
Audit Committee

TUESDAY, 22ND JULY, 2008 at 19:30 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, N22 8LE.

MEMBERS: Councillors Rahman Khan (Chair), Mallett (Vice-Chair), Bull, Davies, Diakides, Gorrie and Mughal

AGENDA

1. APOLOGIES FOR ABSENCE

To note any apologies for absence.

2. URGENT BUSINESS

The Chair will consider the admission of any late items of urgent business. (Late items will be considered under the agenda item where they appear. New items will be dealt with at item 15 below).

3. DECLARATIONS OF INTEREST

A member with a personal interest in a matter who attends a meeting of the authority at which the matter is considered must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

A member with a personal interest in a matter also has a prejudicial interest in that matter if the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the member's judgement of the public interest **and** if this interest affects their financial position or the financial position of a person or body as described in paragraph 8 of the Code of Conduct **and/or** if it relates to the determining of any approval, consent, license, permission or registration in relation to them or any person or body described in paragraph 8 of the Code of Conduct.

4. MINUTES (PAGES 1 - 6)

To confirm and sign the minutes of the Audit Committee held on 24 June 2008.

5. DEPUTATIONS AND PETITIONS

6. ACCOUNTING POLICIES AND ACCOUNTS 07/08

Report of the Chief Financial Officer report and consider the accounting policies that have been followed in the production of the Council's financial statements for 2007/08.

TO FOLLOW

7. UPDATE ON KEY AUDIT ISSUES (PAGES 7 - 10)

Report of Grant Thornton to provide members with an update on the accounting and business risks identified in the audit plan presented to Audit Committee in July 2007 and updated in January 2008.

8. PROGRESS REPORT ON COUNTER FRAUD ACTIVITY RELATING TO HOUSING BENEFIT AND COUNCIL TAX BENEFIT (PAGES 11 - 14)

Report of the Chief Financial Officer to advise and update members on the Counter Fraud performance of the Benefits and Local Taxation Service from the 1st April 2008 – 30th June 2008.

9. ANTI-FRAUD AND CORRUPTION STRATEGY RELATING TO HOUSING BENEFIT AND COUNCIL TAX BENEFIT FRAUD (PAGES 15 - 22)

Report of the Chief Financial Officer to inform members of the requirement to adopt an Anti-Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit and to enable this to proceed to Audit Committee for approval.

10. ANTI-FRAUD AND CORRUPTION STRATEGY (PAGES 23 - 46)

Report of the Head of Audit and Risk Management to advise the Audit Committee of the revised Corporate Anti-Fraud and Corruption Strategy, Fraud Response Plan and Whistle-blowing Policy.

11. MONEY LAUNDERING REGULATIONS 2007 (PAGES 47 - 54)

Report of the Head of Audit and Risk Management to:

- a) Identify the impact on the Council of the new Money Laundering Regulations 2007 that came into effect on 15 December 2007. These build upon the existing Money Laundering Regulations 2003, Proceeds of Crime Act 2002, Terrorism Act 2000, and the Terrorism Act 2006.
- b) Provide a revised Anti-Money Laundering Policy and procedures for approval.

12. INTERNAL AUDIT - 1ST QUARTER PROGRESS REPORT (PAGES 55 - 84)

Report of the Head of Audit and Risk Management to inform the Committee of the work undertaken by the Internal Audit Service for the first quarter 2008/09 and reports outstanding from 2007/08.

13. REPORT ON THE WORK OF THE AUDIT COMMITTEE 2007/08 (PAGES 85 - 92)

Report of the Head of Audit and Risk Management to advise the Audit Committee of the proposed report to Full Council in respect of the work undertaken by the Audit Committee during 2007/08.

14. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000 (PAGES 93 - 98)

Report of the Head of Audit and Risk Management to advise the Audit Committee of RIPA and its operation in practice within Haringey.

15. NEW ITEMS OF URGENT BUSINESS

To consider any new items of urgent business admitted at item 2 above.

16. DATE OF NEXT MEETING

Tuesday 28 October 2008, 19:30 hours.

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14 July 2008

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MINUTES OF THE AUDIT COMMITTEE
TUESDAY, 24 JUNE 2008

PRESENT

Councillors Rahman Khan (Chair), Mallett (Vice-Chair), Bull, Diakides, Mughal and Wilson

Apologies Councillor Davies, Councillor Gorrie

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRAC19.	APOLOGIES FOR ABSENCE Apologies for absence were received from Councillor Davies and Councillor Gorrie, for whom Councillor Wilson was substituting. NOTED	
PRAC20.	URGENT BUSINESS There were no items of urgent business. NOTED	
PRAC21.	DECLARATIONS OF INTEREST Councillor Rahman Khan declared an interest as Chair of the Pensions Committee, which was referred to in the report on the External Audit and Inspection Plan 2008/09.	
PRAC22.	MINUTES RESOLVED That the minutes of the meeting of the Audit Committee held on 12 May 2008 be agreed and signed by the Chair as an accurate record of the proceedings.	
PRAC23.	DEPUTATIONS AND PETITIONS There were no deputations or petitions.	
PRAC24.	EXTERNAL AUDIT AND INSPECTION PLAN 2008/09 - FROM GRANT THORNTON The representative from Grant Thornton introduced the external audit and inspection plan 2008/09, which was a document produced jointly by Grant Thornton and the Audit Commission. As the Comprehensive Area Assessment (CAA) replaced the Comprehensive Performance Assessment (CPA) from 1 April 2008, it was reported that the role of Relationship Manager would be replaced by a Comprehensive Area Assessment Lead, who would supervise all inspection activity relating to	

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the Council. It was also reported that a separate audit plan would be issued for the Council's Pension Fund, as instructed by the Audit Commission. The external audit and inspection plan also outlined the new framework for the Use of Resources audit, Financial Statements audit, grant claims and returns, inspection activity for 2008/09 and estimated audit and inspection fee.

