31%) have been completed. The following chart summarises this progress. Appendix 1 provides more detail on progress for each review.

**Chart 1: 2017/18 Internal Audit Plan Progress**



##### Changes to the 2017/18 Internal Audit Plan

- 3.5 Since the audit plan was approved by Audit & Risk Management Committee in March 2017, thirteen assignments have been added to the plan and four have been deferred or cancelled. A detailed analysis is provided in Appendix 2.

## Completed Audits

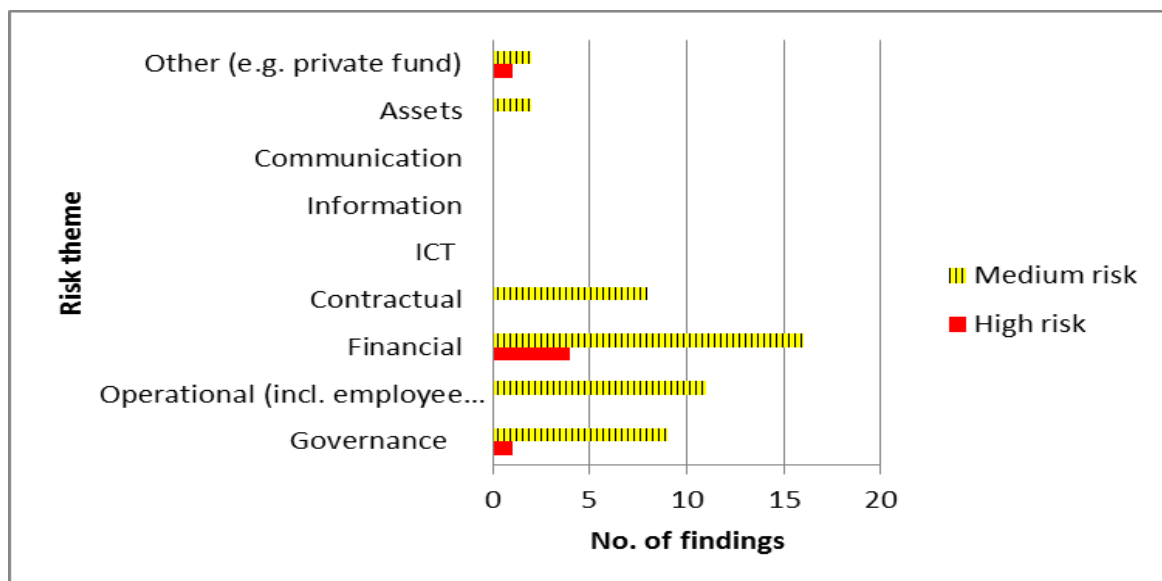
3.6 21 assignments have been completed as detailed in the table below.

**Table 1: Completed Audits**

Area	Audit	Assurance Opinion
CEx	Social Media Governance	Reasonable
CS	Troubled Families Grant Phase 1	N/a
R&E	Fleet Management & Depot	Reasonable
	Regeneration projects	Limited
FRCS	Deputyship	Reasonable
	Housing Gateway Limited (Audit Plan)	N/A reported to Board
	Housing Innovations (Audit Plan)	N/A reported to Board
	LVHN – energetik (Audit Plan)	N/A reported to Cttee.
	Wellbeing Enfield (Audit Plan)	N/A reported to Board
	GDPR readiness	N/a
HHASC	Assessments & Placements	N/a
SCHOOLS	Carterhatch Infants	Substantial
	Garfield Primary	Reasonable
	Honilands Primary	Reasonable
	Enfield Secondary Tuition Centre (PRU)	Reasonable
	Our Lady of Lourdes CE Primary	Reasonable
	St Paul's CE Primary	Limited
	St John's Primary	Reasonable
	St Mary's Primary	Substantial
	Durants Special	Reasonable
	Forty Hill Primary	Reasonable

54 actions for improvement have been agreed with managers, including six relating to high risk findings. The following chart shows the risk themes identified.

**Chart 2: Completed Audits - Risk Themes**



## Key findings from Limited assurance audits

3.7 Since the last report to Audit & Risk Management Committee, six reports have been finalised, but none of these were given Limited or No assurance.

