

# MUNICIPAL YEAR 2019/2020 REPORT NO. 237

**MEETING TITLE AND DATE:**

Audit and Risk Management  
Committee  
5<sup>th</sup> March 2020

**REPORT OF:**

Director of Law and Governance

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<b>Agenda - Part:</b>	<b>Item: 14</b>
<b>Subject: Audit and Risk Management Service Progress Report</b>	
<b>Wards: All</b>	
<b>Cabinet Member consulted:</b>	N/A

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## 1. EXECUTIVE SUMMARY

- 1.1 Progress has been made with delivering the 2019/20 Internal Audit plan, with 98% of reviews having commenced. Of these, 36% have been finalised. This compares to 98% commencement and 38% completion as at 31 January 2019.
- 1.2 Since the audit plan was agreed in June 2019, 14 audits have been cancelled but a further five have been added to the plan.
- 1.3 22 audits have been completed since the start of the year. Seven were grant certifications or management letters and therefore an assurance opinion has not been given. Of the remaining 15, there was one No Assurance report, five Limited Assurance reports and nine Reasonable Assurance reports.
- 1.4 Tracking of agreed actions arising from internal audit work has confirmed that managers have implemented 59% of high priority and 46% of medium priority actions, which were due to be implemented by 31 January 2020. A summary of overdue high-risk audit recommendations at 31 January 2020 is also presented.
- 1.5 A summary of proactive, reactive and preventative fraud work that has been undertaken by the Counter Fraud Team is reported. Analysis of current caseload and closed cases is included.
- 1.6 The Counter Fraud team is also achieving its KPIs with year to date identified savings of £3.04m achieved.

- 1.7 An update on KPIs for the Insurance Team and litigated successes are included.

## **2. RECOMMENDATIONS**

- 2.1 To note the performance of the Audit and Risk Management Service to date
- 2.2 To provide feedback on the contents of this report.

## **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 and Risk Management Committee.

3.2 The Internal Audit Plan for 2019/20 was submitted to and agreed by the Audit and Risk Management Committee on 19 June 2019.

3.3 This report summarises the work completed by the Audit and Risk Management Service (ARMS) between 1 April 2019 and 31 January 2020

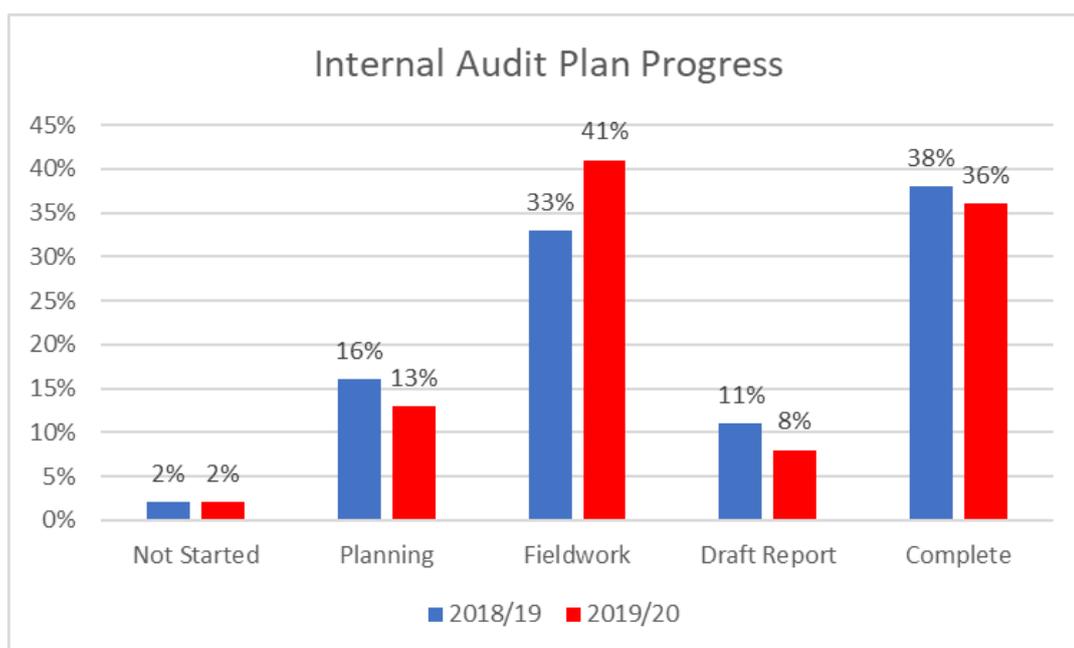
### **2019/20 Audit and Risk Management Service Progress Update**

#### **Internal Audit**

3.4 During the period 1 April 2019 to 31 January 2020, the Internal Audit team has commenced 60 assignments (98% of the current plan) of which 22 (36%) have been completed. For the period to 31 January 2019, 62 audits (98%) had commenced and 24 (38%) had been completed.

The following chart summarises the 2019/20 progress compared to 2018/19:

**Chart 1: 2019/20 Internal Audit Progress vs 2018/19**



### Changes to the 2019/20 Internal Audit Plan

3.5 Since the 2019/20 Audit Plan was approved by the Audit & Risk Management Committee in June 2019, 14 audits have been cancelled and five further audits have been added.

3.6 The cancelled audits are:

**Table 1: Cancelled Audits**

Audit	Reason for Cancellation
Physical Access to Council Properties	A separate review was carried out following security breach
LATC Assets	Assurance provided by the external auditors superseded this audit
Oakthorpe School Grant Certification	Despite reminders, the School has not provided the information for this audit.
Outsourcing of DPO function	Deferred to 2020/21 as current contract remaining in place.
St. Andrew's Enfield CofE Primary School	Agreed with Education Services
Oaktree School	Agreed with Education Services
Recruitment	Agreed with Director of HR & OD to defer to 2020/21
Organisational Development	Agreed with Director of HR & OD to defer to 2020/21
Members' Ethics	Agreed with Director of Law and Governance to defer 2020/21

Audit	Reason for Cancellation
West Grove School	Agreed with Education Services
Cloud Technology	Deferred to 2020/21 plan due to project implementation delays
Housing Safety Checks	Agreed with Director of Housing Regeneration to defer to 2020/21.
EIL Business Plan	Agreed with Managing Director to cancel
HGL Refinancing	Cancelled as HGL will no longer be externally refinanced

3.7 The audits added to the plan are:

**Table 2: Audits Added to the 2019/20 Plan**

Department	Audit
PLACE	Bus Service Operator Grant (BSOG) Survey and Declaration 2019
PEOPLE	Brokerage Follow-Up
CEX	Part Owned Companies Follow-Up
PEOPLE	School Centred Initial Teacher Training (SCITT) Grant Certification (Hazelwood School)
PEOPLE	Strategic School Improvement Fund Grant Certification

### Completed Audits

3.8 22 audits have been completed so far this year and these are summarised below.

