

Governance, Audit, Risk Management and Standards Committee

Agenda

Date: Tuesday 26 January 2021

Time: 6.30 pm

Venue: Virtual Meeting - Online

Membership (Quorum 3)

Chair: Councillor David Perry

Labour Councillors: Ghazanfar Ali
Peymana Assad
Kairul Kareema Marikar

Conservative Councillors: Philip Benjamin
Amir Moshenson
Kanti Rabadia (VC)

Labour Reserve Members:

1. Maxine Henson
2. Niraj Dattani
3. Antonio Weiss
4. Chloe Smith

Conservative Reserve Members:

1. Pritesh Patel
2. John Hinkley
3. Chris Mote

Contact: Daksha Ghelani, Senior Democratic Services Officer
Tel: 020 8424 1881 E-mail: daksha.ghelani@harrow.gov.uk

Scan this code for the electronic agenda:



Useful Information

Meeting details

This meeting is open to the press and public and can be viewed on www.harrow.gov.uk/virtualmeeting

Filming / recording of meetings

Please note that proceedings at this meeting may be recorded or filmed. If you choose to attend, you will be deemed to have consented to being recorded and/or filmed.

The recording will be made available on the Council website following the meeting.

Agenda publication date: Friday 15 January 2021

Agenda - Part I

1. Attendance by Reserve Members

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

- (i) to take the place of an ordinary Member for whom they are a reserve;
- (ii) where the ordinary Member will be absent for the **whole** of the meeting; and
- (iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
- (iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. Declarations of Interest

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

- (a) all Members of the Committee;
- (b) all other Members present.

3. Minutes (Pages 7 - 10)

That the minutes of the meeting held on 1 December 2020 be taken as read and signed as a correct record.

4. Public Questions *

To receive any public questions received in accordance with Committee Procedure Rule 17 (Part 4B of the Constitution).

Questions will be asked in the order in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.

[The deadline for receipt of public questions is 3.00 pm, Thursday 21 January 2021. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

5. Petitions

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

6. Deputations

To receive deputations (if any) under the provisions of Committee Procedure Rule 16 (Part 4B) of the Constitution.

7. References from Council and other Committees/Panels

To receive references from Council and any other Committees or Panels (if any).

8. Application for Dispensation (Pages 11 - 18)

Report of the Director of Legal and Governance Services

9. **Failure to comply with actions recommended by the Ombudsman** (Pages 19 - 22)
Report of the Interim Chief Planning Officer and Divisional Director of Housing
10. **Treasury Management Strategy Statement and Annual Investment Strategy: Treasury Management Outturn 2019/20 and Mid-year Review 2020/21** (To Follow)
Report of the Director of Finance
11. **Information Report - Internal Audit and Corporate Anti-Fraud Mid Year report and Quarter 3 Update 2020/21** (Pages 23 - 46)
Report of the Director of Finance
12. **2021/22 Internal Audit Planning Process and Consultation** (Pages 47 - 52)
Report of the Director of Finance
13. **Any Other Urgent Business**
Which cannot otherwise be dealt with.
14. **Motion to Exclude the Press and Public**
To resolve that the press and public be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

<u>Agenda Item No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
15.	Information Report - Internal Audit and Corporate Anti-Fraud Mid Year report and Quarter 3 Update 2020/21 – Appendix 2	Exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
16.	Information Report - Quarter 3 2020/21 Corporate Risk Register	Exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

Agenda - Part II

15. **Information Report - Internal Audit and Corporate Anti-Fraud Mid Year report and Quarter 3 Update 2020/21** (Pages 53 - 62)
Appendix 2 to the report of the Director of Finance is attached.
16. **Information Report - Quarter 3 2020/21 Corporate Risk Register** (Pages 63 - 96)
Report of the Director of Finance

*** Data Protection Act Notice**

The Council will audio record item 4 (Public Questions) and will place the audio recording on the Council's website, which will be accessible to all.

[Note: The questions and answers will not be reproduced in the minutes.]



Governance, Audit, Risk Management and Standards Committee

Minutes

1 December 2020

Present:

Chair: Councillor David Perry

Councillors: Ghazanfar Ali
Peymana Assad
Philip Benjamin
Kairul Kareema Marikar
Amir Moshenson
Kanti Rabadia

**External
Auditors:** Bob Neate
Lucy Nutley
Mazars
Mazars

123. Attendance by Reserve Members

RESOLVED: To note that there were no Reserve Members in attendance at this meeting.

124. Declarations of Interest

RESOLVED: To note that:

- (1) the Declarations of Interests published in advance of the meeting on the Council's website were taken as read; and
- (2) the following interest was declared at the meeting:
 - a) Councillor Kairul Kareema Marikar declared a non-pecuniary interest in that she was an investor in businesses in Harrow. She

would remain in the meeting whilst financial matters were being considered.

125. Minutes

RESOLVED: That, the minutes of the meeting held on 22 October 2020 be taken as read and signed as a correct record, subject to the addition that Councillor Kantilal Rabadia's queries had not been responded to.

126. Public Questions

RESOLVED: To note that no public questions were received.

127. Petitions

RESOLVED: To note that no petitions were received.

128. Deputations

RESOLVED: To note that no deputations were received.

129. References from Council and other Committees/Panels

RESOLVED: To note that there were none.

Resolved Items

130. FRC Report on Quality of Public Sector Auditors

Members received the Financial Reporting Council – Audit Quality Inspection Report on Local Audits.

The report outlined the recent Financial Reporting Council's (FRC) report on the quality of local audits of 2018-2019.

The FRC had issued a report in October 2020 on the "Major Local Audits – Audit Quality Inspection". This was the first time the FRC had reported publicly on major audit quality. The scope was to review both the quality of the audit of financial statements and the conclusion on arrangements to deliver value for money.

The assessments were carried out between December 2019 and September 2020.

The Council's external auditors, Mazars, responded to the FRC's findings.

In the discussion that ensued, Members highlighted the following issues:

- a) the FRC had reported that their assessment of the quality of the two Financial Statement Audits undertaken by Mazars warranted a conclusion of significant improvement required;

- b) Members challenged Mazars on its performance issues arising from the FRC's findings; and the potential impact on the work undertaken by Mazars on the Council's Financial Statements;
- c) Members had read Mazars response to the FRC's findings and welcomed their commitment to improving the quality of their external auditing work at Harrow; and
- d) officers were urged to stay in regular contact with Mazars about the improvements to its working practices.

Mazars acknowledged that the FRC's findings fell below their standards of professionalism, and endeavoured to address the shortcomings identified. They had taken the criticisms seriously.

Furthermore, Mazars would provide an update on the progress made in addressing the concerns in six months' time.

RESOLVED: That the report be noted.

131. Information Report - Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

Members received the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting Report.

The report presented the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting Report.

The report was also known as the "Redmond Review".

Local Government in England was responsible for 22% of total UK public sector expenditure. It was essential that local authority financial reporting was of the highest level of transparency to allow taxpayers to understand how their money was being spent. The responsibilities for the framework within which local authority audits were conducted was the Local Audit and Accountability Act 2014. This effectively led to the abolition of the Audit Commission and its centralised performance and inspection regimes. A new localised audit regime, refocussing local accountability on improved transparency, has now been put in place.

The report made 13 recommendations to External Audit Regulation. Three were in relation to Smaller Authorities Audit Regulation (not relevant to Harrow), two were in relation to Financial Resilience of Local Authorities, and five in relation to Transparency of Financial Reporting. The implementation of the Review's recommendations would, in part, require regulatory or legislative change.

RESOLVED: That the report be noted.

132. Draft GARMS Committee Annual Report 2019/20

Members received the draft Governance, Audit, Risk Management and Standards (GARMS) Committee Annual Report 2019/20.

This was in compliance with the requirements of the GARMS Committee's Terms of Reference.