In response to a request from Councillor Wilson for further details about the separate audit plan for the Pension Fund, Grant Thornton reported that the Pension Fund had always been audited, but that this work would now be presented separately in line with new practice. It was reported that this work would now be charged directly to the Pension Fund, but that further details regarding the process were awaited from the Audit Commission. Councillor Wilson welcomed the fact that the operational and financial issues relating to Alexandra Park and Palace were identified as a key risk in the Use of Resources audit and hoped that further progress on these issues would be made.

In response to a request for clarification of the bullet point relating to the production of annual accounts on page 32, Grant Thornton reported that if the Council were to achieve a level 4 in relation to the Key Line of Enquiry 1.1 for the production of annual accounts then there may be scope for a reduction in the audit fee.

Councillor Diakides asked for an explanation of the process for suggesting additional areas of activity to be included in the plan. It was reported that any suggestions should be raised with Internal Audit, who would carry out a risk assessment. Areas identified as high risk would then be included on the external audit and inspection plan going forward. Any change to the suggested external audit and inspection plan for the next year, 2008/09, would be reported to the Committee at the meeting in January 2009.

The Chair welcomed the introduction of a separate audit plan for the Pension Fund, and also noted that the facilities management services for the Schools PFI scheme and the operational and financial issues relating to the management of Alexandra Park and Palace were areas which required resolution and had been highlighted in the Audit Commission's Audit and Inspection Letter. The Audit Committee had accordingly highlighted the need for effective resolution of these issues at its last meeting, as recorded in the minutes.

The Chair further raised the issue of potential understatement of the existing population, as stated on page 22, was raised as a concern and sought the external auditor's assistance on the issue. The Chair welcomed the move from the CPA to the CAA, but added that the external auditor's assistance would be needed in order to maximise the Council's rating in the new system while at the same time ensuring that the interests of all stakeholders were safeguarded.

In reply to a query from the Chair, the Chief Financial Officer confirmed that he was satisfied with the external audit and inspection plan 2008/09

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	<p>as presented. On a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the content of the external audit and inspection plan 2008/09 be noted, along with the comments and concerns recorded above.</p>	
PRAC25.	<p>HEALTH INEQUALITIES - REPORT TO AUDIT COMMITTEE</p> <p>The representative from Grant Thornton presented a summary of the findings in respect of the work undertaken on health inequalities in Haringey. The findings had also been reported to key Council staff, the PCT and the Well Being Partnership Board. An action plan would be formulated by the partners.</p> <p>It was reported that the overall findings were positive, and that Haringey was advanced in its health inequalities agenda. Specific points relating to the Key Lines of Enquiry numbers 1–6 were outlined in the summary document.</p> <p>In response to a question from the Committee about why this report was being presented to the Audit Committee, the Chief Financial Officer, Gerald Almeroth, reported that the Committee was required to see the report in its capacity of overseeing the work of the auditors. It was noted that it was not within the remit of the Committee to carry out the recommendations of the report, although any relevant comments by the Committee could be forwarded to the Well Being Partnership Board for consideration. The Committee could also request to see the action plan to see that there was a robust management response in place.</p> <p>Councillor Bull expressed concern that the health inequalities agenda in Haringey was considered to be well advanced, as much further progress was required in this field. Grant Thornton reported that the assessment was based on the systems that were in place for delivery, rather than the extent of progress made to date and that the findings would be updated as further progress was made.</p> <p>In relation to KLOE 2 on partnership working, Councillor Diakides expressed concern at the lack of opportunity for areas of activity to be challenged or concerns raised between partners. It was noted that as part of the Comprehensive Area Assessment, the Audit Commission would consider this as part of its analysis of the effectiveness of the partnerships. The Committee also noted that wider engagement was required in relation to KLOE 4, Securing Engagement from the Workforce, and it was hoped that this would form part of the Well Being Partnership Board's response to the findings of the review.</p> <p>The Committee expressed concern at the lack of capacity in this area, particularly in relation to corporate responsibility.</p> <p>RESOLVED</p>	

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	That the action plan be reported back to the Audit Committee by the relevant management groups of the Council and PCT.	
PRAC26.	<p>ANNUAL AUDIT REPORT AND ASSURANCE STATEMENT 2007/08</p> <p>The Head of Audit and Risk Management, Anne Woods, introduced the annual audit report and assurance statement 2007/08, and reported that the overall audit opinion 2007/08 was that the system of internal control in operation during the year to 31 March 2008 accorded with proper practice and was fundamentally sound. The report outlined the basis on which this overall assurance was given, as well as providing details of the assurances on corporate governance and on risk management, assurance from external inspections and assurance on the effectiveness of internal audit.</p> <p>The Chair asked if there were any questions from the Committee.</p> <p>Councillor Diakides asked about the local performance measures, and whether the statistics should be of concern to the Committee. Ms Woods reported that, for the performance indicator for audits completed against the planned programme, the figure for actual performance given in the report related to final reports completed, whereas the target related to draft reports completed. The percentage of draft reports completed against the planned programme in fact exceeded the target. The Chief Financial Officer, Mr Almeroth, confirmed that he was satisfied that performance against targets was positive and should not cause the Committee concern. Mr Almeroth reported that areas of highest risk for the Council had been identified and were included in the external audit and inspection plan, and that risk management systems were in place to enable a swift and effective response to any issues arising.</p> <p>While making comments on the report, the Chair highlighted to the meeting that in order to effectively deal with this report he had, as a matter of priority, corresponded with the Head of Audit and Risk Management and the Chief Financial Officer in advance of the meeting to ask how the assurance statement could be accepted by the Committee as independent assurance as required under the Committee's terms of reference. This was because the assurance statement was largely dependent on internal audit works, the Statement of Reponsibility for which stated "works performed by internal audit should not be relied upon to identify all strengths and weakness in internal control" and "the performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices". The Chair reported that in reply he had received written confirmation from the Chief Financial Officer and from the Head of Internal Audit that the assessment of financial administration and control was not based solely on the findings of Internal Audit, and copies of the emails containing this confirmation were produced at the meeting with direction that it would be supplied to all Committee members. On this basis, the Chair confirmed that he was satisfied in principle with the assurance provided.</p>	