**Table 3: Completed Audits at 31 January 2020**

Department	Title	Assurance Level
Resources	Part Owned Companies	No
Schools	Merryhills Primary School	Limited
Schools	Highlands School	Limited
Chief Executives	IR35	Limited
Resources	Accounts Receivable	Limited
Resources	Financial Assessments Team	Limited
Resources	Housing Rents	Reasonable
Place	SEN Transport	Reasonable
Place	Compulsory Purchase Orders	Reasonable
Place	Planning	Reasonable
People	Mental Health	Reasonable

Department	Title	Assurance Level
People	Early Years Payments	Reasonable
People	Disabled Facilities Grant	Reasonable
Schools	Waverley School	Reasonable
Schools	Latymer All Saints Primary School	Reasonable
Place	BSOG Survey and Declaration 2019	N/A
Place	BEGIN Grant Certification	N/A
People	Troubled Families Phase 1	N/A
People	Troubled Families Phase 2	N/A
Schools	Highlands School Grant Certification	N/A
Chief Executives	Local Transport Capital Funding	N/A
Resources	IT Follow Ups	N/A

3.9 The following summaries from the audit reports briefly explain the reasoning behind *Limited Assurance* opinions issued since the last report.

### Accounts Receivable

This review identified 5 *medium risk* and 1 *low risk* findings:

- Approach to improve debt recovery and performance evaluation –**  
 The Internal Audit team was provided with the Exchequer Services Work Plan to evidence the overarching approach taken within the Accounts Receivable team to improve recovery. There is a single line in the document to establish an improved debt recovery process, but the document does not evidence ‘how’ this will be achieved. Further, there are no measurable aims to improve aged debt figures, for example, KPIs on recovery and percentage of aged debt compared to total debt. As there are currently no clearly defined KPIs and targets there is lack of clarity over the desired performance of the Council’s debt collection function and how effectively it has been during the reporting period.

In light of the information detailed in the table above, it would be beneficial to consider the recovery of significantly old balances, aged between 120 days – 1+ years when developing an impactful approach on debt recovery. The total aged balance aged over 120 days is a high proportion of total aged debt 48% (13%+35%). More effective recovery of this would greatly improve the Council’s working capital position.

- No periodic review of process documentation -** We noted that the Corporate Debt Recovery Policy (dated December 2012) and the Debt Recovery Procedure (dated October 2016) are not periodically reviewed or updated. Although there have been some changes to the actual working procedure, the changes are not reflected in the latest versions of the

documents. Also, the Debt Recovery Procedure lacks clear and set timeframes for recovery procedures after the first attempted recovery.

- **A lack of defined procedures to follow up on aged debt** – There are no defined criteria for follow-up of debts or standard procedures to be followed. There are no set timeframes for follow ups which can lead to inefficiencies. Once a demand letter is sent out (when the payment deadline passes), the recovery officers wait for a few weeks based on their judgment before sending out another letter or attempting to contact the debtor via phone. This may lead to reduced collection rates and hence financial loss or weaker working capital for the Council.
- **Inadequate follow up and inaccurate aged debt schedules** – Testing results identified two instances where debtors had not been contacted for at least 3 months within a 6 month period. This may lead to non-payment and financial loss to the Council or a weaker cash flow position. In addition, two instances of debt schedule inaccuracies were noted. One invoice was disputed but was still included in the aged debt listing and had not been transferred to the disputed invoice listing. In the other instance, a settled invoice was still within the disputed invoice listing and had not been transferred out of accounts receivable schedule. This may lead to inaccurate information being presented to decision makers.
- **Coordination with relevant departments** – There is a lack of coordination between the Accounts Receivable team and service teams raising the invoices. Two instances were identified where a Debtor had requested the PO number to make the payment against in April and May 2019 respectively. The Accounts Receivable team contacted the service team to provide the PO number but did not receive a response for three months. The payment was held by the Debtor until the PO number was provided. The total amount for these two invoices was approximately £11,000. A lack of coordination could result in reduced effectiveness of the debt collection process and adversely affect the Council's financial position.

There is a significant portion of debt (88%) over the 30 days payment terms. Alternative channels should be explored with the service teams to instil discipline in customers to pay within the agreed payment terms. Lastly, analysis should be performed on late payers to assess a range of sanctions/escalations that can be applied. This should be agreed with the customer to ensure expectations are managed appropriately.

One *low risk* finding was also identified.

## **Financial Assessments Team**

This review identified two *high risk*, four *medium risk* and one *low risk* finding for management's attention.

Our key findings are centred on a lack of a formalised policy and procedures. There is no formalised process to complete certain tasks such as investigating quarterly debt reports and discussing outcomes regularly at management meetings. Additionally, there is a lack of clarity over individual staff responsibilities and the responsibilities of the team as a whole.

The following *high risk* findings were identified:

- **A Lack of a Formal Policy, Procedure Document and Clearly Defined Roles and Responsibilities** – There is no formalised policy and procedure document in place for the Financial Assessments process, instead the team currently uses information booklets intended for the customer. Due to there being no documentation covering roles and responsibilities, there is a lack of clarity over ownership of key tasks in the Financial Assessments process.
- **A Lack of Monitoring of Aged Debt Balances** – There is no formalised process for monitoring aged debt balances. We noted a lack of audit trail evidencing detailed investigation and monitoring of the aged debt reports. Two aged debtors' reports are run; one debt report is used for investigating outstanding payments, but this occurs on an ad hoc basis (around every six - eight weeks) and not at set intervals. The second report is produced by the Council's Exchequer function on a quarterly basis, which covers the debt of the entire Council, including adult social care. It was noted that only the quarter four report is discussed at management meetings and the other quarters are not reviewed or discussed. As at 12th November 2019, the debtor balance of invoices over the 28 day payment period is £10,241,959 – this includes all service users in the CareFirst system who are currently receiving care from the Council or have received support in the past.

The following *medium risk* findings were identified:

- **Overreliance on Key Individuals** – It was noted that there was an overreliance on the Team Manager who makes changes in the CareFirst system without any independent or senior review. We noted Officers were unable to operate independently, instead relying on the Team Manager to provide guidance.
- **No Record of Financial Assessment Changes** – Whilst it is the customers' responsibility to notify the Council when there has been a change in circumstance, we found that the Financial Assessments team do not hold a record of changes made to customer assessments. As such, there is no way to monitor and track the timeliness of changes to Financial Assessments.
- **Timeliness of Assessments** – Of a sample of 25 financial assessments, we noted seven exceptions (28%) which had not been completed within 21 days as specified in the KPI. This KPI's binary way of measuring timeliness is restrictive as it only indicates whether an assessment was completed in time or not and does not provide comprehensive insight over the

performance of the department as a whole. The KPI only covers the financial assessment process and does not factor in on-going changes to financial assessments, reassessments, the quality of service provided to the customer or the invoicing process.

- **A Lack of Formalised Review of Invoices** – Invoices are processed on a monthly basis and independent checks are performed over the accuracy of invoice amounts, however there is no formally documented sign off of the review and approval performed.

One *low risk* finding was also identified.

### **Managers' progress with implementing internal audit actions**

3.10 The Internal Audit and Risk Management team is responsible for tracking managers' progress with the implementation of internal audit actions.

3.11 The results of follow-up work relating to actions that were due to be implemented by 31 January 2020 are summarised in the chart below. Overall, 59% of *high risk* and 45% of *medium risk* actions had been fully implemented by that date.