RESOLVED:: That the Committee:

- a) considers the draft report at Appendix 1;
- b) provides any comments/changes required to the report;
- c) agrees any recommendations the Committee may wish to make as part of the report;
- d) delegates to the Head of Internal, following consultation with the Chair, the production of a foreword be added to the report; and
- e) agrees, subject to the above, for the report to be presented to Council.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.03 pm).

(The video recording of this meeting can be found at the following link:

<https://www.harrow.gov.uk/virtualmeeting.>)

(Signed) Councillor David Perry
Chair



**Report for: Governance, Audit,
Risk Management and
Standards Committee**

Date of Meeting:	26 th January 2021
Subject:	Application for Dispensation
Responsible Officer:	Hugh Peart Director of Legal & Governance Services
Exempt:	No
Enclosures:	Request for Dispensation

Section 1 – Summary and Recommendations

This report presents a request for a dispensation from a Councillor under s33 of the Localism Act 2011 and requests that the Committee determine it.

Recommendations:

The Committee is requested to determine the request for a dispensation.

Section 2 – Legal Framework

Section 31 of the Localism Act 2011 provides that, subject to Section 33, a member of a relevant authority with a disclosable pecuniary interest may not (a) participate, or participate further, in any discussion at a meeting, or (b) participate in any vote, or further vote, taken on the matter at the meeting.

Section 33 of the Localism Act 2011 provides that:

(1) A relevant authority may, on a written request made to the proper officer of the authority by a member of the authority, grant a dispensation relieving the

member from either or both of the restrictions in section 31 in cases described in the dispensation.

- (2) A relevant authority may grant a dispensation under this section only if, after having had regard to all relevant circumstances, the authority –
- a) considers that without the dispensation the number of persons prohibited by section 31 from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,
 - b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
 - c) considers that granting the dispensation is in the interest of persons living in the authority's area,
 - d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority's executive would be prohibited by section 31 from participating in any particular business to be transacted by the authority's executive, or
 - e) considers that it is otherwise appropriate to grant a dispensation.

(3) A dispensation under this section must specify the period for which it has effect, which may not exceed four years.

Part 3 - Application

In December Councillor Parmar submitted the attached request (Appendix 1) for a dispensation, for the reasons set out, until 31st May 2022.

Transport for London

TFL is a statutory body created by the Greater London Authority (GLA) Act 1999. This Act gives the Mayor of London a general duty to develop and implement policies to promote and encourage safe, integrated, efficient and economic transport facilities and services to, from and within London.

As a highway and traffic authority for GLA roads, TFL regulates how the public uses highways and is responsible for:

- Traffic signs
- Traffic control systems
- Road safety
- Traffic reduction

TFL has a number of subsidiary companies, whose structure is set out in Appendix 2.

Councillor Parmar's interest arises from her Husband's employment as a Civil Engineer in the operations section (which maintains tunnels and bridges), of London Underground Ltd. London Underground Limited is one of 32 subsidiary companies of Transport Trading Limited. Transport Trading Limited is a subsidiary company of TFL.

Consideration

The Committee has been delegated by Council the power to grant dispensations under s33 Localism Act.

Officer advice is that given the structural and functional separation between London Underground Limited and TFL it would be appropriate to grant Councillor Parmar a dispensation to both participate and vote in decisions involving TFL as highway and traffic authority until 31st May 2022.

In the event that a dispensation is granted, the Councillor will be required to declare their interest and dispensation when decisions involving TFL are considered.

Financial Implications

There are no financial implications in determining this request.

Section 4 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer

Date: 15 January 2021

Statutory Officer: Hugh Peart
Signed by the Monitoring Officer

Date: 15 January 2021

Section 5 - Contact Details

Contact: Hugh Peart, Proper Officer, 0208 424 1287

Appendix 1

London Borough of Harrow

Governance, Audit, Risk Management and Standards Committee

Application for Dispensation under s33 Localism Act 2011

Name of applicant: Councillor Varsha Parmar

Nature of Member's Interest: My Husband works for London Underground Ltd which is part of Transport for London

Reasons for application: I am the Council's Portfolioholder for Environment, with responsibility for waste services, highways, parks and open spaces, responding to climate change and environmental health.

The Environment Department is eligible to receive funding from Transport for London ('TFL') in relation to the Council's highway network.

It may fall to me to decide on the bidding for and application of those funds, and on the implementation, modification or withdrawal of specific TFL funded highway schemes.

TFL is a multi-faceted organisation encompassing underground and overground rail networks, buses, roads, taxis, river transport and cycling. It is organised into 3 units - Surface Transport, Underground and Crossrail.

My husband is a Civil Engineer in the operations section of London Underground Ltd, which maintains tunnels and bridges.

He has nothing to do with TFL's funding of highway schemes in Harrow, which are administered by the Surface Transport Unit and his position is unaffected by the success of Harrow's bids for funding, or decisions on specific highway schemes.

Both the public and the Council expect me as Portfolioholder to take a lead role in relation to TFL funded highway schemes, and I am confident that I can make appropriate decisions notwithstanding my Husband's employment. I therefore request that a dispensation be granted to allow me to both take part in discussions and make decisions where I have a disclosable pecuniary interest until May 31st 2022.

Signed: Varsha Parmar

Date: 5th January 2021

Name: Councillor Varsha Parmar

NOTES

Section 31 of the Localism Act 2011 provides that, subject to Section 33, a member of a relevant authority with a disclosable pecuniary interest may not (a) participate, or participate further, in any discussion at a meeting, or (b) participate in any vote, or further vote, taken on the matter at the meeting.

Section 33 of the Localism Act 2011 provides that:

(1) A relevant authority may, on a written request made to the proper officer of the authority by a member of the authority, grant a dispensation relieving the member from either or both of the restrictions in section 31 in cases described in the dispensation.

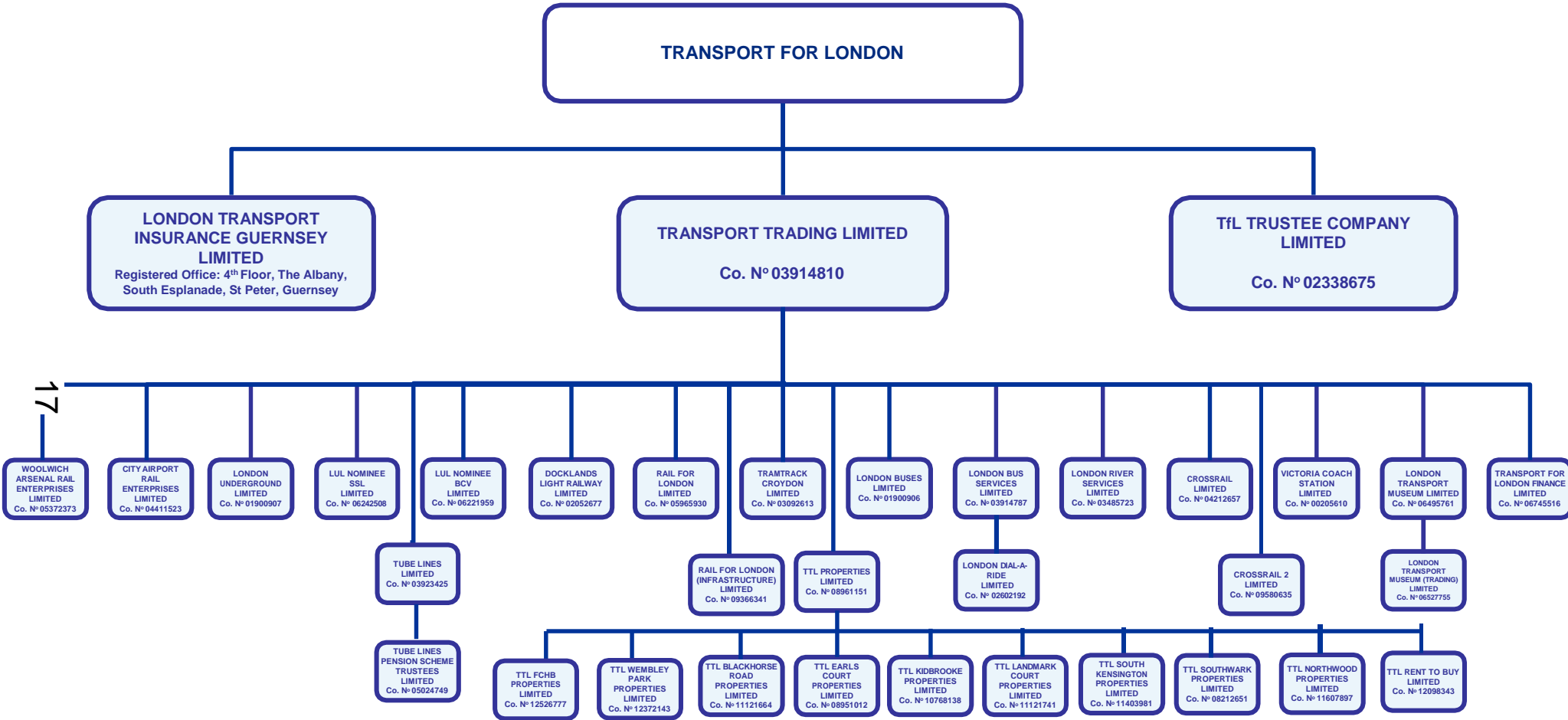
(2) A relevant authority may grant a dispensation under this section only if, after having had regard to all relevant circumstances, the authority –