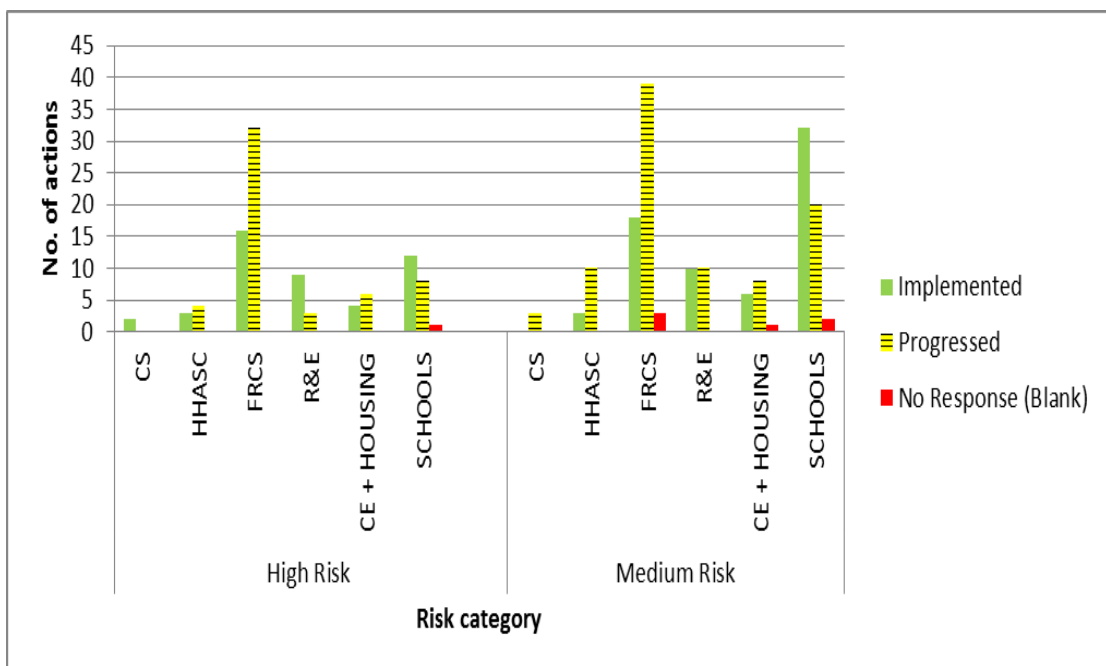
## Managers' progress with implementing internal audit recommendations

3.8 The Internal Audit team is responsible for tracking managers' progress with the implementation of internal audit recommendations.

3.9 The results of follow-up work relating to recommendations that were due to be implemented by 1 December 2017 are summarised in the chart below. 265 recommendations, 100 relating to high risk and 165 with medium risk rating, were tracked. Overall, 46% of the high priority recommendations have been fully implemented along with 42% of the medium priority actions.

3.10 Progress for each of the Council's departments is summarised in the following chart:

**Chart 3: Progress with implementing management actions**



## Counter Fraud

3.11 The Counter Fraud team continues to deliver good outcomes. Tables 2 and 3 show results achieved by 30 November 2017:

**Table 2: Overall Counter Fraud achievements**

Investigation type		Annual target	Achieved as at 30 November 2017
Council housing recoveries		75	32 (£576k)
Temporary accommodation recoveries		25	28 (£140k)
<b>Savings*</b>			
Investigation	Sub total	£500,000	£233,679
Prevention	Sub total	£450,000	£984,780
<b>Total</b>		<b>£950,000</b>	<b>£1,218,459</b>

\*Savings include overpayments identified or recovered, as well as potential future income and the estimated value of losses prevented by the detection and interception of fraud and improvement of controls

**Table 3: Counter Fraud savings analysis**

	Investigations		Fraud prevention		Total
	Saved for LBE (£)	Saved for DWP (£)	Saved for LBE (£)	Saved for DWP (£)	
Housing Benefit (DWP)		168,551			168,551
Council Tax Support	49,529				49,529
Council Tax Single Person's Discount	2,389				2,389
Benefit Penalties	4,910				4,910
Hsg - Unlawful Profits, Decant payments	8,300				8,300
NRPf (£16.4k per application refused)			81,000		81,000
RTB (Value of discounts refused)			894,780		894,780
Theft			9,000		9,000
<b>TOTAL</b>	<b>65,128</b>	<b>168,551</b>	<b>984,780</b>		<b>£1,218,459</b>

3.12 Appendix 3 provides a more detailed summary of the Counter Fraud team's activities, including a summary of housing investigation work.