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	<p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the content of the annual audit report and assurance statement for 2007/08 be noted. ii) That the annual audit report and assurance statement be referred to the next available Full Council meeting for information. 	
PRAC27.	<p>INTERNAL AUDIT SERVICE - TERMS OF REFERENCE</p> <p>The Head of Audit and Risk Management, Anne Woods, presented the revised Terms of Reference for Haringey's Internal Audit service, which had been updated in order to reflect that the Statement of Internal Control had been replaced by the Annual Governance Statement. Ms Woods confirmed that the Terms of Reference were compliant with the CIPFA code of practice, and that in line with good practice the Terms of Reference would be reviewed and presented on a regular basis to ensure that they continued to be appropriate.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the revised Terms of Reference for the Internal Audit Service be approved, as officers confirmed that internal audit work was based on the CIPFA's 2006 code of practice.</p>	
PRAC28.	<p>AUDIT COMMITTEE - ANNUAL WORK PLAN</p> <p>The Head of Audit and Risk Management, Anne Woods, presented the proposed annual work plan for the Audit Committee, which had been one of the recommendations from the review of the effectiveness of the Audit Committee. The work plan was as comprehensive as possible, but did not preclude the inclusion of elements of work that came up at short notice. Details of the internal audit programme of work for the year were covered in the annual internal audit plan and audit strategy 2008/09, presented at the previous meeting of the Committee.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <p>That the annual work plan for 2008/09 be approved.</p>	
PRAC29.	<p>INTERNAL AUDIT PROGRESS REPORT - PROPOSED FORMAT FOR 2008/09</p> <p>The Head of Audit and Risk Management, Anne Woods, presented a proposed revised reporting format for the quarterly internal audit progress reports. The revised format responded to feedback received</p>	

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	<p>during the review of the effectiveness of the Audit Committee, as members had requested information on a monthly basis, with a higher-level quarterly summary being presented at the formal Committee meetings. Where limited assurance was given, more detailed summaries would be presented to the Committee as part of the quarterly report. Members were invited to contact the Chair if they wished to ask Directors to attend a meeting of the Committee to respond to questions.</p> <p>The Chair referred to the Statement of Responsibility appended to the report and the need to ensure that reports were compliant with all relevant regulations, and requested that he be provided with all final internal audit reports in full. The Chair also requested that the revised reporting format give details of all recommendations made, not just Priority 1 recommendations, in order to provide Committee members with more complete information.</p> <p>The Chair moved and it was:</p> <p>RESOLVED</p> <p>That, taking into account the comments made above, the proposed reporting format and processes be approved and adopted from July 2008 and for the 2008/09 cycle of meeting.</p> <p>It was additionally requested that the Chief Financial Officer and External Auditors examine whether the wording of the Statement of Responsibility by Deloitte and Touche, as appended to the report, complied with the requirements of the appropriate CIPFA Code, and report this to the Committee at the earliest opportunity.</p>	
PRAC30.	<p>NEW ITEMS OF URGENT BUSINESS</p> <p>There were no new items of urgent business.</p> <p>NOTED</p>	
PRAC31.	<p>DATE OF NEXT MEETING</p> <p>The next scheduled meeting of the Audit Committee would take place on Tuesday 22 July at 19:30 hrs at the Civic Centre, Wood Green, London N22.</p>	

COUNCILLOR GMMH RAHMAN KHAN

Chair

**Grant Thornton**

Report to: **Audit Committee**

Report of: **Grant Thornton**

Report Title: **Update on Key audit issues**

Date of meeting: **22 July 2008**

Purpose

This document is an update on the accounting and business risks that we identified in our audit plan that was presented to the Audit Committee in July 2007, and updated in January 2008.

This document presents detail of the key issues that we are currently focussing on as part of our audit of the financial statements.

Recommendation

We ask that Members of the Audit Committee note and approve the contents.

Risk	Response
<p>1. From 2007/08 onwards the CIPFA/SOLACE Framework introduces new practice in relation to the preparation of an annual governance statement which will meet the requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003 (as amended), for the production of a statement on internal control (SIC). Therefore the production of a separate SIC will no longer be required.</p>	<p>A draft Annual Governance Statement was provided to the Audit Committee for review and discussion on 12 May 2008.</p> <p>We will update our review to ensure that any events that may require revision to this statement are reflected in the final statements.</p>
<p>The governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including those designed to ensure that:</p> <ul style="list-style-type: none"> • The Council's policies are implemented in practice. • High-quality services are delivered efficiently and effectively. • The Council's values and ethical standards are met. • Laws and regulations are complied with • Required processes are adhered to. • Financial statements and other published performance information are accurate and reliable. • Human, financial, environmental and other resources are managed efficiently and effectively. <p>It therefore covers all the areas previously covered by the SIC. However, it also covers performance issues – good governance is a precondition for delivering good services and poor service performance reflects a failure of governance.</p>	