- a) considers that without the dispensation the number of persons prohibited by section 31 from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,
- b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
- c) considers that granting the dispensation is in the interest of persons living in the authority's area,
- d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority's executive would be prohibited by section 31 from participating in any particular business to be transacted by the authority's executive, or
- e) considers that it is otherwise appropriate to grant a dispensation.

(3) A dispensation under this section must specify the period for which it has effect, which may not exceed four years.

Appendix 2

TfL Subsidiary Company Structure



- Through London Bus Services Limited, TfL has a 25% interest in UK Tram Limited (Co. N°05554196) a company limited by guarantee.
- TTL Earls Court Properties Limited has a 37% interest in Earls Court Partnership Limited (Co. N°08872070).
- TTL Kidbrooke Properties Limited has a 49% interest in Kidbrooke Partnership LLP (OC418437)

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**Report for: Governance, Audit, Risk
Management and
Standards Committee**

Date of Meeting:	26 January 2021
Subject:	Failure to comply with actions recommended by Ombudsman
Responsible Officer:	Beverley Kuchar Interim Chief Planning Officer Nick Powell Divisional Director of Housing
Exempt:	No
Enclosures:	None

Section 1 – Summary and Recommendations

This report sets out the Council's response to the Ombudsman in relation to the failure to implement agreed actions following recommendations made by the Ombudsman in February 2020

Recommendations:

The Committee is requested to note the actions taken and to note the recommendation for further training for officers on dealing with cross service complaints.

Section 2 – Report

Background:

On 28 October 2019 the Ombudsman wrote to the council in relation to a complaint about a specific site. In particular the complaint concerned the Council's response to the condition of a house and its curtilage. Officers from both the planning and housing services had been involved in trying to address the concerns raised by the complainant, and enforcement notices had been served, but the condition of the site remained an ongoing concern. This was the start of the ombudsman investigation, and requested information on the background to the case, was provided by officers within agreed timeframes

On 25 February 2020 the Council received the formal decision from the Ombudsman, which concluded that, whilst the Council was not at fault in a number of the actions it had taken, there had been a drift between a further complaint made in August 2018 and formal action taken in August 2019, which had resulted in frustration and uncertainty for the complainant. The Ombudsman made two recommendations, which were agreed by the Council.

1. Apologise for the delay, frustration, uncertainty and time caused by the above failure
2. Pay £200 to the complainant in recognition of this frustration

These recommendations were not actioned immediately, due in part to miscommunication between the services involved in relation to the payment of the £200. This was then compounded as the pandemic began, new priorities taking precedence, and the move to remote working. Unfortunately, the required actions were not

implemented until the Autumn. On 15th September 2020 an apology was sent to the complainant in relation to the payment not being received, and officers visited the complainant and the site on 22nd September. The payment was subsequently authorised and full payment made to the complainant on 3rd November 2020. However, the Ombudsman was not updated at that time in relation to the actions taken.

A final report was received from the Ombudsman on 13 November 2020 concluding that the Council failed to comply with an agreed Ombudsman action to apologise and pay the complainant £200 following a final decision made in February 2020.

The Ombudsman made further recommendations for the council to write to apologise for failing to carry out the previously agreed actions, to pay the original £200 and a further £100 for the frustration caused by the failure to comply with the original agreed actions. These further actions have now been agreed and implemented. The Council has apologised to both the complainant and the Ombudsman for the time taken to implement the recommendations made and acknowledges that the delay in response has caused further concern for the complainant.

Current situation:

All recommendations have been complied with, and officers are proactively working towards a long-term solution to what has been an ongoing matter of concern for local residents on this site

In the light of the final report from the ombudsman, officers have since reviewed the process to ensure that any future recommendations are implemented within reasonable timeframes, and that, in cases which cover more than one service area, a clear lead officer is identified to coordinate the response on behalf of all services involved. Furthermore, going forward officers will ensure there are systems in place to periodically review performance and learning, through performance management reports to be considered at Directorate Management Team meetings.

Financial Implications

The failure to comply with the initial recommendation of the Ombudsman have resulted in £700 of additional costs, which include the cost of placing a notice in the Harrow Times. These costs have been borne by the service and will be met within the existing budget.

Section 3 - Statutory Officer Clearance

Chief Officer: Paul Walker

Signed by the Corporate Director

Date: 14 January 2021

Contact: Beverley Kuchar, Interim Chief Planning Officer, 07927
548 326



**REPORT FOR: GOVERNANCE, AUDIT,
RISK MANAGEMENT &
STANDARDS COMMITTEE**

Date of Meeting: 26th January 2021

Subject: **INFORMATION REPORT – Internal
Audit and Corporate Anti-fraud
Mid-Year Report and Quarter 3
Update 2020/21**

Responsible Officer: Dawn Calvert – Director of Finance &
Assurance

Exempt: No except Appendix 2 - the item is exempt
from publication under paragraph 3 of
Schedule 12A to the Local Government
Act 1972 (as amended) as it contains
information relating to the financial or
business affairs of any particular person
(including the authority holding that
information).

Wards affected: ALL

Enclosures: Appendix 1 – Internal Audit Mid-Year and
Quarter 3 Update Report 2020/21
Appendix 2 (Part II) – Red Assurance
Report Follow-up
Appendix 3 – Corporate Anti-Fraud Team
Mid-Year and Quarter 3 Update Report
2020/21

Section 1 – Summary and Recommendations

<p>This report sets out progress against the 2020/21 Internal Audit and Corporate Anti-Fraud Plan.</p>
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FOR INFORMATION

Section 2 – Report

Background

- 2.1. Annually the GARMS Committee considers a mid and full year report from Internal Audit and Corporate Anti-Fraud covering progress against the agreed plans.