### **Insurance and Risk Management Service**

3.13 The Insurance and Risk Management Team has continued to actively engage with directors and assistant directors across the Council, to promote and facilitate implementation of the Risk Management Strategy.

3.14 As part of the regular review of risk management, the risk registers for the Service Delivery operating areas (Health, Housing & Adult Social Care; Children's Services and Regeneration & Environment Departments) are presented as a separate report.

### **Quality Assurance**

3.15 The Internal Audit Quality Assurance Improvement Programme (QAIP) is designed to provide reasonable assurance to the stakeholders of the Council that Internal Audit:

- Performs its work in accordance with the Internal Audit Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS).
- Operates in an efficient and effective manner.
- Is adding value and continually improving Internal Audit operations.

### Internal Quality Assessment

3.16 The performance of the Internal Audit service for 2017/18 to 23 October 2017 is shown in the following table:

**Table 4: Internal Audit Quality Assurance Measures**

KPI / Quality Metric	Target	Actual (Average)
Days from end of fieldwork to issue of draft report	15	12
Days from issue of draft report to receipt of management comments	15	27*
Days from receipt of management comments to issue of final report	10	7
Level of satisfaction score with audit work	80%	81%
% of the audit plan delivered to draft report stage	95% (by 31.3.18)	40%

\* skewed by reports issued before the start of school summer holidays

## 4. ALTERNATIVE OPTIONS CONSIDERED

There are no other options which can be considered as these matters need to be reported to the Audit and Risk Management Committee.

## 5. REASONS FOR RECOMMENDATIONS

These items are being brought to the attention of the Audit and Risk Management Committee in line with the requirements of the Accounts and Audit Regulations 2011.

## 6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

### 6.1 Financial Implications

There are no specific financial implications relating to this report. Any financial implications that may arise from the audit reports are such that they will be dealt with as part of the action plans of those reports.

### 6.2 Legal Implications

The Accounts and Audit (England) Regulations 2011 (“the Regulations”) have established requirements related to systems of internal control and the review

and reporting of those systems. The main purpose of the Regulations is to provide for greater accountability, transparency and openness in the provision of information and providing for improved access to accounts by electors, and to encourage consistent standards by requiring proper accounting practices to be followed, and by encouraging authorities to take corporate responsibility for their decisions. This report has been completed as part of the reporting process and in accordance with the above Act and Regulations.

### **6.3 Property Implications**

There are no additional specific property implications that have not already been highlighted within the internal audit reports referred to in this report.

## **7 KEY RISKS**

Any large, complex organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the many risks it may face. Enfield Council has such a system, and as part of that, individual internal audit reports document the specific risks that arise from the findings of the review. These are addressed by mitigating actions agreed by appropriate managers which are then monitored in accordance with target implementation dates. This report forms a part of that risk management and governance process.

## **8 IMPACT ON COUNCIL PRIORITIES**

### **8.1 Fairness for All**

An effective Internal Audit and Risk Management service helps to provide assurance over any risks to services and other Council activities that might adversely affect the delivery of high quality, affordable, accessible services to all residents.

### **8.2 Growth and Sustainability**

An effective Internal Audit and Risk Management service will help the Council achieve its objectives in the area of growth and sustainability.

### **8.3 Strong Communities**

An effective Internal Audit and Risk Management service will help the Council achieve its objectives in the area of strong communities.

## **9 EQUALITIES IMPACT IMPLICATIONS**

Corporate advice has been sought in regard to equalities and an agreement has been reached that it is not relevant or proportionate to carry out an equalities impact assessment/analysis for this report.

## **10 PERFORMANCE MANAGEMENT IMPLICATIONS**

An effective internal audit and risk management service is an essential part of the performance management of the Council's services and activities.