Risk	Response
<p>2. The Council has a PFI contract with Haringey Schools Services Limited for the maintenance and operation of eight of the Council's secondary schools. The Council has received BSF funding that included some resources for investment in existing schools currently under the PFI contract. It was identified that there would be issues with the implementation of the BSF programme if this was run alongside the PFI programme, and as a result the PFI contract was suspended with the facilities management element being transferred back to the Council.</p>	<p>The Council commissioned consultants to advise on the accounting treatment and we have reviewed this advice and have provided feedback to the Council. We will consider in detail as part of the final audit.</p> <p>We will ensure that the accounting entries have been put through correctly within the financial statements as part of our audit work on the final accounts.</p>
<p>There are several accounting entries that are required as a result of the decision, not least the requirement that as a result of the suspension the assets will come back onto the Council's balance sheet. Other factors that will need to be considered include ensuring that the residual interest has been accounted for correctly and also that prepayments made to reduce future unitary charges have been properly accounted for.</p>	
<p>3. There has been an increase in the deficit of the Alexandra Park and Palace Trust as this has increased to £3.1m from £1.8m in the previous year.</p>	<p>We will review the Council's position at Alexandra Park and Palace Trust and include commentary on this as part of our ISA 260 report to the General Purposes Committee.</p>
<p>4. In 2006/07 the Council recorded a balance of £14.8m that was categorised as 'other' within the Statement of Recognised Gains and Losses (STRGL). The Council has undertaken an exercise to identify these balances and what they relate to and this has resulted in a number of changes to the 2006/07 comparative figures.</p>	<p>We have reviewed the entries that have been undertaken in respect of the 'other' balances figure within the STRGL and have discussed these with the finance team. We will ensure these are correctly put through within the 2007/08 financial statements as part of our audit work.</p>
<p>5. For 2007/08 local authorities will have to adopt the presentation and accounting requirements for financial instruments of FRS 25, 26 and 29. The presentation requirements are more onerous than in prior years, with more detail to be disclosed in the Statement of Accounts. The accounting requirements are complex and cover a wide range of entries in the financial statements, potentially all accounts balances except for leases (although if there are derivative instruments embedded in leases these are captured by these standards), pensions and interests in group entities.</p>	<p>We will review the Council's accounts disclosures against the CIPFA disclosure checklist to gain audit assurance over the completeness of the Council's disclosures.</p> <p>We will review accounts balances to ensure that the Council's processes for identifying financial instruments are adequate and that these have been accounted for in accordance with the SoRP.</p>

Risk	Response
6. 2007/08 is the first year in which a UK GAAP compliant revaluation reserve is to be incorporated into the accounts of local Councils. We further note that the opening balance needs to be nil to comply with CIPFA guidance.	We will review the entries in the revaluation reserve to ensure that the entries comply with the provisions of the 2007 local government SoRP.
7. Councils have been in receipt of local area agreement funding, and there is a risk that the Council will not account for this income, and other similar types of income appropriately, especially where the income is performance-related.	We will review income relating to the local area agreement and other similar schemes to ensure that this income is accounted for in accordance with the 2007 local government SoRP.
8. Following the settlement in 2005 of the North Cumbria Acute NHS Trust case, and the associated publicity, an increasing number of equal pay claims are now being made both within the NHS and local government.	We will review this matter with the Council's HR staff to identify whether or not any claims have been made in this area.
Local authorities face potential liabilities arising from the single status Implementation Agreement, which forms part of the 2004 Local Government Services Pay Agreement. We understand that the Council has made a provision in the financial statements to cover the ongoing costs in 2007/08.	We will review the provision made in the accounts for compliance against Financial Reporting Standard No.12.
9. There were several recommendations made in relation to the audit of the financial statements for 2006/07 by the previous auditors in the report issued in February 2008.	We will follow up these recommendations during our 2007/08 audit work and report on the progress of these within our ISA 260.

Agenda Item

Audit Committee**On 22nd July 2008**

Report title: **Progress Report on Counter Fraud Activity Relating to Housing Benefit and Council Tax Benefit.**

Report of: **The Chief Financial Officer**

Ward(s) affected: All

Report for: Information

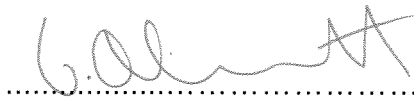
1. Purpose

- 1.1 To advise and update Members on the Counter Fraud performance of the Benefits and Local Taxation Service from the 1st April 2008 – 30th June 2008. .

2. Recommendations

- 2.1 That Members consider and note this report and the work being carried out by the Benefits and Local Taxation Service in relation to Counter Fraud activity.

Report authorised by:
Gerald Almeroth
Chief Financial Officer

.....(Signature)

Contact Officer: Tim Fisher

Designation : Deputy Head of Benefits and Local Taxation

Telephone: (020-8489-1954)

- 3. Executive Summary** - The Benefits and Local Taxation Service continues to maintain and further develop an effective approach to counter – benefit fraud activity. It has achieved 24 successful sanctions against those found to be committing benefit fraud in the first quarter of 2008/09

4. Reasons for any change in policy or for new policy

5. Local Government (Access to Information) Act 1985 –

The background working papers are located within the BLT Fraud Section, 10 Station Rd, Wood Green. The BFI Report was published in October 2007 and is available on the internet under www.bfi.gov.uk

6. BACKGROUND

- 6.1 Counter fraud performance is primarily judged against successful outcomes in respect of Prosecutions and Sanction based activity. Fraud staff are empowered to investigate suspected benefit fraud and have a range of sanctions that can be applied to those who admit to fraud or where there is sufficient evidence to warrant a prosecution.
- 6.2 Following last years inspection by the Benefit Fraud Inspectorate the Benefits and Local Taxation Service have reviewed and amended the Prosecution Policy relating to counter benefit fraud and produced a Counter Benefit Fraud Strategy.
- 6.3 The Anti – Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit was presented to Audit Committee on the 12th May 2008. It was resolved at this meeting that there should be further consultation with Members. Consequently, the matter was referred to CAB who endorsed the strategy for approval by the Audit Committee.
- 6.4 A separate report to the Audit Committee on the Anti – Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit has been prepared for the meeting of the 22nd July 2008.

7. COUNTER FRAUD ACTIVITY

- 7.1 Performance of the Fraud Investigation Team for the first quarter of 2008/09 is summarised in table 1.

Successful outcomes for 1st quarter 2008/09

Sanction Type	Number Issued	Target	Status
Caution	13		Accepted
Admin Penalty	7		Accepted
Prosecution	4		Guilty
Total	24	31	

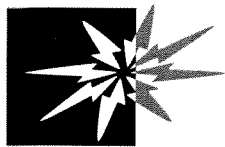
Table 1

- 7.2 A more detailed breakdown of cases forwarded for prosecution and sanction is included in appendix 1 of this report. This gives details of the type of fraud discovered. Each decision to prosecute or administer a sanction is taken in accordance with the Sanctions Policy. This takes a range of factors into account when determining what appropriate sanction to apply, particularly the degree of planned dishonesty involved.
- 7.3 The Benefits and Local Taxation Service has set an annual target for of 126 sanctions for 2008/09. This is the same target for last year and allows for a review of the Fraud Investigation Teams work plan for 2008/09 taking into account the requirements of the new Corporate Area Assessment and the Audit Commissions Key Lines of Enquiry.