Internal Audit Mid–Year Report and Quarter 3 Update (Appendix 1)

- 2.2. In summary at mid-year Internal Audit have achieved 46% of the 2020/21 annual internal audit plan with a further 2% in progress. This included 100% achievement of the core financial systems reviews all of which were given an amber/green or green assurance rating. 100% of recommendations made to management to improve internal control were agreed for implementation exceeding the 95% target and at the time of follow-up 79% of recommendations previously agreed by management were implemented/substantially implemented, 15% were in progress and 6% were planned.
- 2.3 Appendix 1 details the key factors at mid-year for the 2019/20 Head of Internal Audit Opinion, provides a summary of all the work undertaken at mid-year and Quarter 3 and the performance of Internal Audit against the agreed key performance indicators at mid-year.
- 2.4 Whilst this has been a challenging year so far the service has performed well, meeting or exceeding all performance indicators, albeit against a revised plan that took into account the current situation. Challenges remain however with undertaking audit reviews and following up the implementation of agreed recommendations whilst working completely remotely. These challenges include IT connection issues and issues with engaging auditees and managers and is reflected in the speed with which work can be completed. Hence progress in Quarter 3 is slightly lower than expected.
- 2.5 Appendix 2 (Part II item) is a confidential report on the follow-up of a red audit report previously presented to the committee in September 2019 showing an increased assurance rating of amber/green.

Corporate Anti-Fraud Mid-Year Report and Quarter 3 Update (Appendix 3)

- 2.6 Of the 14 work streams contained within the plan, 10 (71%) have commenced and 4 (29%) have yet to commence. In terms of the five 2020/21 performance indicators, 4 (80%) are being achieved with 1 (20%) not being achieved.
- 2.7 Progress against the Fraud Plan and performance is below expectation and usual achievements at mid-year due to the challenges of the current situation.

- 2.8 The national emergency has had a significant impact upon the work of the team as desk based investigation work limits the avenues of enquiry and the extent to which investigations can be progressed appropriately. There is a need in many cases to undertake site visits and formal interviews under caution, but this has not been possible as officers have all been working from home since April 2020 and of course with the disruption of local and national restrictions on movement.
- 2.9 Work is well underway to establish a process of safe visiting, but at present this is not possible due to the restrictions in place. A process of conducting both formal and informal interviews using the virtual environment is also being developed, but this is largely dependent upon officers being able to guarantee a strong internet connection to ensure that any virtual interview is not disrupted because this has legal implications for the interview being made inadmissible in any prospective legal action taken.
- 2.10 The knock-on impact of Covid-19 more generally and the cessation of visiting and interviews can be illustrated in a number of ways by comparing performance data for the same period in 2019/20. The number of referrals received has reduced from 75 to 40 for the same period; the number of positive outcomes is down from 25 to 5 for the same period and in terms of the value of fraud identified, this has reduced from £1.15 million to £242,000. The reduction in the value of outcomes is predominantly preventative, but nonetheless represents a reduction of fraud losses stemmed.
- 2.11 The recommencement of interviewing will go a long way to reinstating the fraud deterrent, improving positive outcomes and improving fraud risk resilience for the authority, but this will be subject to technology hurdles. A restart of site visiting will also improve fraud risk resilience but this will be dependent upon the national and local Covid-19 restrictions in place.

Legal Implications

- 2.5 The Accounts & Audit Regulations 2015:

Internal audit

5.—(1) A relevant authority must undertake 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.

Financial Implications

- 2.6 There are no financial implications to this report. The Internal Audit Service and the Corporate Anti-Fraud Service are provided within the set service budgets.

Risk Management Implications

2.7 There are no risk management implications to this report. Both the Internal Audit Plan and the Corporate Anti-Fraud Plan and any reactive work undertaken are risk based.

Equalities implications / Public Sector Equality Duty

2.8 There are no equalities implications to this report.

Council Priorities

2.9 Both the Internal Audit Service and Corporate Anti-Fraud Service contribute to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

Section 3 - Statutory Officer Clearance

3.1 As this report is for information only it has been decided that no Statutory Officer Clearance is required.

Ward Councillors notified:	NO
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Section 4 - Contact Details and Background Papers

Contact: Susan Dixson, Head of Internal Audit & Corporate Anti-Fraud,
Tel: 0208 424 1420

Justin Phillips, Corporate Anti-Fraud Service Manager
Tel: 0208 424 1609

Background Papers: None

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**Internal Audit Mid-Year Report and Quarter 3 Update
2020/21****CONTENTS:****Introduction****Head of Internal Audit Opinion**

- Key Factors at Mid-Year for the 2020/21 Opinion

Summary of Outputs

- Key Outputs at Mid-year
- Progress against the 2020/21 Internal Audit Plan at Mid-Year and Q3 including Assurance Results of Individual Assignments
- Follow Up Work Conducted/Due

Performance of Internal Audit**Appendices:**

1. Audit Report Assurance Levels

Introduction

This report outlines the internal audit work carried out in the first half of the year ending 31/03/21 i.e. quarters 1 and 2 plus, given the timing of the report, an update of work undertaken in quarter 3.

The Internal Audit Plan 2020/21 was based on a level of internal audit input of 565 days and was agreed by the Governance, Audit, Risk Management and Standards Committee on 22/10/20. At the mid-year point 262 audit days have been delivered and 46% of the plan has been completed with 2% in progress.

Internal audit work has been performed in conformance with the Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The aim of the internal audit plan is to ensure that sufficient internal audit work is undertaken throughout the year to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and internal control across the Council.

The level of progress against the plan at mid-year indicates that sufficient work will be undertaken to allow an opinion to be given at year-end.

Key Factors at Mid-Year for the 2020/21 Opinion

The key factors that contributed to the opinion are summarised as follows:

- 90% of assurance reviews undertaken at mid-year 2020/21 were given an amber, an amber/green or a green assurance;
- 100% of overall recommendations made during 2020/21 were agreed by management for implementation;
- 79% of recommendations were implemented/substantially implemented, 15% were in progress and 6% were planned at time of follow-up thus it is expected that in due course 100% will be implemented;
- All follow-ups resulted in an improved assurance rating with 100% attaining an amber/green or green assurance rating;

Summary of Outputs

A summary of key outputs/findings from the programme of internal audit work at mid-year is recorded in the table below:

Key Outputs at Mid-Year	
Description	Detail
<p>Audit reports 3 internal audit reviews were undertaken resulting in an audit report.</p>	<ul style="list-style-type: none"> • 2 green and 1 red assurance report was issued. • 6 high risk, 8 medium risk and 1 low risk recommendation was made to improve weaknesses identified in governance, risk management or control.
<p>Significant weaknesses 1 red assurance report has been issued at mid-year 2020/21.</p>	<ul style="list-style-type: none"> • Major Projects - Depot Redevelopment Additional Works. (Presented to GARMS Committee at October 20 meeting.)
<p>Other audit work A number of other pieces of audit work have been undertaken as part of the 2020/21 Internal Audit Plan that did not result in a traditional audit report but none the less added value to the Council's governance, risk management and control framework.</p>	<ul style="list-style-type: none"> • Risk Management, outputs = Corporate Risk Register for Q1/ Q2 • Families First (Troubled Families Grant), outputs = validation of the Q2 grant claim. • Professional Advice, outputs = the provision of independent professional internal audit advice on a range of topics e.g. <ul style="list-style-type: none"> - Schools: waivers for cleaning contract, declaration of interests, delegations, separation of duties and changes to online banking. - Resources Directorate: authorisations during pandemic, hardship payment fund policy review. - Brexit: risk management advice on EU Trade and Co-Operation Agreement; action points relating Settled Status and facilitation of the meetings of the Council's Brexit Group. - Adults: applying carers premium to financial assessments, cash float. - Community: parking policy review.
<p>Follow up Follow up of the implementation of previously agreed actions taken as a result of audit recommendations.</p>	<ul style="list-style-type: none"> • 5 follow-ups have been completed during 2020/21 at mid-year. All completed follow-ups have resulted in an improved assurance rating.
<p>Good practice A have been a number of areas where few weaknesses were identified.</p>	<ul style="list-style-type: none"> • The Council's core financial systems continue to be well controlled with the combined approach of periodic full audit reviews and annual evidence based self-assessments working well.