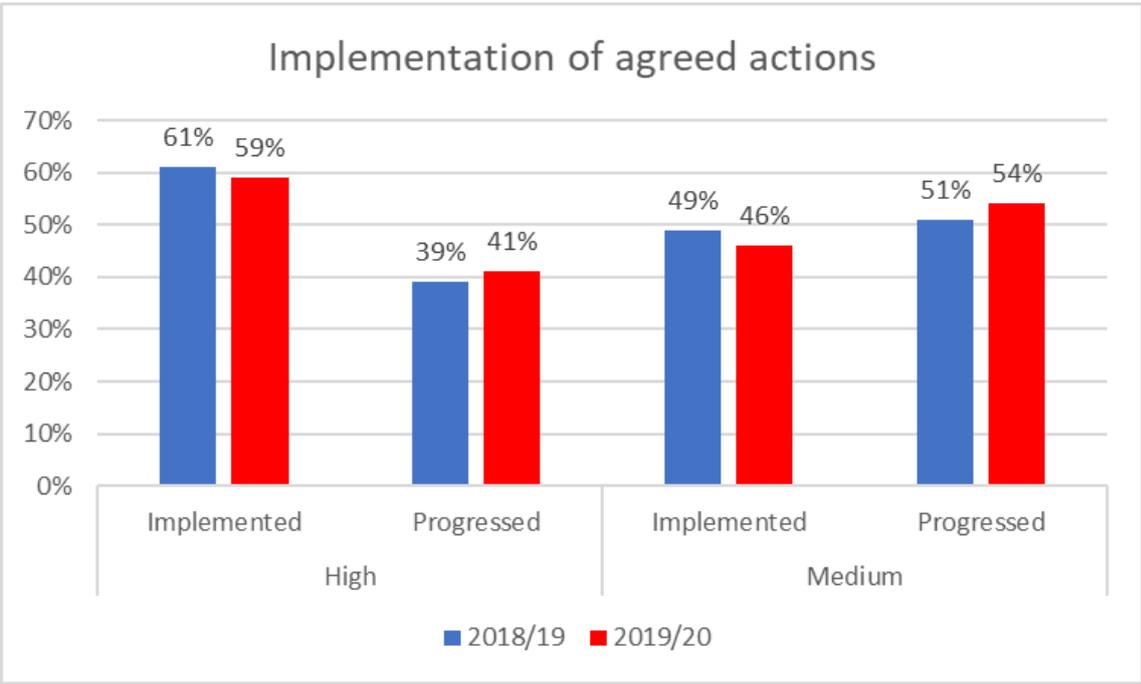
3.12 Of the 27 *high risk* actions that were overdue at 31 January 2020, 6 related to schools

3.13 Details of the remaining 21 *high risk* actions in progress are provided in **Appendix B**.

3.14 A total of 247 actions have been followed up as at 31 January 2020 This is a significant increase compared to 31 January 2019, when 187 actions were followed up.

3.15 Officers responsible for overdue *high risk* actions have attended Assurance Board recently, and the Assurance Board continues to monitor overdue actions.

**Chart 2: Managers' progress with implementation of agreed audit actions**



**School Audits**

An escalation process for outstanding school audit actions has been agreed between Internal Audit and the Executive Director, People and the Director of Education. Please see **Appendix C**.

**Internal Quality Assessment**

The performance of the Internal Audit service for 2018/19 to 31 December 2018 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	17
Days from receipt of management comments to issue of final report	10	7
Level of satisfaction score with audit work	80%	90%
% of the audit plan delivered to draft report stage	95% (by 31 March)	44%

**Counter Fraud**

3.21 The Counter Fraud team continues to deliver positive outcomes. Tables 5 and 6 show results achieved as at 31 January 2020.

**Table 5: Overall Counter Fraud Achievements**

Fraud Type	Annual Target	Cumulative Target January 2020	Actual January 2020	Variance
Council Properties Recovered *	75	62	47	- 15
TA / HA Properties Recovered *	25	21	30	+ 9
<b>Overall</b>	<b>100</b>	<b>83</b>	<b>77</b>	<b>- 6</b>

<b>Total Savings from Frauds Investigated or Prevented **</b>	<b>£2,750k</b>	<b>£2,291k</b>	<b>£3,041k</b>	<b>+ £750k</b>
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\* Includes recoveries identified by the Council Housing and Temporary Accommodation teams, supported by Counter Fraud Officers

\*\* Includes 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 6: Counter Fraud Savings Analysis**

	Investigations		Fraud Prevention		Total (£)
	Saved for LBE (£)	Saved for DWP (£)	Saved for LBE (£)	Saved for DWP (£)	
Housing Benefit (DWP)	-	564,677	-	-	564,677
Council Tax: Reduction Scheme	135,623	-	-	-	135,623
Council Tax: Single Person's Discount	41,358	-	-	-	41,358
Benefit Penalties	8,359	-	-	-	8,359
Direct Payments	107,367	-	-	-	107,367
Housing Regeneration	-	-	8,800	-	8,800
Other	125,333	-	-	-	125,333
NRPF: 16 cases @ £17.2k per case	-	-	275,200	-	275,200
RTB Value of discounts refused – 17 cases	-	-	1,774,400	-	1,774,400
Theft	-	-	-	-	-
	<b>418,040</b>	<b>564,677</b>	<b>2,058,400</b>	<b>-</b>	<b>3,041,117</b>
<b>NOTIONAL HOUSING SAVINGS ***</b>					
Council properties recovered: 47 (rebuild value of £150k per property)	-	-	7,050,000	-	7,050,000
TA properties recovered: 30 (annual average cost of £2.5k per property)	-	-	75,000	-	75,000
<b>TOTAL</b>	<b>418,040</b>	<b>564,677</b>	<b>9,183,400</b>	<b>-</b>	<b>10,166,117</b>

*\*\*\* Included with effect from January 2019. Central Government estimate a loss to the public purse of £18k per property that has been subject to social housing fraud; in addition, the Chartered Institute of Housing estimate the average cost of building a new home to be £150k. The Notional Value of a Temporary Accommodation recovery is based on the net annual cost to the Council of acquiring a property for use as temporary accommodation.*

## **Counter Fraud Activities Overview**

The team of 10 staff continue to deliver very positive results, having detected or prevented fraudulent activity to the value of £3.04m as at 31 January 2020.

Currently 5 of the 6 investigators are deployed to provide full-time counter fraud support to specific service areas, as follows:

### **Council Housing**

There are three investigators co-located within Council Housing; two support to the Neighbourhood Team, dealing with tenancy issues including non-residency or subletting, and the third verifies every Right to Buy application received.

### **No Recourse to Public Funds (“NRPF”) Activities**

Another investigator is located alongside the Housing and Immigration Service at John Wilkes House. This investigator assists in verifying applications for housing and subsistence from households who have no recourse to public funds due to their immigration status. This includes establishing financial circumstances and housing history, as well as carrying out visits and interviews.

### **Housing Options**

With effect from the beginning of January 2020, a Counter Fraud Officer has been based within the Housing Options Team at John Wilkes House. This six-month pilot is aimed to help verify new ‘host ejection’ applications for housing assistance made to the Council. The Counter Fraud Officer will also review 10% of the Group 4 applicants who have been on the Housing Needs Register prior to 9<sup>th</sup> November 2012 (pre-localism) in order to determine if their housing need has changed. The project has already seen one family’s need reduced from a three-bed property to a two-bed property and one applicant permanently being removed from the register.