Overpaid Housing Benefit

- 7.4 To date the counter fraud activity has identified £229,844 in overpaid benefit and a further £4,610 in Administrative Penalties. Central government subsidy paid in relation to overpayments is at a rate of 40p to the £1.00 or 40%. Consequently, it can be estimated that £91,937 has been generated in subsidy, this effectively results in a 60% shortfall against benefit expenditure.
- 7.5 The subsidy arrangements are designed to incentivise local authorities to recover overpaid Housing Benefit. Currently, recovery performance in relation to all in-year created overpayments is approx 55%. Based on this figure the potential recovery of overpaid Housing Benefit arising through fraud could amount to £126,414.
- 7.6 When combining subsidy paid, plus recovered overpayments for the year it is estimated that counter fraud activity could recover in the region of £218,351.

£1,171.58



Agenda item:

[No.]

Audit Committee

On 22nd July 2007

Report Title: Anti – Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit Fraud

Forward Plan reference number (if applicable): **[add reference]**

Report of: Gerald Almeroth, Chief Financial Officer

Wards(s) affected: **All**

Report for: **Non-key decision**

1. Purpose

1.1 To inform Members of the requirement to adopt an Anti – Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit and to enable this to proceed to Audit Committee for approval

2. Introduction by Cabinet Member (if necessary)

2.1 This strategy paper is in line with the Council and DWP's efforts to combat fraudulent claims. It also complies with the recommendations of the Benefits Fraud Inspectorate as well as that of the Audit Commission on the CPA outcomes.

I commend the strategy for adoption.

3. Recommendations

3.1 That Members of the Audit Committee agree the Anti-Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit

Report Authorised by: **Gerald Almeroth, Chief Financial Officer**

Contact Officer: **Tim Fisher, Deputy Head of Benefits and Local Taxation**
020 8489 1954

4. Head of Legal Services Comments

4.1 The Council's Anti-Fraud and Corruption Strategy has been put before the Audit Committee on the 12th of May 2008 and their comments, contained within this report,

and the detailed report itself, contains all the information required for members to make an informed decision as to whether or not to approve the proposed Strategy. It was recommended by the Audit Committee that the members be informed and consulted before the implementation of this Strategy. The Anti-Fraud and Corruption Strategy, when read in conjunction with the Council's Sanctions Policy, referred to in this Strategy, outline the council's clear intent and the process and procedures which will be followed in the tackling of Housing Benefit and Council Tax Benefit fraud within the borough. By having the Strategy in place and available to members of the public the Council can be seen to be providing greater transparency of its processes and decision making.

5. Local Government (Access to Information) Act 1985

5.1 The background working papers are located within the BLT Fraud Section, 10 Station Rd, Wood Green. The BFI Report was published in October 2007 and is available on the internet under www.bfi.gov.uk

6. Strategic Implications

- 6.1 Member endorsement is sought for the attached Anti-Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit, appendix 1. This follows the inspection by the Department for Work and Pensions' Benefit Fraud Inspectorate (BFI) of the Council's Benefits and Local Taxation Services security measures.
- 6.2 In their report of October 2007 the BFI stated that 'overall, the Council had effective measures in place to deal with benefit fraud'. However, they felt that the Council's current anti fraud strategy did not include tackling benefit fraud and therefore 'did not let the public know that the Council is committed to tackling benefit fraud..'
- 6.3 The BFI recommended that the Council include within the Corporate Anti-Fraud and Corruption Strategy a specific strategy relating to tackling Housing Benefit and Council Tax Benefit fraud. The BFI further recommended that the strategy received the endorsement of members.
- 6.4 The Anti- Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit was presented to members of the Audit Committee on the 12th May 2008. Members resolved that there should be wider member consultation before approval could be given.
- 6.5 On the 10th July 2008 the strategy was sent to CAB for comments where it was endorsed for approval by the Audit Committee.
- 6.6 The key points to note when considering endorsement of the Anti – Fraud and Corruption Strategy relating to Benefit Fraud are –
 - The development of this strategy is a specific recommendation of the Benefits Fraud Inspectorate
 - The strategy is a contribution to the Council's existing Corporate Anti-Fraud and Corruption Strategy

- The Housing Benefit regulations clearly state from when and who overpayments of benefit can be recovered. The Council through the operation of the Benefits and Local Taxation Service has procedures based on these regulations which are subject to audit and inspection.
- The role of the Council's Fraud Investigation Team is to tackle criminal activity in respect of public funds and to take appropriate action against those who act dishonestly to obtain benefits to which they are not entitled. It also places an obligation on the council to prevent fraud and raise awareness amongst benefit claimants that they must report changes in their circumstances.
- Due to the relationship counter benefit fraud activity has with national priorities the strategy will require periodic review to ensure that these meet local and national priorities relating to the delivery of counter benefit fraud activities
- The Audit Commissions Corporate Area Assessment contains a set of Key Lines of Enquiry (KLOE) relating to benefits administration. Under KLOE 2.7 – 'Is the service effective in meeting local regional and national objectives?' is the requirement for local authorities to have in place and maintain a 'counter fraud and prosecution strategy'.

6.7 The Anti-Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit describes the key measures and activities undertaken by the Council's Benefits and Local Taxation Service. The strategy also seeks to provide the necessary assurance that the Council has effective procedures in place to meet the requirements expected of it by both the Audit Commission and the Department for Work and Pensions.

6.8 This strategy is part of a range of strategies and procedures that the Benefits and Local Taxation Service has in place to ensure the effective administration of Housing Benefit and Council Tax Benefit.