Progress against the 2020/21 Internal Audit Plan at Mid-Year and Q3 including Assurance Results of Individual Assignments

The table below sets out the results of the internal audit work undertaken so far:

Review	Assurance Rating/Mid-Year Position	Q3 Progress
Corporate Compliance Checks		
Contract Procedure Rules (Annual Assurance)		Due in Q3/4
Financial Regulations (Annual Assurance)		In progress
Adults Financial Assessments (Residential + non-residential)		Due in Q4
Adult Social Care - Personal Budgets Monitoring		Due in Q4
Invoice Payments - adherence to Fin Regs VAT invoice requirements		Due in Q4
Purchase Card expenditure during Covid-19	In progress	AMBER
Fees & Charges (Annual Assurance)		Due in Q3
IT Reviews		
Replacement ERP System	Ongoing audit input to development of replacement ERP system.	Ongoing
Corporate Risk Based Reviews		
Corporate Governance	2019/20 annual review of governance completed, and Annual Governance Statement produced.	2020/21 annual review of governance to commence Q4
Follow-up of minor governance gaps		In progress
Risk Registers	Corporate Risk Register updated for Q1/Q2	Corporate Risk Register updated for Q3
Risk Management Strategy review		In progress
Risk Management in projects		Due Q4
Risk Management in Decision Making		Pro-active review of risk management implications in Cabinet reports commenced with December Cabinet.
Information Governance	The Information Governance Board did not meet in Quarters 1 & 2 due to lead members being diverted to deal with consequences of the pandemic.	The Information Governance Board did not meet in Quarter 3.
Social Value		In progress
Income Collection		Due in Q4
Resources Directorate + Core Financial Systems		
Housing Benefit	GREEN	
Treasury Management	GREEN	
Housing Rents – evidenced based self-assessment (EBS-A)	AMBER	GREEN
Business Rates – EBS-A	AMBER	GREEN
Capital expenditure – EBS-A	GREEN	
Corporate Accounts Receivable – EBS-A	GREEN	
Corporate Accounts Payable – EBS-A	GREEN	
Payroll – EBS-A	GREEN	
Council Tax – EBS-A	AMBER	GREEN
Covid-19 Grants		In progress
Directorate Risk Based Reviews		
Community		
Major Projects - Depot Redevelopment Additional Works	RED	Follow-up in progress
Major Projects - Grange Farm/Depot		Due in Q2/3
Bus Subsidy Grant	Grant claim completed	

Empty Property Grant (VFM)		AMBER	GREEN
Discretionary Grants Fund		Due in Q3	
People			
Together with Families Programme (Troubled Families Grant)	1 st claim completed in Q2	2 nd claim completed in Q3	
Test & Trace Grant		Due in Q4	
Woodlands Investigation		AMBER	
Whitmore School Finance Review		GREEN	
Elmgrove School Budgetary Control & Management		In progress	
West Lodge School Budgetary Control & Management		In progress	
Kenmore Park Junior School Budgetary Control & Management		In progress	
Cedars Manor School Budgetary Control & Management		In progress	
Schools x3		Due Q4	

Final red and red/amber assurance reports are presented to the GARMS Committee individually for review and comment with relevant managers attending the meetings.

Follow Up Work Conducted/Due

Introduction

In order for the Council to derive maximum benefit from internal audit, agreed actions should be implemented. Whilst management is responsible for implementing recommendations, in accordance with the internal audit protocol follow-ups of recommendations are undertaken for Red, Red/Amber & Amber assurance reports and report recommendations are followed-up until at least an Amber assurance rating is achieved. The table below summarises the follow up work performed during 2020/21.

Review	Original Assurance Rating		Re-Assessed Assurance Rating at Mid Year / Comments		Re-Assessed Assurance Rating at Q3 / Comments
Parking Whistleblowing ¹	RED		AMBER	GREEN	
Pinner Park School – Gov & Fin Controls	AMBER	GREEN	GREEN		
Council Tax KC	AMBER	GREEN	AMBER	GREEN	
Harrow Arts Centre	AMBER		GREEN		
Kenmore Park Infants Pay Policy	AMBER	GREEN	GREEN		
Grange School – Gov & Fin Controls	AMBER	GREEN			GREEN
Fostering	AMBER				GREEN
Payroll	GREEN				GREEN
IT Access Control – CapitaOne	AMBER	GREEN			GREEN
Housing Landlord Responsibilities					In progress
Personal Budgets CYAD (0-18)					In progress
Homelessness Preventative Work					In progress
Empty Property Grant Process					In progress

Summary (as at end Q2)

79% of recommendations were implemented/substantially implemented at the time of follow-up, with a further 15% in progress and 6% planned. All of the recommendations were still considered appropriate by management and thus it is expected that in due course 100% will be implemented.

All follow-ups undertaken resulted in an improved assurance rating with 100% attaining an amber/green or green assurance rating by the end of Q2.²

3 follow ups are currently on hold due to the current situation as staff have either been deployed on to other areas or there is a reduced workforce.

¹ See confidential Appendix 2

² The impact of recommendations implemented, substantially or partially implemented at follow-up on the expected controls are assessed to provide the re-assessed assurance rating and assumes that previous controls that were operating and still operating. It should be noted the correlation between control weaknesses and recommendations is not 1:1 i.e. one weakness identified may result in a number of recommendations being made and alternatively a number of weaknesses identified may result in only one recommendation being made.

Performance of Internal Audit at Mid-Year

Introduction

A number of Key Performance Indicators (KPIs) were agreed as part of the 2020/21 Internal Audit Plan and performance against these is set out in the table below:

	Internal Audit Performance Indicator	Target Mid-Year	Actual Mid-Year	Comments
1	Recommendations agreed for implementation	95%	100%	Exceeded
2	Follow up undertaken – Red & Red/Amber Assurance Reports	100%	100%	Met 1 completed
3	Follow up undertaken – Amber Assurance Reports	35% (70% full year)	38%	Exceeded 5 out of 13 follow ups completed at the end of Q2. A further 4 have been issued in Q3/Q4 and the remaining 4 are in progress however there have been some difficulties obtaining the information.
4	Plan achieved for key control reviews	100%	100%	Met 3 full reviews and 6 evidence based self- assessments undertaken
5	Plan achieved overall (key indicator)	45% (90% full year)	46%	Exceeded 21 out of 46 projects complete to end of Q2.
Corporate Performance Indicator				
1	Implementation of recommendations	90%	79%	Exceeded (in due course) 79% of recommendations were implemented/substantially implemented, 15% were in progress and 6% were planned at time of follow-up thus it is expected that in due course 100% will be implemented.

Summary

Of the 6 internal audit performance indicators 4 were exceeded and 2 were met.

Internal audit reports are given a **red**, **red/amber**, **amber**, **amber/green** or **green** assurance rating.

Red reports will indicate systems/functions/establishments with a low overall percentage of controls in place that represent a high risk to the authority needing immediate attention to improve the control environment;

Red/amber reports will indicate systems/functions/establishments that represent a high to medium risk to the authority needing immediate attention to improve the control environment;

Amber reports will indicate a fair level of controls operating that represent a medium risk in need of attention to prevent them becoming high risk;

Amber/green reports will indicate medium to low risk in need of attention to prevent them becoming high risk and

Green reports will indicate a high level of controls operating, including all critical controls, that represent low risk areas

A formula for converting audit findings into a **red**, **red/amber**, **amber**, **amber/green** or **green** rating has been developed as follows:

Red reports will essentially be those where there is **one or more** of the following:

- A low overall percentage of controls in place (0-50%)
- An absence of critical controls (reflected as high risk recommendations)
- A significant deterioration in control systems
- Poor progress with implementation of previous recommendations

Red/Amber reports will be those that have 51-60% of controls operating and no more than 40% of controls absent are critical (40% of recommendations made).

Amber reports will be those that have 61-70% of controls operating and no more than 25% of controls absent are critical (25% of recommendations made).

Amber/Green reports will be those that have 71-80% of controls operating and no more than 10% of controls absent are critical (10% of recommendations made).