### **Counter Fraud Activities – Quarter 3 2019/20**

The team continues to undertake reactive work and proactive projects, some examples are given below:

#### **International Fraud Awareness Week**

International Fraud Awareness Week took place between 17<sup>th</sup> and 23<sup>rd</sup> November 2019.

The Counter Fraud Team provided fraud awareness sessions each day at four different Council locations. The sessions covered personal and work-related fraud risks, as well as an insight into the work the Counter Fraud Team are currently undertaking. There was also an opportunity following these sessions for all Council staff to meet members of the Counter Fraud Team for informal discussions about fraud concerns.

The events were very well received, and the Counter Fraud Team have taken note of several suggestions made by staff which may lead to potential further proactive work for the team.

### **Housing Repairs project**

We are currently undertaking a review of all tenancies where there have been no housing repairs or contact with Council staff for over two years as this could indicate non-residency and/or subletting. A number of tenancies have now been identified for further investigation by the team. Additional issues have been identified and referred to the relevant teams in respect of general tenancy and Council Tax anomalies.

### **Council Tax Single Person Discount Data Matching**

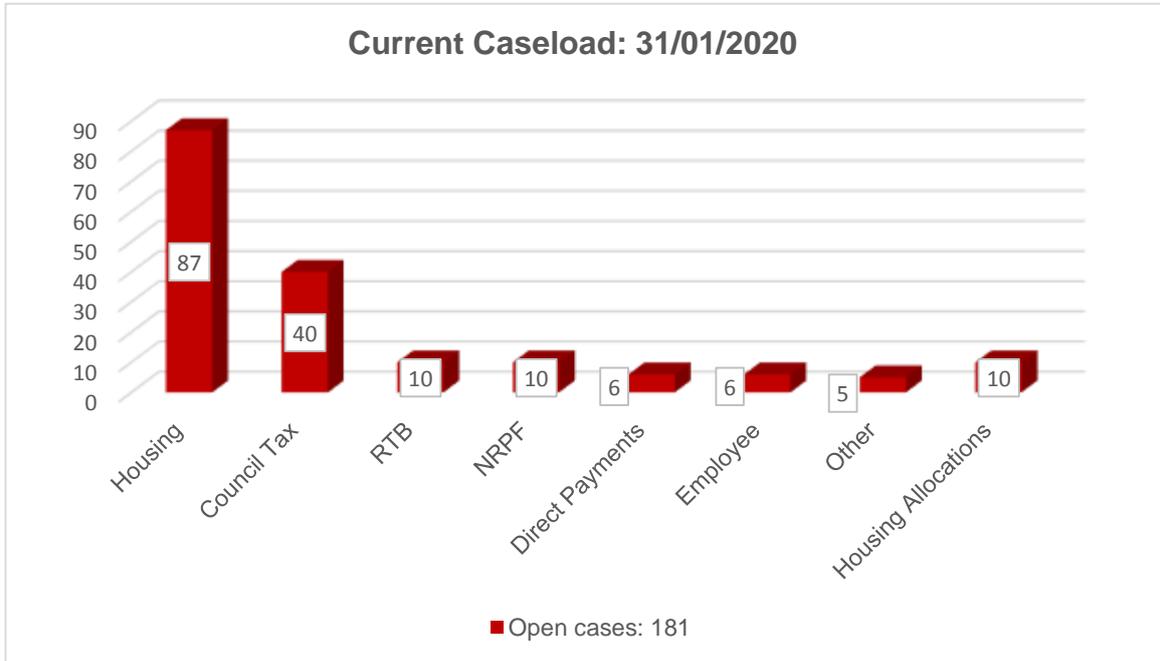
Our Apprentice is continuing to work on this exercise which involves identifying households claiming a 25% Single Person Discount (SPD) on their Council Tax bill but where two or more names appear on the corresponding Electoral Register entry.

So far, 92 SPDs have been cancelled and £40k additional Council Tax has been billed to customers. More cases are expected to follow.

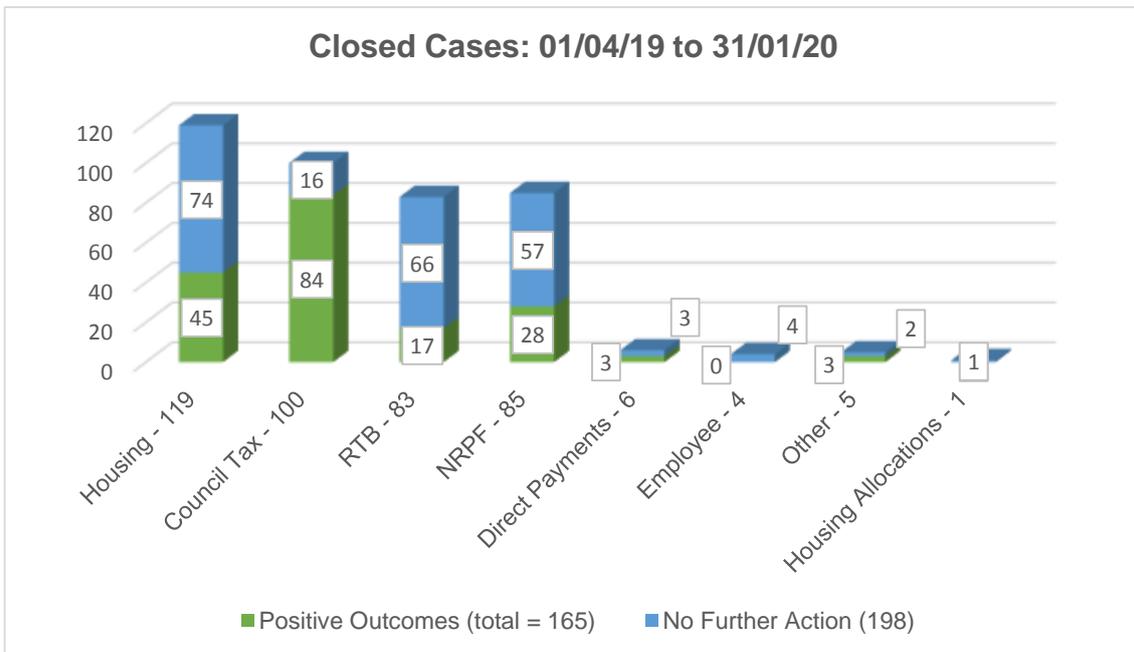
### **Counter Fraud Caseload**

The team's current caseload is summarised in the following charts:

**Chart 3: Counter Fraud Current Caseload**



**Chart 4: Counter Fraud Closed Cases**



A positive outcome is defined as follows:

Housing	Property recovered
Council Tax	Overpayment raised, or financial penalty imposed

Right to Buy	Application cancelled
NRPF	Application cancelled or level of support reduced
Direct Payments	Overpayment raised
Employee	Disciplinary action resulted

The financial values attributed to these outcomes are shown in tables at the beginning of this section.

## Insurance

### Significant claims

The Council previously received a claim from a member of staff who fell from height sustaining serious injuries, the reserve placed on the claim was £195,000.

An extensive investigation was undertaken, and it was found that the Council had not been negligent or in breach of its statutory duties and therefore matter was declined. This declinature has been successful, and we are in the process of closing this claim.