## **11. HEALTH AND SAFETY IMPLICATIONS**

There are no direct health and safety implications arising directly from the internal audit and risk management reports.

**12. HR IMPLICATIONS**

There are no direct HR implications arising from this report.

**13. PUBLIC HEALTH IMPLICATIONS**

Items summarised in this report do not have a direct impact on the health and well-being of the public in Enfield.

**Background Papers**

None.



## Appendix 1 – 2017/18 Audit Plan Status

Department	Review Title	Current Status	Progress against target @ 20.12.17 (RAG)
CEX	Performance Management	Not yet started	Amber
CEX	Communications and campaigns- Social Media Governance	Complete	Green
CROSS CUTTING	Line management- Staff appraisal process	Draft report issued	Green
CS	Unaccompanied Asylum Seeking Children (Liquid Logic)	Fieldwork in progress	Green
CS	Schools admissions	Fieldwork in progress	Green
CS	SEN (Special Educational Needs)	Fieldwork in progress	Amber
CS	Homeless Families (assessment and placement)	Fieldwork in progress	Green
CS	Troubled Fam. Grant Claim Review (Phase 1)	Complete	Green
CS	Troubled Fam. Grant Claim Review (Phase 2)	Planning	Green
CS	Troubled Fam. Grant Claim Review (Phase 3)	Planning	Green
CS	Safeguarding and Quality Assurance Service (LADO)	Planning	Green
FRCS	Procurement	Planning	Amber
FRCS	LVHN – energetik (Audit Plan)	Complete	Green
FRCS	Accounts Payable- Neptune system	Planning	Green
FRCS	Mayor's Charity Fund Accounts	Draft report issued	Amber
FRCS	Deputyship	Complete	Green
FRCS	Housing Gateway Limited (Audit Plan)	Complete	Green
FRCS	Housing Innovations (Audit Plan)	Complete	Green
FRCS	Wellbeing Enfield (Audit Plan)	Complete	Green
FRCS	General Data Protection Regulations (GDPR) readiness	Complete	Green
FRCS	Corporate Estate / Green belt	Fieldwork in progress	Green
FRCS	Budgetary control	Fieldwork in progress	Amber
FRCS	CAM (phase 1)	Fieldwork in progress	Amber
FRCS	CAM (phase 2)	Planning	Green
FRCS	IT	Planning	Red
FRCS	Pensions	Fieldwork in progress	Amber
FRCS	Homelessness	Planning	Green
FRCS - NEW	Pensions (Fund/Payroll contrib.)	Cancelled	N/A
HHASC	Safeguarding	Fieldwork in progress	Amber
HHASC	Care homes	Planning	Amber
HHASC	Assessment and placements	Complete	Green
HHASC	Better Care Fund	Fieldwork in progress	Green
HHASC	Fees and charges income	Fieldwork in progress	Green
HHASC	Public Health Commissioning	Planning	Green
HHASC NEW	Direct Payments	Fieldwork in progress	Red
LATC - New	Financial Management (LVHN)	Fieldwork in progress	Amber
LATC - New	Contract Management (LVHN)	Fieldwork in progress	Green
LATC - New	Income Management (LVHN)	Fieldwork in progress	Green
LATC - New	Performance Management (HGL)	Planning	Green
R&E	Highway Services	Fieldwork in progress	Amber
R&E	Trade Waste	Draft report issued	Green
R&E	Transport services	Planning	Green
R&E	Regeneration projects	Complete	Green
R&E	Fleet Management & Depot	Complete	Green
R&E	Estate Maintenance	Fieldwork in progress	Amber
R&E - NEW	Cycle Enfield	Draft report issued	Red