6.9 In addition to maintaining counter fraud activity the Council's Benefits and Local Taxation Service has set out a range of other activities designed to enhance and improve on the delivery benefits to Haringey residents. These include –

- Development of pro-active activities to support benefit take-up amongst older people and the low paid and reduce worklessness
- Development of a customer consultation strategy
- Performance Improvement strategies to ensure that customers receive the right benefit and the right time as measured by the two new national performance indicators NI 180 and NI 181
- Development of a quality improvement strategy

7. Financial Implications

7.1 The Council must take reasonable steps to protect public funds and ensure that there is public confidence in the services that it provides. As such the Council must ensure that it properly identifies overpayments of Housing Benefit and Council Tax Benefit and where the benefit regulations allow recovers overpayments from those to whom they have been paid.

- 7.2 The table, below, shows the levels of overpayments by type against the total benefit expenditure for 2006/07 and 2007/08. Whilst overpayments remain relatively low in comparison with total expenditure they do represent significant amounts of public money.
- 7.3 To date the Council has been successful in keeping the level of Council Error overpayments within the limits to enable it to qualify for 100% central government subsidy. However, both Claimant Error and Fraud overpayments attract 40% subsidy resulting in 60% of their cost being met from general funds. To reduce the burden on the Council Tax payer the Council should seek to maintain effective policies and strategies to reduce overpayments and maximise recovery where they do occur.

2006/07			
Total benefit expenditure - £247,473,855			
Council Error	Claimant Error	Fraud	Total
649,395	6,437,434	763,104	7,849,933
0.26%	2.60%	0.31%	3.17%
2007/08			
Total benefit expenditure - £253,390,952			
Council Error	Claimant Error	Fraud	Total
608,261	4,066,944	1,033,088	5,708,293
0.24%	1.61%	0.41%	2.25%

8. Equalities Implications

- 8.1 The Anti Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit clearly sets out the Council's position with regard to benefit fraud ensuring a clarity of purpose.
- 8.2 The Equalities Team has been consulted in the preparation of this report and agree that the strategy does not contain any equalities implications that are likely to adversely impact on specific community groups or raise issues of unfairness in terms of service delivery

Anti –Fraud and Corruption Strategy – relating to Housing Benefit and Council Tax Benefit

1. Statement of Intent

- 1.1 Haringey Council (“The Council”) is responsible for administering public funds. The Benefits and Local Taxation Service has a key role in this function and must ensure that the right benefits go to the right people in accordance with their entitlement.
- 1.2 Our responsibility for administering Housing and Council Tax Benefits includes a duty to ensure that the system is not open to abuse by any person or group.
- 1.3 The Council will ensure that effective policies and procedures are implemented to prevent and detect benefit fraud either internally or externally and we place a high regard on maintaining confidence in our Service and the benefit system as a whole.
- 1.4 The Council will use the criminal and civil powers available to it to take action against those who have committed benefit fraud. Prosecutions may either be undertaken by the Council through its own legal service or in partnership with the Department for Works and Pensions Solicitors Office or the Crown Prosecution Service.

2. Measures we will take to tackle benefit fraud

1. We will employ a dedicated team to investigate suspected benefit fraud
2. We will have a published Sanctions Policy
3. We will inform our customers of their responsibility to tell us about any changes in their circumstances and the standards of evidence that they must provide
4. We will have clear means by which members of the public can refer cases of suspected benefit fraud to us
5. We will participate in data matching schemes, including the National Fraud Initiative and the Housing Benefit Matching Service
6. Benefits and Local Taxation staff and any other staff involved in benefits administration will be expected to attend periodic fraud awareness training
7. We will work with other organisations such as other local authorities, Police and the Department for Work and Pensions on joint investigations
8. We will publicise successful prosecutions in the local media

3. Who is affected by this strategy

- 3.1 This strategy will be applied to anyone who applies for Housing Benefit and, or Council Tax Benefit, or anyone who assists a person to make a claim for benefit which they know is false or dishonest.
- 3.2 It will also apply to any person who receives payments of Housing Benefit

and, or Council Tax Benefit, either in the capacity of claimant, or partner of the claimant, appointed representative, landlord or managing agent or employee of the Council where they are found to be complicit in the commission of an offence.

4. Deterring benefit fraud

- 4.1 The Council recognises that the vast majority of people who claim Housing Benefit and, or Council Tax Benefit are completely honest.
- 4.2 However, in order to safeguard public funds it will maintain a level of standards necessary to prevent fraud from entering the benefits system when new claims for benefit are made.
- 4.3 The Council also recognises that no system is foolproof and will therefore periodically request anyone in receipt of benefit to confirm their details. It will also participate in regular data-matching exercises with other organisations.
- 4.4 Any person found to be engaged in benefit fraud will be subject to the Council's Sanctions Policy. The Council will also make use of the full range of available opportunities to publicise the details of anyone found guilty of benefit fraud. In this way the Council will seek to increase fraud awareness amongst the community and the consequences of acting dishonestly.

5. Data Protection Act and other relevant legislation

- 5.1 Those responsible for investigating benefit fraud will be required to comply at all times with the relevant legislation relating to the investigation of criminal offences. Investigators will also be required to obtain the relevant professional qualifications to ensure that they understand the legislation applying to counter fraud activity and act with integrity at all times.
- 5.2 The Council is registered under the Data Protection Act 1998 "the Act" for 'the purposes of preventing and detecting crime, the prosecution of offenders and the collection of any tax'.
- 5.3 Where appropriate the Council will use section 29 of "the act" to exempt those organisation, from the provisions of "the Act", who may have information which will help in the prevention and detection of crime. The appropriate data disclosure forms will be used at all time and a register of disclosures maintained to audit this activity.
- 5.4 The Council will require Investigators to work within the guidelines of the:
 - 1. The Police and Criminal Evidence Act (PACE) 1984
 - 2. Regulation of Investigatory Powers Act 2000
 - 3. Criminal Procedures and Investigations Act 1996
 - 4. The Human Rights Act 2000

5. The Social Security Administration and Fraud Acts 1992 - 2008

6. Staff integrity

- 6.1 Through it's existing recruitment and appointment procedure the Council will always seek to maintain the highest standards when appointing staff to the Benefits and Local Taxation Service. In addition to this the vetting of successful candidates will take place to ensure benefit is not being wrongly claimed.
- 6.2 All Benefits and Local Taxation staff are required to work within the Council's general code of conduct. A supplementary code (under development) will also apply to Benefits and Local Taxation to include guidance to staff on declarations regarding the processing of their own, a relatives or close family friends benefit claim. There will also be guidance relating to staff who are a landlord or who have relatives or close family friends who are a landlord.
- 6.3 Any member of Council staff found to be involved in benefit fraud, whether relating to the Council or any other local authority or public body will be subject to the requirements of this strategy and where appropriate the Council's disciplinary procedures.