Performance of the Insurance Team against 2019/20 KPIs is summarised in the table below:

**Table 7: Insurance Team Performance against 2019/20 KPIs**

KPI / Quality Metric	Target	Jan 20 Actual
% of new claims responded to within 24 hours	95%	100%
% of other correspondence processed within 10 days	80%	65%
Data accuracy - % of claims data correctly input in insurance database	90%	85%
Number of Pre-Action Disclosure Applications against the Council	Max. of 5	1
Reserve retained	65%	49%

Current abuse cases notified to the Insurance Team are summarised in the table below:

**Table 8: Current Abuse Cases**

Incident date	Department/Service Area	Notification date	Claimant Allegations	Total Reserve
01/04/2011	Safeguarding	21/08/19	Failure to remove	£103,000
01/07/2007	Safeguarding	10/07/19	Failure to remove	£65,000
01/01/2018	Safeguarding	08/07/19	Abuse (no formal claim disclosure only)	£10,000 (own Solicitors costs)
01/04/1982	Schools - Secondary	12/09/18	Historic abuse	£70,000
01/04/1982	Schools - Secondary	22/01/18	Historic abuse	£100,000
01/04/2013	Schools - Secondary	18/09/15	Abuse/Sexual Assault	£135,000

17/08/2012	Safeguarding	02/10/19	Historic abuse	£100,000
			<b>TOTAL</b>	<b>£583,000</b>

The team's key litigated successes in 2019/20 are provided in the table below.

**Table 9: Key Litigated Successes 2019/20**

Department	Incident date	Claimant Allegations	Outcome	Total Reserve
Waste/Parks	07/07/2016	Employers' Liability Scold injury	Claim discontinued pre-trial	£15,194
Highways	17/01/2015	Public Liability Paving trip	Claim won at trial	£34,329
Highways	12/05/2014	Public Liability Paving trip	Claim discontinued pre-trial	£23,000
Waste/Parks	09/12/2014	Employers' Liability Chair collapsed	Claim discontinued pre-trial	£68,915
Waste/Parks	14/05/2015	Motor Low velocity impact	Claim discontinued pre-trial	£21,384
Schools Meals Service	29/04/2014	Employers Liability Slip	Claim won at trial	£85,000
Highways	21/03/2016	Public Liability Paving trip	Claim discontinued pre-trial	£36,150
Waste/Parks	22/03/2013	Motor Hit third party	Claim discontinued pre-trial	£10,729
Schools	02/09/2013	Employers Liability Slip	Claim discontinued pre-trial	£67,700
Highways	28/04/2014	Public Liability Paving trip	Claim won at trial	£20,250
Street Cleansing	12/05/2016	Employers Liability Manual Handling	Claim discontinued pre-trial	£17,500
Waste/Parks	27/01/2019	Motor Hit third party	Claim won at trial	£25,046
			<b>TOTAL</b>	<b>£427,197</b>

*Attempts are made on all discontinued claims to recover the Council's defence costs*

### **Update on Local Government Association (LGA) Mutual**

Due to the limited number of insurance companies in the market willing to insure local authorities, the Local Government Association have developed an Insurance Mutual. The Mutual aims to offer affordable, high quality risk transfer and risk management through a mutual structure for the benefit of the local government sector.

The London Borough of Enfield is a founding member of the LGA Mutual and it was hoped that the Mutual would be able to provide terms to the Council for insurance cover to commence on 1 April 2019. However, at the time of tendering the contract in December 2018 the LGA Mutual was unable to offer any terms, as they were still in the process of finalising their business model.

The Council remains committed to the idea of the mutual and as such the current insurance contract has been tendered on the basis of a five-year contract (3 years +1 +1). There is therefore a natural break in the Contract after three years for the Council to consider placing their risks with the LGA Mutual.

We are awaiting further communication from the Local Government Association in relation to the offer they are proposing to provide in the next financial year.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

N/A

#### **5. REASONS FOR RECOMMENDATIONS**

#### **6. COMMENTS FROM OTHER DEPARTMENTS**

##### **6.1 Financial Implications**

There are no financial implications arising directly from the Internal Audit and Risk Management Progress Report.

##### **6.2 Legal Implications**

The Council's chief finance officer (the 'Section 151 officer' – section 151 Local Government Act 1972) has statutory status and is responsible for financial administration. The chief finance officer is also under a statutory duty to issue a formal report if s/he believes that the Council is unable to set or maintain a balanced budget (the 'section 114 report' (section 114 Local Government Finance Act 1988)).

The Accounts and Audit Regulations 2015 (the '2015 Regulations') places an obligation on local authorities to maintain a system of internal audit whereby it:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

The internal audit must be an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

Each financial year the council must conduct a review of the effectiveness of the system of internal control required by regulation and prepare an Annual Governance Statement.

This report addresses the statutory obligations under the statutory obligations for local audit processes in compliance with the 2015 Regulations.

### **6.3 Property Implications**

There are no property implications in relation to this report aside from specific findings and actions included in Internal Audit and Counter Fraud reports specifically mentioned.

## **7. KEY RISKS**

Any large, complex organisation needs a well-established and systematic risk management framework in place to identify and mitigate the many risks it may face. As part of the Council's framework, individual Internal Audit reports document the specific risks that arise from the findings of the audits. These are addressed by mitigating actions agreed by relevant managers, which are then monitored in accordance with target implementation dates. This report forms part of the risk management and governance process.

## **8. IMPACT ON COUNCIL PRIORITIES - CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

### **8.1 Good Homes in Well-Connected Neighbourhoods**

N/A

### **8.2 Sustain Strong and Healthy Communities**

The Commissioning (Brokerage) 2018/19 Audit Report directly speaks to the Council's priority of Sustaining Strong and Healthy Communities by assessing the processes around the procurement of care services from external care providers.

### **8.3 Build our Local Economy to Create a Thriving Place**

The Commissioning (Brokerage) 2018/19 Audit Report by assessed the processes around the procurement of care services from external care providers.

## **9. EQUALITIES IMPACT IMPLICATIONS**

This report does not require an Equalities Impact Assessment

## **10. PERFORMANCE AND DATA IMPLICATIONS**

There are no performance and data implications arising from this report.

### **Background Papers**

N/A

## Appendix A

### 2019/20 Audit Plan Status

Department	Title	Audit Status
Chief Executives	Members' Ethics	Deferred
Chief Executives	IR35	Complete
Chief Executives	Audit of the accounts of the The Mayor of Enfield's Charity Appeal Fund	Draft report issued
Chief Executives	Data Quality	Draft report issued
Chief Executives	Local Transport Capital Funding	Complete
Chief Executives	Freedom of Information	Fieldwork in progress
Chief Executives	Complaints Handling	Fieldwork in progress
Chief Executives	Outsourcing of DPO function	Cancelled
Chief Executives	Recruitment	Deferred
Chief Executives	Part owned Companies Follow-Up	Draft report issued
Cross Cutting	Physical access to Council properties	Cancelled
Cross Cutting	Contract Management	Fieldwork in progress
Cross Cutting	Risk Management	Planning
Cross Cutting	Equalities	Fieldwork in progress
Cross Cutting	Organisational Development	Deferred
Schools	Enfield County School for Girls - Schools Direct Grant Certification	Not Started
Schools	Oaktree School	Cancelled
Schools	Merryhills Primary School	Complete
Schools	Oakthorpe Primary School	Fieldwork in progress
Schools	Honilands Primary School	Planning
Schools	Southbury Primary School	Planning
Schools	St. Georges Enfield Catholic Primary School	Fieldwork in progress
Schools	Suffolks Primary School	Planning
Schools	West Grove Primary School	Deferred
Schools	Highlands School	Complete
Schools	Waverley School	Complete
Schools	The Raglan Schools	Planning
Schools	St. Andrew's Enfield CofE Primary School	Cancelled
Schools	Bishop Stopford's School	Fieldwork in progress
Schools	Latymer All Saints CofE Primary School	Complete
Schools	St John & St James CE Primary School	Fieldwork in progress
Schools	Highlands School Grant Certification	Complete
Schools	Oakthorpe School Grant Certification	Cancelled