Green reports will be those having 81-100% of controls operating including all critical controls and no absence of critical controls (no high risk recommendations).

Controls operating and substantially operating will be combined to give the overall assurance rating.

**Corporate Anti-Fraud Team Mid-Year Report and
Quarter 3 update**

2020/21

CONTENTS:

Introduction

Summary of outputs/Progress against the Plan

Performance of Anti-Fraud Team

Fraud referrals, outputs and savings summary

Introduction

This report outlines the corporate anti-fraud work carried out up to the mid-year point for 2020-21 and an update on Q3 activity. The plan is risk based and developed through consultation internally and drawing upon external sources of data to ensure that where possible best practice is followed and fraud resources are targeted at those areas of the authority deemed to be of highest risk to fraud with the greatest potential negative financial impact and/or reputational damage. The plan is approved by the Governance, Audit, Risk Management & Standards Committee (GARMS) annually and mid-year and year end progress reports provided against the plan to provide a level of assurance around the authorities' fraud risk resilience capability.

Summary of outputs/Progress against the plan

A summary of key outputs from the programme of corporate anti-fraud work for the year is recorded in the table below. Of the 14 work streams contained within the plan, 10 (71%) have commenced and 4 (29%) have not yet commenced. 4 (80%) out of the 5 key performance indicators are being achieved and on target with 1 not being achieved (20%).

Key Outputs at Mid-Year & Quarter 3

	Fraud work stream	Detail
1	<p>Corporate fraud risk assessment</p> <p>Identify and assess Harrow's fraud risk exposure affecting the principle activities in order to fully understand changing patterns in fraud and corruption threats and the potential harmful consequences to the authority and our customers</p>	<p>Objective not yet commenced</p> <p>Scheduled for Q4 as part of the development of the anti-fraud plan for 2021/22</p>
2	<p>Corporate fraud risk register</p> <p>Review and facilitate the updating of the fraud risk register annually where significant fraud and corruption risks are identified, mitigated and monitored</p>	<p>Objective not yet commenced</p> <p>Scheduled for Q4 as part of the development of the anti-fraud plan for 2021/22</p>
3	<p>Corporate Anti-Fraud & Corruption Strategy</p> <p>Review the Corporate Anti-Fraud & Corruption Strategy 2016-19 following the publication of Fighting Fraud & Corruption Locally Strategy 2020, including the drafting of any action plan to address any areas of improvement contained within the local response checklist section</p>	<p>Objective not yet commenced</p> <p>Scheduled for Q4</p>

	Fraud work stream	Detail
4.	<p>Establish a fraud loss methodology</p> <p>Develop and implement a fraud loss value methodology to apply consistently to significant fraud risk exposures enabling fraud losses to be measured accurately</p>	<p>Objective commenced</p> <p>A methodology has been drafted and this is now being fine tuned by consulting with other local authorities facing comparable fraud risks.</p>
5.	<p>National Fraud Initiative co-ordination role</p> <p>Co-ordination of the 2020/21 National Fraud Initiative (NFI) data match processing including: -</p> <ul style="list-style-type: none"> • Ensuring all relevant service area privacy notices are up to date and follow best practice • Liaison with service leads to ensure data can be provided and in accordance with the relevant data specification • Ensure relevant data is extracted from legacy systems and handed to the CAFT for upload to the NFI website in accordance with the project deadline • Act as liaison and as a support role for service areas during the project 	<p>Objective commenced</p> <p>All required data set privacy notices were reviewed and met the required standard for the National Fraud Initiative exercise.</p> <p>All required data was obtained from service areas in the correct specification and support provided to those areas where some adjustments were required.</p> <p>All required data was extracted from systems and successfully uploaded to the NFI website ahead of the deadline, with minimal data queries received back from the Cabinet Office.</p> <p>The matched data is expected back into the authority at the end of January 2021 and once received CAFT will support service areas to process their data and also pick up any referrals passed</p>
6.	<p>Cifas Pilot Membership project</p> <p>Pilot membership of Cifas has been extended to March 2021. Cifas is the UK's leading fraud prevention service that facilitates the sharing of fraud data for the prevention and detection of crime across the public, private and third sectors.</p> <p>A Cifas proactive datamatch project involving housing tenants will be undertaken to identify tenancy fraud/misuse and potential subletting.</p>	<p>Objective commenced</p> <p>The design of the housing fraud drive is now at an advanced stage with recent tenancy data made available for the project and the specification for the upload being met.</p> <p>Confirmation of the security measures required to protect the council's data being shared with third parties from the Data Protection Officer is now being sought and once this has been signed off, the data will be matched and the results sifted by the team in fraud risk priority and investigations launched for those matches that pose the highest risk.</p>

	Fraud work stream	Detail
7.	<p>Corporate anti-fraud awareness</p> <p>Raise awareness of fraud and corruption risks both within the authority and in the community through the publication of fraud successes in local and national media, including the use of all forms of social media including the following actions:-</p> <ul style="list-style-type: none"> • Launch a campaign to increase employee participation of the fraud e-learning course in the learning pod • General internal communications bulletins in relation to articles on fraud and corruption • Issuing management reports detailing investigation outcomes and recommendations for improving fraud risk controls are implemented if agreed according to risk (KPI5) • Deliver virtual fraud workshops for high risk fraud areas as determined by the outcomes of the fraud risk register • Publicly through all forms of media on successful fraud cases, fraud initiatives and related prosecution outcomes 	<p>Objective commenced</p> <p>Fraud e-learning The e-learning package has been refreshed by working with the provider to reflect current fraud risks faced by Local Authorities, in light of the Covid-19 grant funding and the best practice updated in the Fighting Fraud & Corruption Locally Strategy 2020. A campaign to relaunch the package will commence in Q4 and will continue into 2021/22.</p> <p>Internal Communications Covid-19 grant fraud alerts received from NAFN and Cifas have been shared frequently with Revenues.</p> <p>Management reports and briefing notes In total, 5 fraud risk recommendations contained within investigation reports and briefing notes have been made to management with 5 being agreed for implementation. KPI5 target 80%, achieving 100% (5/5)</p> <p>Workshops No workshops have been delivered given the disruption of Covid-19 and the team adapting to the different ways of working.</p> <p>Publicity No publicity has been carried out this year.</p>
8.	<p>Fraud liaison</p> <p>Explore, develop and maintain effective liaison with investigation teams in other boroughs and external agencies and ensure that membership and interest continues in the London Borough of Fraud Investigators Group (LBFIG), The National Anti-Fraud Network (NAFN), The Chartered Institute of Public Finance and Accountancy (CIPFA) and Cifas</p>	<p>Objective commenced</p> <p>The authority continued its membership of the National Anti Fraud Network (NAFN) for its essential role in intelligence and evidence gathering and the London Borough of Fraud Investigators Group (LBFIG). NAFN is an essential service for accessing 3rd party information sources which is vital for supporting investigation work.</p> <p>Officers in the team have also attended a number of virtual Counter Fraud training events during the year particularly in relation to conducting socially distanced investigations which is vitally important given the Covid-19 restrictions.</p> <p>Established partnerships with the Immigration Enforcement Department, HMRC, the Home Office, the Metropolitan Police and other enforcement agencies continue to prove essential to investigative work.</p> <p>The pilot relationship with Cifas is continuing to the end of March 2021 where a decision will be made on whether the authority will seek permanent membership.</p>