7. Referral of benefit fraud

- 7.1 The Council will have an open referral policy; any person who suspects benefit fraud can refer their suspicion personally or anonymously to the Council's Benefits Fraud Investigation Team.
- In writing to - **Benefits Fraud Investigation Team, PO Box 22727, Wood Green, London, N22 7WS**
 - Fraudwatch Telephone Hotline (24 hours/ 7 days a week) **0500 500 777**
 - Benefit Fraud report line (9.00 – 5.00 Mon-Fri) **020 8489 2868**
 - Councils website - www.haringey.gov.uk/benefits
 - E-mail - benefit.fraud@haringey.gov.uk
- 7.2 The Council's Fraud Investigation Team will investigate those cases where there is a reasonable suspicion, based on the available evidence, that fraud is taking place.
- 7.3 Investigations undertaken by the Council's Fraud Investigation Team are confidential. Officers are unable to engage with third parties in discussion about the conduct and nature of their investigations.

8. Accountability

- 8.1 Operational responsibility for the counter benefit fraud function rests with the Head of Benefits and Local Taxation Service. As with any council service the conduct of the Fraud Investigations Team is covered by the Council's Complaints Procedure.
- 8.2 To ensure that the Council is maintaining effective measures to counter benefit fraud performance will be reported to elected members through the Audit Committee on a quarterly basis. These reports will be available on request to members of the public.

Agenda item:

[No.]

Audit Committee

On 22 July 2008

Report Title: **Anti-fraud and corruption strategy**

Forward Plan reference number (if applicable): **N/A**

Report of: **Head of Audit and Risk Management**

Wards(s) affected: **All**

Report for: Non-key decision

1. Purpose

1.1 To advise the Audit Committee of the revised Corporate Anti-fraud and Corruption Strategy, Fraud Response Plan and Whistle-blowing Policy.

2. Recommendations

2.1 That the Audit Committee approves the revised Corporate Anti-fraud and Corruption Strategy, Fraud Response Plan and Whistle-blowing Policy.

2.2 That the Audit Committee approves the publication of the revised documents on the Council's website and intranet site.

Report Authorised by: **Chief Financial Officer**



Contact Officer: Anne Woods, Head of Audit and Risk Management

Tel: 020 8489 5973

Email: anne.woods@haringey.gov.uk

3. Local Government (Access to Information) Act 1985

3.1 For access to the background papers or any further information please contact Anne Woods on 0208 489 5973.

4. Background

- 4.1 As part of the Chartered Institute of Public Finance and Accountancy's (CIPFA) 2006 Code of Practice, and the requirements of the Council's Whistle-blowing policy, Haringey needs to ensure that there are appropriate processes in place for the reporting and investigation of allegations of fraud and corruption.
- 4.2 The Comprehensive Performance Assessment (CPA) includes the requirements to have appropriate arrangements in place which are designed to promote and ensure probity. It is therefore important to ensure that the Council can demonstrate compliance with the CPA and best practice requirements.
- 4.3 In addition, the Benefits Fraud Inspectorate, as part of their inspection in 2007, recommended that the Council produce a separate anti-fraud strategy specifically in relation to Housing Benefits work.
- 4.4 An Anti-fraud Strategy provides the framework within which all employees and Councillors should operate. Alongside the anti-fraud strategy, a fraud response plan sets out how employees, members of the public and Councillors can make their concerns known and how the Council will deal with any allegations made.
- 4.5 The Council is committed to reducing the potential for fraud and corruption to the lowest possible level. The revised Anti-fraud and Corruption Strategy is a key document in informing people of the council's position on fraud and corruption and its intention to deal with any issues in a firm, but responsible way.

5. The Anti-fraud Strategy

- 5.1 The Council has an Anti-fraud and Corruption Strategy which is published on the Haringey website and intranet site, together with details of contact phone numbers for reporting suspected instances of fraud and corruption.
- 5.2 Although the policy statement was written some time ago (2005), it has been kept under review on an annual basis. During 2008/09, Internal Audit and the Human Resource division again reviewed the anti-fraud and corruption strategy, together with the Council's whistle-blowing policy and made some minor amendments to these documents in order to reflect operational changes and reporting structures.
- 5.3 The revised anti-fraud strategy and fraud response plan contains the same, or similar information as previously published. However, the updated version has been re-written to ensure that the information contained within it is completely up to date and is also more easily understandable and accessible to the widest possible range of readers. This has been done in line with the Council's website guidelines for accessibility.
- 5.4 The revised strategy and fraud response plan follows CIPFA's best practice model. The updated Whistle-blowing policy conforms to the best practice guidance from Public Concern at Work, the independent charitable organisation which advises on whistle-blowing and governance matters.

- 5.5 Included with the council's anti-fraud strategy, as a separate appendix, will be the Housing Benefit anti-fraud strategy. The Housing Benefit anti-fraud strategy is presented separately to this Committee for approval, but will form part of the council's overall consistent approach to reducing the risk of fraud and will be published as an appendix to the council's overall anti-fraud strategy.
- 5.6 The Council's anti-fraud strategy and fraud response plan, together with the whistle-blowing policy, give guidance to employees and members of the public on what we want to know about in relation to fraud and corruption, what people should do if they suspect fraud and corruption and how the Council will deal with any allegations made.