Department	Title	Audit Status
Schools	SCITT (Hazelwood School)	Fieldwork in progress
LATC	LATC Assets	Cancelled
LATC	IWE Procurement Process	Cancelled
LATC	EIL Business Plan	Deferred
LATC	HGL Refinancing	Cancelled
People	Troubled Families Grant Claims April 2019	Complete
People	Troubled Families Grant Claims May 2019	Complete
People	Troubled Families Grant Claims June 2019	Complete
People	Troubled Families Grant Claims July 2019	Complete
People	Troubled Families Grant Claims August 2019	Complete
People	Troubled Families Grant Claims September 2019	Complete
People	Troubled Families Grant Claims October 2019	Complete
People	Troubled Families Grant Claims November 2019	Complete
People	Troubled Families Grant Claims December 2019	Complete
People	Troubled Families Grant Claims January 2020	Fieldwork in progress
People	Troubled Families Grant Claims February 2020	Not Started
People	Troubled Families Grant Claims March 2020	Not Started
People	Guardianship	Fieldwork in progress
People	Early Years Payments	Complete
People	Disabled Facilities Grant	Complete
People	Mental Health	Complete
People	Brokerage Follow-Up	Draft report issued
People	Grant Certification Strategic School Improvement Fund (SSIF)	Fieldwork in progress
Place	Compulsory Purchase Orders	Complete
Place	BEGIN Grant Certification	Complete
Place	SEN Transport	Complete
Place	Youth Centres	Fieldwork in progress
Place	Meridian Water - Project Governance	Fieldwork in progress
Place	Meridian Water - Consultancy Spend	Planning
Place	Building Council Homes for Londoners/RTB One for One Replacement Scheme	Fieldwork in progress
Place	Land valuations	Fieldwork in progress
Place	Homelessness	Fieldwork in progress
Place	Management of Temporary Accommodation	Planning
Place	Housing Safety Checks	Deferred
Place	Planning	Complete
Place	BSOG Survey and Declaration 2019	Complete

Department	Title	Audit Status
Place	Management of Lift Maintenance	Deferred
Resources	Procurement Cards	Fieldwork in progress
Resources	Quality Team Follow Up	Draft report issued
Resources	Financial Assessments Team	Complete
Resources	Commercialism	Fieldwork in progress
Resources	Financial Resilience	Fieldwork in progress
Resources	Resourcing and management of trading companies	Fieldwork in progress
Resources	Accounts Receivable	Complete
Resources	Income Reconciliation	Fieldwork in progress
Resources	General Ledger (SAP)	Fieldwork in progress
Resources	Payroll	Planning
Resources	Housing Rents	Complete
Resources	IT Project Delivery	Fieldwork in progress
Resources	Cloud Technology Management	Deferred
Resources	Business Partnering Effectiveness	Fieldwork in progress
Resources	Part Owned Companies	Complete
Resources	IT Follow Ups	Complete
Resources	General Ledger – Follow up	Deferred

## Overdue High Risk Audit Actions

Audit Name	Agreed Action	Original Due Date	Department	Assurance Board Attendance	Status at 1 <sup>st</sup> February	Revised Target Date
<b>Capital Budget Management</b>	<p><b>Capital Review Board</b></p> <p>The Terms of Reference for the Capital Review Board (or an alternative forum) are upgraded to ensure that its purpose is clear, including that the Board, in addition to reviewing and approving new capital schemes, is the primary forum for capital monitoring once projects are agreed. Requirements for reporting to the Board will be clarified and agreed, including: -</p> <ul style="list-style-type: none"> <li>• Project and programme level performance monitoring against cost, time and scope targets</li> <li>• Clearly defined project milestones for monitoring and reporting</li> <li>• How often the Board will meet, and who is responsible for organising meetings</li> <li>• Detail of project risk reporting, including identification, likelihood, financial impact and actions taken</li> </ul>	30 Set 2019	<b>Resources</b>	Oct 2019	Currently being reviewed. Target date was revised following attendance at Assurance Board.	31 Mar 2020
<b>Capital Budget Management</b>	<p><b>Challenge and Scrutiny of Budgets</b></p> <p>The Capital and Projects Team will ensure that:</p> <ul style="list-style-type: none"> <li>• All capital expenditure is supported by an approved DAR</li> <li>• All Delegated Authority Reports (DARs) are supported by detailed costings, milestones and risks Detailed guidance will be put in place regarding how DARs are compiled, the level of financial detail required, and that financial</li> </ul>	30 Sep 2019	<b>Resources</b>	Oct 2019	Action progressed. Target date was revised following attendance at Assurance Board.	31-Mar-2020

Audit Name	Agreed Action	Original Due Date	Department	Assurance Board Attendance	Status at 1 <sup>st</sup> February	Revised Target Date
	<p>information should be reviewed and signed off by the Capital and Projects Team</p> <ul style="list-style-type: none"> <li>• All new projects are supported by a completed Project Evaluation Form which will be submitted to the Capital Review Board</li> <li>• A risk based approach to Capital monitoring is developed and approved by the Capital Board. This will clearly detail the method the team will use to carry out its role of review and challenge during each quarterly monitoring cycle and the justification for the chosen approach. This will also cover projects which are currently monitored monthly i.e. Meridian Water and whether there are other projects that should fall into this category</li> <li>• Quarterly reports to DMTs will detail which managers have completed their monitoring and those who have not</li> <li>• Team resources are considered</li> <li>• Capital expenditure is coded to capital accounts as it is incurred. Any reallocations between revenue and capital expenditure will be carried out monthly</li> <li>• Clear audit trails will be made available on the Capital Monitor showing changes in forecasts</li> <li>• Budgets submitted to Cabinet will be supported by a full budget review process rather than relying solely on the Q3 forecast</li> </ul>					
<b>Capital Projects</b>	<p><b>Procurement of Contract Administrators</b></p> <p>Wherever possible, contract administration tasks will be assigned to in-house officers through appropriate job descriptions and structures. Where consultants are utilised, management will utilise</p>	1 Oct 2018	<b>Place</b>	Sep 2019	Action progressed. Internal Audit meeting with Housing took place, Target	31 May 2020