Department	Review Title	Current Status	Progress against target @ 20.12.17 (RAG)
C. HOUSING	Preparedness for changes in government legislation	Deferred	N/A
C. HOUSING	Capital Projects - major works	Planning	Green
C. HOUSING	Leaseholder service charges	Fieldwork in progress	Amber
CEx	BCM	Fieldwork in progress	Red
CEx	Gangs	Planning	Green
SCHOOLS	Worcesters Primary	Draft report issued	Green
SCHOOLS	St Johns Primary	Complete	Green
SCHOOLS	Garfield Primary	Complete	Green
SCHOOLS	Alma Primary	Deferred	N/A
SCHOOLS	Honilands Primary	Complete	Green
SCHOOLS	Enfield Secondary Tuition Centre (PRU)	Complete	Green
SCHOOLS	Forty Hill Primary	Complete	Green
SCHOOLS	St Paul's Primary	Complete	Green
SCHOOLS	Carterhatch Infants	Complete	Green
SCHOOLS	Durants Special	Complete	Green
SCHOOLS	Our Lady of Lourdes Primary	Complete	Green
SCHOOLS	St James' Primary	Planning	Green
SCHOOLS	St Mary's Primary	Complete	Green
SCHOOLS	Latymer All Saints Primary	Draft report issued	Green
SCHOOLS	Highfield Primary	Planning	Green
SCHOOLS	Capel Manor Primary	Fieldwork in progress	Green
SCHOOLS	St Andrew's Enfield Primary	Planning	Green
SCH - NEW	Houndsfield School - Onsite Follow Up	Planning	Green
SCH - NEW	St Matthew's School	Planning	Green
SCH - NEW	Enfield County Sch - Grant Certification	Fieldwork in progress	Amber
SCH - NEW	Durants Sch - Grant Certification	Cancelled	N/A

## Appendix 2 – Changes to the 2017/18 approved internal audit plan

Area	Audit	Change	Explanation
CEx - Housing	Preparedness for Changes in Legislation	(1)	Deferred as legislation not yet confirmed
Trading Companies	Financial Management	+1	Identified as high risk from assurance mapping for Energetik and Housing Gateway Ltd
	Contract Management (Energetik)	+1	Identified as high risk from assurance mapping for Energetik
	Income Management (Energetik)	+1	Identified as high risk from assurance mapping for Energetik
	Performance Management (HGL)	+1	Identified as high risk from assurance mapping for Housing Gateway Ltd
HHASC	Direct Payments	+1	Requested by management
HHASC	Income Collection and Debt Management	+1	Identified as high risk from assurance mapping for assessments and placements
R&E	Cycle Enfield	+1	Brought forward from 2016/17 audit plan
	Bus Subsidy Grant	+1	Requested by management as grant conditions required certification of usage
SCHOOLS	Houndsfield School - Onsite Follow Up	+1	Requested by management
	St Matthew's School	+1	Requested by management
	Alma Primary	(1)	Deferred as requested by management
	Grant Certification – Enfield County School	+1	Requested by school
	Grant Certification – Durants School	+1-1	Requested by school, subsequently cancelled
FRCS	Pensions (Admitted body contributions)	+1-1	Management concerns over the accuracy and completeness of contributions from admitted bodies, subsequently cancelled as concerns can be addressed by increased scope of pensions audit already planned.

### Appendix 3: Counter Fraud Team – Summary of Outcomes (1 April 2017 – 30 November 2017)

#### Investigation cases

Fraud Type	Current caseload	Outcomes on completed cases 01/04/2017 – 22/11/2017						
		Resignation	Dismissal	Disciplinary	Other *	Prosecution (pending)	No Further Action	Reports issued
Employee fraud	3	1						1
Misappropriation of client funds	1						1	1
Direct Payments	2				1			
Breach of financial regulations (Schools)	1							1
Theft	1							1
Procurement	1							1
Fraud	8				1		1	
Local Taxation Fraud	12				24	1		
Proactive exercises	3							
No Recourse to Public Funds	46				6			40
Right To Buy	25				8			66
<b>Totals</b>	<b>103</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>1</b>	<b>2</b>	<b>111</b>

#### \*Other outcomes include:

Category	No. of cases	Outcomes
Local Taxation Fraud	24	18 Council Tax overpayment invoices raised; 5 Council Tax Support Scheme Penalties levied; 1 Single Person Discount removed.
No Recourse to Public Funds	6	5 cases where support not paid/approved; 1 where payments reduced.
Right To Buy	8	8 applications stopped.
Direct Payments	1	Direct payments stopped.
Fraud	1	Prevented payment of decant grant (Council Housing)