	Fraud work stream	Detail
9.	<p>Housing fraud</p> <p>Assess and investigate allegations of fraud and abuse in the housing system working in partnership with Housing Resident Services, Housing Needs and Harrow's RSL's including:</p> <ul style="list-style-type: none"> • Seek to recover a combined total of 10 social housing units and disrupt/intercept fraudulent Right to Buy applications (KPI1). • Prevent housing application fraud through a partnership approach with Housing Needs providing fraud risk advice, support and the investigations of allegations of fraud. • Prevent fraudulent Right to Buy (RTB) applications through targeted application validation with a fraud check on at least 90% applications referred to the CAFT at offer stage and before completion (KPI2). • Maximise the use of powers contained within the Prevention of Social Housing Fraud Act 2013 (PoSHFA) in terms of gathering evidence, investigation and prosecution of offenders and recovery of unlawful profit • Plan and implement a proactive anti-fraud datamatching exercise to identify the misuse of Council social housing units (see Cifas section above) 	<p>Objective commenced</p> <p>Tenancy recoveries & Right to Buy applications disrupted/intercepted work stream Working in partnership with Housing Resident Services, Harrow's Registered Social Landlords (RSLs), Leasehold Services and HB Public Law, 1 social housing tenancy was recovered and 2 Right to Buys were intercepted. A total of KPI1 target 5 (mid year), achieved 2 (40%)</p> <p>RTB work stream Out of a total of 12 Right to Buy applications received by the team, all 12 Right to Buy applications have been checked or are in the process of being fraud checked before purchase or the application determined (denied). KPI2 target 90%, achieving 100%</p> <p>Housing Applications work stream A total of 7 housing application referrals have been received by the team during the year at the mid-year point and no fraud has been detected to date where an application was rejected.</p> <p>PoSHFA 2013 Powers work stream The authority has utilised powers contained within the above act through requests to the National Anti Fraud Network (NAFN) on 17 occasions this year. This enables the authority to access personal financial data held by the banks on individuals on cases of suspected tenancy sub-let, RTB and housing applications where there is doubt over the accuracy of the subject's account of events.</p> <p>Proactive Drive Preparation work of a proactive drive involving analysis of key fob usage (to identify properties with unusual entry activity) in some social housing blocks has commenced in Q3 and will be launched in Q4.</p> <p>Also see the Cifas work stream at 6 above.</p> <p>Overall fraud savings attributed to the housing fraud work stream is £221,000.</p>

	Fraud work stream	Detail
10.	<p>Covid-19 Business Grants</p> <p>Work jointly with Internal Audit to undertake a review of the Small Business Grants Fund, the Retail, Hospitality & Leisure Grants Fund and the Discretionary Grants Fund launched by the Department for Business, Energy and Industrial Strategy (BEIS) and implemented by the authority to provide financial assistance to local businesses in Harrow. This work may identify suspected fraud cases which will be investigated fully and steps taken to recover any losses identified</p>	<p>Objective not yet commenced</p> <p>A joint piece of work with Internal Audit is scheduled to commence in Q4 looking at a sample of the successful Covid-19 grant applications from earlier in the year to ensure that they were paid correctly.</p>
11.	<p>Internal fraud & corruption</p> <p>Risk assess 80% allegations of internal fraud and corruption as a priority and deploy resources on those cases where there is corroborative evidence within an average of 5 working days of receipt of the information (KPI3).</p>	<p>Objective commenced</p> <p>Of the 2 internal fraud referrals received, both (100%) were risk assessed and resources allocated in 5 working days.</p> <p>KPI3 target 80%, achieving 100%.</p> <p>There has been 1 positive outcome during the year where following an NFI datamatch, an employee was found to be working for the authority and also working additional hours for another authority in excess of the working time directive. The employee was subject to a management disciplinary investigation for failure to declare the additional work but resigned before the hearing.</p> <p>Overall fraud savings attributed to this work stream is £5,000</p>
12.	<p>Revenues/Business Rates/Council Tax Support fraud</p> <p>Work in partnership with Revenues and Benefits to investigate allegations of fraud and abuse on a risk basis of the Council Tax, Council Tax Support and Non Domestic Rates Systems, including exemptions, discounts and reliefs, apply appropriate sanctions where fraud is proven and assist in the recovery of fraud related losses</p>	<p>Objective commenced</p> <p>The team received 6 referrals of Council Tax discount/exemption fraud, CTRS fraud and NNDR/Covid-19 grant fraud. There are no savings identified at the mid year point, but a number of live investigations are ongoing.</p>
13.	<p>Social care fraud</p> <p>Work in partnership with the People Directorate to investigate allegations of fraud and abuse of the social care system including but not limited to:-</p> <ul style="list-style-type: none"> • Personal budget applications, assessment and monitoring of spend • Long term residential care 	<p>Objective commenced</p> <p>1 referral has been received in relation to social care fraud which remains under investigation.</p> <p>1 No Recourse to Public Funds (NRPF) case that was referred before April 2020 case was investigated where the applicant had failed to disclose a change in their immigration status affecting the financial support the authority was providing. The weekly saving to the authority amount to £427.75.</p> <p>A joint piece of work with Internal Audit is scheduled to</p>

	<p>applications financial assessments and reviews</p>	<p>commence in Q4 looking at a sample of the monitoring of personal budgets and the financial assessments of residential care and non-residential care cases. The CAFT will pick up any fraud concerns that Internal Audit have with the monitoring of cases and will fraud check 100% of the financial assessments to provide assurance that those individuals being financially supported are receiving the appropriate levels of support.</p> <p>Overall fraud savings attributed to this work stream is £427.75</p>
14.	<p>Risk assess allegations of fraud and corruption</p> <p>Risk assess 80% of allegations of fraud and corruption and deploy resources on those cases deemed sufficiently high enough fraud risk within an average of 10 working days of receipt of the information. (KPI4)</p>	<p>Objective commenced</p> <p>Of the 38 referrals received during the year, 34 (89%) were risk assessed and resources deployed to those cases accepted for investigation within 10 working days.</p> <p>KPI4 target 80%, achieving 89%</p>

Performance of Corporate Anti-Fraud Team at Mid-Year

Introduction

A number of Key Performance Indicators (KPIs) were agreed as part of the 2020-21 Corporate Anti-Fraud Plan and performance against these is set out in the table below:

No.	CAFT Key Performance Indicators 2020-21	Target Mid-Year	Mid-year Actual	Comments
1.	Recovery of a combined total 10 social housing units subject to fraud and misuse and the disruption / interception of fraudulent Right to Buy applications	50% (100% full year)	40% (2/5)	Not achieving 2 (40%) 2 Right to Buy applications intercepted. Covid-19 restrictions have resulted in Investigation Officers working from home since April 2020 which has impacted the effectiveness of work undertaken including a cessation of both visits and formal interviews
2.	Fraud validation checks undertaken on Right to Buy applications referred to the CAFT at offer stage and before completion	90%	100% (12/12)	Achieving Of the 12 Right to Buy applications received by the team during in the year, all 12 (100%) had anti money laundering checks carried out before purchase or were in progress before a decision made to accept or deny the purchase.
3.	Internal fraud and corruption referrals risk assessed and resources deployed in 5 working days	80%	100% (2/2)	Achieving Of the 2 internal fraud and corruption referrals received by the team, both (100%) were risk assessed and resources deployed within 5 working days.
4.	Fraud and corruption referrals risk assessed and resources deployed in 10 working days	80%	89% (34/38)	Achieving Of the 38 referrals received by the team during the year, 34 (89%) were risk assessed and resources deployed within 10 working days.
5.	Fraud risk recommendations agreed for implementation	80%	100% (5/5)	Achieving Of the 5 fraud risk recommendations made by the team in reports and briefing notes, 5 (100%) were agreed for implementation by management

Fraud referrals, outputs and savings summary

Fraud Risk Area	2020-21 Mid-Year
Housing application fraud Referrals Positive outputs Savings	6 0 £0
Blue badge Referrals Positive outputs Savings	0 0 £0
Fraud other Referrals Positive outputs Savings	0 1 £15,682 (1 supplier overpaid and fully recovered)
No Recourse to Public Funds Referrals Positive outputs Savings	0 1 (referral received in 19/20) £427.75 (1 individual supported ceased)
Revenues/CT/CTRS/HB Referrals Positive outputs Savings	6 0 £0
Internal Referrals Positive outputs Savings	2 1 £5000 (1 employee resigned mid disciplinary)
Right to Buy Referrals Positive outputs Savings	12 2 £221,000 (2 x RTB applications rejected)
Social care/grants Referrals Positive outputs Savings	1 0 £0
Tenancy Referrals Positive outputs Savings	13 0 £0

Totals	
Referrals	40
Positive outputs	6
Fraud Savings	£242,109.75

2020-21 Mid-Year Financial Summary

The level of fraud and corruption identified impacting the authority for 2020-21 at the mid-year point is just over £242,000 which represents an approximate return on investment for the team's running costs of approximately 1:1.