Audit Name	Agreed Action	Original Due Date	Department	Assurance Board Attendance	Status at 1 <sup>st</sup> February	Revised Target Date
	framework agreements to procure CAs through mini-tender in order to demonstrate probity and will schedule procurement via a programme plan tracking spreadsheet, such that it is arranged sufficiently in advance to facilitate an effective process.				date has been revised.	
<b>Capital Projects</b>	<p><b>Provisional items or quantities</b></p> <p>Housing Property Services will ensure that independent advance surveys are planned and undertaken for all forthcoming projects, to inform more accurate specifications and tendered costs. Where advance surveys are not possible or economic to undertake (e.g. tower block roofing repairs), a maximum costing approach will be utilised to ensure that the specification, budget and tender covers the maximum anticipated costs.</p>	1 Oct 2018	<b>Place</b>	Sept 2019	Action progressed. Internal Audit meeting with Housing took place, Target date has been revised.	31 May 2020
<b>Capital Projects</b>	<p><b>Quality of tendered specification</b></p> <p>Tender documentation will be authorised for release by the Project Manager only when all relevant information is included and following a quality check. This will be evidenced by documented checklist, wherein the Project Manager will confirm in particular that: - Tender documentation is presented in the correct format; - Tender documentation is complete; and - Tender documentation does not include unnecessary personal details of tenants, leaseholders or any other personal data held by the Council.</p>	1 Oct 2018	<b>Place</b>	Sep 2019	Action progressed. Internal Audit meeting with Housing took place, Target date has been revised.	31 May 2020
<b>Cyber Security</b>	<b>Roles and responsibilities are unclear for security related stakeholders</b>	31 Aug 2019	<b>Resources</b>	Oct 2019	Action progressed.	31 Mar 2020

Audit Name	Agreed Action	Original Due Date	Department	Assurance Board Attendance	Status at 1 <sup>st</sup> February	Revised Target Date
	Review current roles and responsibilities and using a responsibilities assignment matrix, also known as a RACI matrix (because it distinguishes roles that are Responsible, Accountable, Consulted and Informed for specific tasks), clearly identify the participation of various roles in completing tasks or deliverables. Security team to engage with Operations team to redesign the vulnerability report so that it concentrates on the systems with identified vulnerabilities				Target date was revised following attendance at Assurance Board.	
<b>Cyber Security</b>	<p><b>No IT Security Strategy is currently in place</b></p> <p>Draft and agree an IT Security Strategy, including Cyber Security Operating Model, roles &amp; responsibilities taking input from Stakeholders within the Security and Operations team and wider Council stakeholders.</p>	30 Sep 2019	<b>Resources</b>	Oct 2019	Action progressed. Target date was revised following attendance at Assurance Board.	30 Apr 2020
<b>Ethical Standards</b>	<p><b>Declarations of Interest</b></p> <p>a) HR will address the discrepancies noted within the findings regarding the missing or incomplete documentation of the nine new starters.</p> <p>b) HR will review records for current staff to identify outstanding or missing codes of conduct signatures. These will be obtained.</p> <p>c) Officers will be required to complete an annual declaration of interests via iLearn, which will be monitored. Risk-based criteria (e.g. restriction to certain pay grades) may be applied if relevant and practical.</p> <p>d) Managers will be required to sign declarations of secondary employment to indicate they are aware</p>	1 Oct 2019	<b>Chief Executives</b>	Feb 2020	Action progressed. Recent attendance at Assurance Board to provide update	

Audit Name	Agreed Action	Original Due Date	Department	Assurance Board Attendance	Status at 1 <sup>st</sup> February	Revised Target Date
	<p>of the declarations made.</p> <p>e) Procurement processes will include a requirement for staff involved in those exercises led by the Procurement &amp; Commissioning Hub to complete a declaration of potential conflicts of interest for that specific exercise. The declarations will be uploaded onto the Council's e-procurement system.</p> <p>f) For devolved self-service procurement, the checklist (available on the Enfield Eye) will be updated to include a requirement to complete a declaration of potential conflicts of interest. The need to complete the declaration and for the declarations to be reviewed will be included in the staff procurement training.</p>					
<b>Expenses 2013/14</b>	<p><b>Validation of Authorised Claims – Operating Effectiveness</b></p> <p>A formalised process should be agreed and incorporated in the policy and procedures as to how authorisation of expense claims will be confirmed as appropriate. Consideration should be given to permitting submission of electronic claims, supported by an email trail confirming authorisation, and declarations from the claimant and the authorising officer. If hard copy claims are used, the form should require the name of the authorising officer to be printed alongside the officer's signature.</p>	31 Mar 2015	<b>Resources</b>	July 2019	Pushed back due to prioritisation by IT on other projects. Target date has been revised.	31 Mar 2020
<b>Housing Allocations</b>	<p><b>Management of access to Northgate</b></p> <p>Housing Management will urgently review the user</p>	1 Aug 2019	<b>Place</b>	July 2019	Action progressed. Target date has	1 Mar 2020

Audit Name	Agreed Action	Original Due Date	Department	Assurance Board Attendance	Status at 1 <sup>st</sup> February	Revised Target Date
	<p>access list for Northgate in conjunction with IT to ensure that all users who have left the Council or who no longer require Northgate access for their role will be removed. Any users who require a change of job role within the system will be moved. Housing Management, in collaboration with IT, will review the access structure to determine whether current job roles remain relevant. Removal of obsolete job roles and the creation of new job roles will be enacted as required. Housing Management will request a regular user report to be produced by IT, which will be reviewed regularly by managers to ensure all user accounts are promptly amended/ removed as necessary.</p>				been revised.	
<b>Housing Capital Projects</b>	<p><b>Signed Contracts</b></p> <p>a) For future works, we will ensure there is a signed contract in place with contractors before the commencement of works. When contracts are agreed, an electronic copy of the contract will be stored and will be available to employees of the Capital Programme Service within a shared folder. These actions will be completed for any new projects commencing on or after the target date.</p> <p>b) Additionally, for active projects, we will work with the Legal team to obtain copies all relevant contracts and will read the contracts to ensure the terms of the signed contracts align with our expectations. We will complete this action for currently active projects and will seek to complete this action by the target date.</p>	30 Jun 2019	<b>Place</b>	Sep 2019	Action progressed. Internal Audit meeting with Housing took place, Target date has been revised.	31 May 2020
<b>Housing</b>	<b>Council Approval of Variations</b>	30 Jun 2019	<b>Place</b>	Sep 2019	Action	31 May 2020

Audit Name	Agreed Action	Original Due Date	Department	Assurance Board Attendance	Status at 1 <sup>st</sup> February	Revised Target Date
<b>Capital Projects</b>	<p>We will write a clear policy around variations. This will be signed off at director level and will be reviewed at least annually going forwards. The policy will contain the following:</p> <ul style="list-style-type: none"> <li>• A process for approving variations whereby variations are approved in writing by Council officers including a clear description of the works and an associated monetary amount (or a maximum monetary amount if an exact amount is unknown).</li> <li>• The process for Emergency variations including retrospective approval by the Council We will institute a formal Scheme of Delegation for approvals of variations. This will indicate monetary thresholds where pre-approval is required by officers of different seniority within the Council. Documentary evidence of Council approval of variations in line with the policy will be retained in all cases. Details of this process will be included in the Project Management Manual currently being drafted.</li> </ul>				progressed. Internal Audit meeting with Housing took place, Target date has been revised.	
<b>IR35</b>	<p><b>Policies and procedures</b></p> <p>a) HR will review and update the relevant policies to ensure there are clear explanations of: - the definition of off-payroll workers -the end to end process for engaging off-payroll workers -the roles and responsibilities of hiring managers -operation of the Matrix contract -documentation to be retained -how costs are recorded on SAP -the</p>	1 Jan 2020	<b>Chief Executives</b>	Feb 2020	Action progressed. Recent attendance at Assurance Board to provide update	