**REPORT FOR: GOVERNANCE, AUDIT,
RISK MANAGEMENT AND
STANDARDS COMMITTEE**

Date of Meeting:	26 January 2021
Subject:	2021/22 Internal Audit Planning Process and Consultation
Responsible Officer:	Dawn Calvert – Director of Finance & Assurance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1 – Annual Plan Process

Section 1 – Summary

This report sets out the 2020/21 Internal Audit annual planning process to help the GARMS Committee understand and contribute to the development of the Internal Audit Plan.

FOR INFORMATION

Section 2 – Report

Background

- 2.1 The Public Sector Internal Audit Standard's require the 'chief audit executive' (the Head of Internal Audit) to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 2.2. The Head of Internal Audit takes into account the organisation's risk management framework or where a framework does not exist, his/her own judgment of risks after consideration of input from senior management and the board. The Head of Internal Audit must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.
- 2.3 The Standards include a specific public sector requirement that the risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.
- 2.4 The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.
- 2.5 The Head of Internal Audit must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.
- 2.6 A further public sector requirement is that the Head of Internal Audit must include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

The 2021/20 Process

- 2.7 Each year the process, whilst broadly remaining the same, is reviewed and updated/refined. The 2021/20 process is attached at Appendix 1 and takes into account the need for the process to be undertaken remotely given the current working arrangements across the Council in response to the Covid 19 pandemic. It should be noted that it is not a linear process.
- 2.8 There are also a number of elements that are included in the plan each year as follows:

- Annual Governance Review – co-ordination and evaluation of assurances provided for the annual review of governance, drafting of the annual governance statement;
- Risk Management – co-ordination and update of the quarterly Corporate Risk Register;
- Core Financial System reviews – nine systems have been identified as core financial systems (this does not include the accounting system as this is reviewed annually by the External Auditors). These systems are reviewed by internal audit using a cyclical/risk based approach with management, evidence based, self-assessments undertaken annually when not being reviewed by internal audit enabling annual assurance to be provided and feed into the annual internal audit opinion.
- Support, advice and follow-up – to enable pro-active audit advice on control, risk management and governance to be provided to management throughout the year and to follow-up the implementation of audit recommendations.
- Annual corporate compliance testing covering elements of Financial Regulations and Contract Procedure Rules

- 2.9 Other elements generally included on a risk basis, as determined by the annual planning process include, IT reviews, corporate risk based/governance reviews, and departmental risk-based reviews.
- 2.10 Horizon scanning for the 2021/22 plan has already commenced and has identified a number of potential areas for inclusion in the plan e.g. Equality and Diversity, financial sustainability and climate change. These will be fed into the process, discussed with relevant managers and risk assessed before a decision is made on inclusion in the plan.
- 2.11 GARMS Committee members are encourage to consider any areas they feel would benefit from an audit or any areas they would like additional assurance on and relay this to the Head of Internal Audit either at the Committee meeting or sometime before the end of February 2021. Any such suggestions will be explored with managers and risk assessed before a decision is made on inclusion on the plan.

Legal Implications

- 2.10 The Accounts & Audit Regulations 2015:

Internal audit

5.—(1) A relevant authority must undertake 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.

Financial Implications

- 2.11 There are no financial implications to this report. The Internal Audit Service is provided within the set service budget.

Risk Management Implications

2.12 There are no risk management implications to this report. The Internal Audit Plan is risk based.

Equalities implications / Public Sector Equality Duty

2.13 There are no equalities implications to this report.

Council Priorities

2.14 The Internal Audit Service contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

Section 3 - Statutory Officer Clearance

3.1 As this report is for information only it has been decided that no Statutory Officer Clearance is required.

Ward Councillors notified:	NO
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Section 4 - Contact Details and Background Papers

Contact: Susan Dixon, Head of Internal Audit & Corporate Anti-Fraud, 02084241420

Background Papers: None

2021/22 ANNUAL PLAN PROCESS

Public Sector Internal Audit Standard's Requirements 2010 Planning

The chief audit executive¹ must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

Public sector requirement

The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must be incorporated into or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

2010.A1

The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management² and the board³ must be considered in this process.

2010.A2

The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

2010.C1

The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

Public sector requirement

The chief audit executive must include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

¹ The chief audit executive = Head of Internal Audit

² Senior management = the Corporate Strategic Board (as defined in the Harrow Internal Audit Charter)

³ The board = GARMS Committee (as defined in the Harrow Internal Audit Charter)

2021/22 Process (to be undertaken by the Internal Audit Team in Q4 of 2020/21)

NB This is not a linear process

1. Undertake a horizon scan for potential new areas for inclusion in the 2021/22 plan using information and resources from CIPFA, IIA, LAG and other local authorities.
2. Review structures and responsibilities of directorates and audit reviews undertaken Q4 2019/20 and Q1, 2 & 3 2020/21. Update the Audit Universe accordingly and identify potential areas for audit coverage.
3. Review Borough Plan 2030 and corporate priorities for 2021/22 and identify potential areas for review.
4. Review the draft budget 2021/22 and relevant appendices.
5. Review Q3 Corporate Risk Register and Q2/Q3 Directorate risk registers for relevant risks to be covered in the plan.
6. Review the External Audit plan and consult as appropriate throughout the process.
7. Review and update the Internal Audit Charter and Strategy.
8. Assess risk for core financial systems and amend cyclical programme as necessary.
9. Review 2020/21 performance management information e.g. reports to CSB.
10. Review current position of 2020/21 plan and any outstanding projects/potential areas for carry forward.
11. Review the Annual Governance Statement 2019/20 and assurance obtained for the 2020/21 annual review of governance to identify any weak governance areas to be included in the plan.
12. Consider potential key themes for 2021/22 plan.
13. Consult with Directors/Divisional Directors/other key managers.
 - identify areas of responsibility;
 - Identify any areas of fraud risk in their services (use Fraud Risk register as a guide);
 - Identify any major projects in the division, obtain business cases for anything new, and any shared services/company arrangements in existence, identifying the lead Council and obtaining copy of agreement for any new ones;
 - Enquire about other forms of independent assurance e.g. external inspections received by the division in 2020/21 (obtain copies) or expected in 2021/22;
 - Enquiry about any new legislation or government guidance
 - Request a copy of Service Plan (either Divisional or Directorate);
 - Ask managers to identify any areas to be considered for IA review (level of risk to be captured using Audit Risk Template unless linked to a corporate risk).
14. Update Audit Universe.
15. Review organisation's risk maturity using Harrow's Risk Maturity Assessment 2020-21.docx.
16. Undertake resource calculation to establish the number of internal audit days available to undertake the plan.
17. Prepare long list of projects to be included in plan and undertake a risk assessment of each using the Audit Risk Template (unless linked to a corporate risk) and assess links to the corporate priorities.
18. Draft initial plan.
19. Attend DMTs or meet with Corporate Directors (virtually) to discuss draft plan.
20. Meet with Chief Executive to discuss draft plan.
21. Present draft plan to CSB and obtain agreement to the plan.
22. Present draft plan to GARMS committee and obtain agreement to plan.
23. Make any amendments from consultation and finalise plan.

Susan Dixson - Head of Internal Audit and Corporate Anti-Fraud 14/01/21

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