Audit Name	Agreed Action	Original Due Date	Department	Assurance Board Attendance	Status at 1 <sup>st</sup> February	Revised Target Date
	<p>penalties for not complying with IR35 legislation</p> <p>b) HR will liaise with the Head of Procurement to ensure the Contract Procedure Rules are updated to reflect these amendments to Council policies.</p>					
<b>IT Operating Model Follow Up</b>	<p><b>Toolset configuration</b></p> <p>A Service Now Partner will be appointed, and a workshop will be scheduled to prioritise and formulate a prioritised implementation plan for tools that need development.</p>	1 Oct2 018	<b>Resources</b>	Oct 2019	Action progressed. Target date has been revised.	31 Mar 2020
<b>Leaseholder Service Charges</b>	<p><b>Ability of leaseholders to opt out of individual works</b></p> <p>A formal process and procedure will be developed for leaseholders to opt out of individualised works where the lease allows, taking into account any relevant regulations or legislation which may influence works.</p>	1 Apr 2018	<b>Place</b>	Sep 2019	We have been advised the action has been progressed. Target date revised.	31 May 2020
<b>Leaseholder Service Charges</b>	<p><b>Communication protocols and information exchange with Major Works team during projects</b></p> <p>Communication protocols will be determined, documented and agreed between the Home Ownership Manager and the Major Works Programme Delivery (MWPDP) Manager, for approval by the Head of Operations and the Head of Capital Programme.</p> <p>The procedures agreed will ensure that sufficient information is exchanged to enable the Service Charges &amp; Major Works (SCMW) team to remain aware of project developments and progress. In</p>	1 Apr2 018	<b>Place</b>	Sep 2019	We have been advised the action has been progressed. Target date revised.	31 May 2020

Audit Name	Agreed Action	Original Due Date	Department	Assurance Board Attendance	Status at 1 <sup>st</sup> February	Revised Target Date
	<p>particular:</p> <ul style="list-style-type: none"> <li>• Appropriate officers within the SCMW team will receive copies of monthly progress reports produced for each project. This will be utilised by the team to maintain their own monitoring records for project costs and progress.</li> <li>• The MWPD Manager will meet on a quarterly basis with the SCMW Team Manager, to discuss current projects' progress, and the forthcoming planned programme of projects.</li> <li>• Procedures will ensure a systematic review process to check final s20 information received for accuracy.</li> </ul>					
<b>Management of Green Belt</b>	<p><b>Current and future contractual arrangements</b></p> <p>a) We will begin a new contract re-tender process for management of the green belt, in a manner which will test the market to ensure the Council obtains value for money.</p> <p>b) We will work with Legal and Knight Frank / GVA to develop an interim agreement or contract to govern and monitor the arrangement for green belt management between now and the award of any new contract.</p>	1 Dec 2018	<b>Place</b>	Jan 2019	A brief for a re-tender is now being developed and it is proposed that this will be offered via an existing OJEU compliant Framework.	1 May 2020
<b>Management of Green Belt</b>	<p><b>Contractual performance review</b></p> <p>a) We will put in place a formalised review process to periodically review the arrangement to ensure that the service provider is adequately performing their role. This will be incorporated into any re-tender requirements.</p>	1 Dec 2018	<b>Place</b>	Jan 2019	Quarterly meetings are being held with Knight Frank with a review of performance.	31 May 2020

Audit Name	Agreed Action	Original Due Date	Department	Assurance Board Attendance	Status at 1 <sup>st</sup> February	Revised Target Date
	<p>b) The tender specification for procurement of a green belt contractor will include clear outcomes, performance targets, benefits and appropriate KPIs within the contract. c) Arrangements for regular monitoring of the KPI suite will be specified, including formal contract monitoring reports or exception reporting. These will be reviewed by the contract owner and appropriate action taken when non-compliance is identified.</p>				<p>A brief for a re-tender is now being developed and it is proposed that this will be offered via an existing OJEU compliant Framework</p>	
<p><b>Repairs and Maintenance (Responsive Repairs)</b></p>	<p><b>Approval of payments</b></p> <p>We will conduct a formal review of the inspections process, and determine whether the current inspections programme, including the planned quantity and nature of inspections carried out, is the most effective means of addressing the risks of substandard work or fraud by the contractors. We will clearly document the conclusions of the review and implement these conclusions within the department.</p>	<p>1 Jul 2019</p>	<p><b>Place</b></p>	<p>Sept 2019</p>	<p>Action progressed. Internal Audit meeting with Housing took place, Target date has been revised.</p>	<p>31 Mar 2020</p>

## School Audits: Escalation Process

## Appendix C

The Assurance Board agreed that relevant officers at the Council had sufficient knowledge and oversight of the issues in schools and that requesting headteachers' attendance at Committee meetings would not be productive. However, the Assurance Board asked that Internal Audit and the Director of Education devise an escalation process, to be reported back to the Audit and Risk Management Committee in due course.

### Additional support for schools

All school audit reports are copied to key officers within Education Services to ensure they are aware of issues identified.

Following discussions with Headteachers, a series of twilight workshops is being developed to provide additional training for schools, on specific areas, which may include topics such as the DSG, procurement, risk management and cyber security. These sessions will be open to headteachers, school business managers and governors. The subject areas to be covered, and the frequency the sessions are held, is currently being determined and finalised. It is envisaged that the first session will be either in the later part of the Spring term or during the Summer term and thereafter an agreed programme will be delivered over the course of the year.

### Schools Financial Value Statement (SFVS)

The SFVS is a mandatory return all maintained schools are required to submit to the Council. The aim of the SFVS is for Governing Bodies to carry out a self-evaluation of the financial management at their schools to ensure sound financial management that promotes good value for money and, where necessary, identify areas for improvements. Where a school fails to submit a return, this must be reported to the DfE as part of an annual return from the Chief Finance Officer.

Over the last year, the DfE have extended and strengthened the requirements in relation to the information submitted by schools. Officers are currently assessing returns received from schools with a view to consider compliance with regulatory and local requirements, audit recommendations and other requirements prescribed by the DfE.

### Proposed escalation process

Where an adverse internal audit assurance opinion is received by a school, (*Limited* or *No Assurance*), the following process will be applied:

- Findings from the internal audit will be reported to the Assurance Board and the Council's Audit and Risk Management Committee.
- Follow up emails and/or visits will be undertaken in accordance with the target dates agreed within the report.

- If timely and appropriate responses are not received to the initial request this will be escalated to the Audit and Risk Manager and if necessary, to the Director of Education.
- If it is deemed during the follow up process/visit that sufficient responses have not been received, and/or satisfactory progress has not been made to implement the agreed actions, this will be followed up with the Director of Education. Actions taken will be reported to the Assurance Board.

The Director of Education will also consider whether the Headteacher and/or the Chair of Governors should attend a future Assurance Board meeting. Attendance would be to advise the Assurance Board of action being taken to address the findings from the internal audit report.