6. Audit Committee Responsibilities

- 6.1 The purpose of the Audit Committee is 'to provide independent assurance of the adequacy of the risk management framework and the associated control environment'.
- 6.2 Part of the Audit Committee's terms of reference includes Corporate Governance and the Regulatory Framework. Within this broad area, specific reference is made that the Committee *'monitor Council policies on Whistle-blowing and Anti-fraud and Corruption'*
- 6.3 To fulfil part of the Committee's responsibilities, the updated anti-fraud and corruption strategy and whistle-blowing policy is presented for review and approval.
- 6.4 In addition, in order that the Audit Committee is able to fulfil its monitoring role, the quarterly internal audit progress reports include details of all referrals via the whistle-blowing policy and email and telephone reporting facility. The quarterly reports also contain details of all disciplinary investigations which involve financial irregularities and details of any attempts to fraudulently alter and cash the Council's cheques.

Haringey Anti-fraud and Corruption Strategy

Contents

1. Why we have an anti-fraud strategy
 2. Our written rules
 3. How we expect our Councillors and employees to behave
 4. Preventing fraud and corruption
 5. Detecting and investigating fraud and corruption
 6. Training and raising awareness
 7. Our commitment
- Appendix 1 – Fraud Response Plan
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Appendix 3 – Housing Benefit Anti-fraud policy

If you have any concerns about fraud or corruption, please call Fraudwatch on Freephone 0500 500 777.

You can also click on the following link to send an email to fraudcall@Haringey.gov.uk.

We will take your concerns seriously and ensure that we treat them in the strictest confidence.

1. Why we have an anti-fraud strategy

- 1.1 Haringey Council employs approximately 9,000 staff and has a net budget of over £400 million. We provide a wide range of services to individuals, households, the voluntary sector and many other private and public sector organisations.
- 1.2 The Council aims to provide excellent services to all its users. However, the size and nature of our services, like any other large organisation, means that there is a risk of loss due to fraud and corruption, both from within the Council and outside it.
- 1.3 This anti-fraud and corruption strategy is intended to address any instances where fraud or corruption are suspected. The definition of **Fraud** is based on the Fraud Act 2006 which introduced three specific offences of fraud: fraud by false representation; fraud by failing to disclose information; and fraud by abuse of position. **Corruption** is defined as "the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person". Our Fraud Response Plan, which is attached to this strategy (Appendix 1), gives some examples of fraud and corruption.
- 1.4 The key message we want to publicise is that we expect all Councillors, employees, consultants, contractors, and service users, to be honest, and to give us any help, information and support we need to deal with fraud

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and corruption.

- 1.5 We are committed to making sure that the opportunity for fraud and corruption is reduced as much as possible. Where the possibility of fraud, or corruption exist or is identified, we will respond promptly, deal with it firmly and in line with the procedures outlined in this strategy.
- 1.6 An important part of this approach is having an anti-fraud and corruption strategy, which we will use to advise and guide Councillors and employees on our approach to the serious issues of fraud and corruption. This strategy is written for the benefit of employees, Councillors and members of the public. Organisations and businesses dealing with the Council are also expected to act honestly. It is designed to help everyone to understand their roles and responsibilities in relation to preventing and reporting fraud and corruption, as well as aiming to ensure that everyone is treated consistently and fairly.
- 1.7 The anti-fraud and corruption strategy is part of the Council's overall approach to minimising the risk of fraud. The Council also participates in the national data matching process, the National Fraud Initiative (NFI), which uses information from organisations across the country to prevent and detect fraud. The Council also has a separate Housing Benefit anti-fraud strategy, but this forms part of the council's overall approach to reducing the risk of fraud and is published as **Appendix 3** to the council's overall anti-fraud strategy.
- 1.8 The strategy set out in this document covers the following areas:
 - Our written rules
 - How we expect our Councillors and employees to behave
 - Preventing fraud and corruption
 - Detecting and investigating fraud and corruption
 - Training

2. Our written rules

- 2.1 We have a number of procedures and rules to make sure that how we work and manage our finances on a day to day basis is properly controlled. These procedures are essential to ensure the possibility of fraud and corruption is minimised. It is important that all Councillors and employees know about them, and understand their role in complying with them.
- 2.2 The most important procedures which relate to all employees and Councillors are:
 - Council Constitution.
 - Contract Standing Orders.
 - Financial Procedure Rules.
 - Code of Conduct for Employees.
 - Code of Conduct for Councillors.

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- 2.3 Individual departments have also introduced their own measures, in addition to the above list. These are designed specifically to manage their services and may not relate to any other part of the Council. Examples may include working manuals, guidance notes and operating procedures.
- 2.4 Directors must make sure that all employees have access to both the procedures which relate to everyone and to any which relate specifically to their services. All employees should receive suitable training in the use of these procedures.
- 2.5 Councillors and employees are responsible for making sure that they read and understand the rules and regulations that apply to them, and act in line with them.
- 2.6 If anyone breaks these rules and regulations we may take formal action against them. This may ultimately include ending their employment with the Council, in respect of employees, and referral to the Standards Committee, in respect of Councillors. It is the responsibility of the Monitoring Officer (in Haringey, this is the Head of Legal Services) to report matters to the Standards Committee.

3. How we expect Councillors and employees to behave

- 3.1 We expect all individuals, groups and organisations who receive services from, or provide services on behalf of the Council to be honest in their dealings with us and our clients and customers. We expect all our Councillors and employees, including temporary and agency employees, to lead by example in these matters.
- 3.2 The Council has Codes of Conduct for Councillors and employees and these set out an approach to work that is both honest and fair. Councillors and employees must act in line with these Codes at all times. The council also issues regular reminders to all employees explaining the Council's view on fraud and corruption and of their responsibilities under the Code of Conduct and the Council's Constitution.
- 3.3 We feel our Councillors and employees have an important part to play in dealing with fraud and corruption. Dishonesty and fraud harms the Council and the reputation of its employees. Our Constitution states that our employees and Councillors must inform us if they suspect any case of fraud or corruption.
- 3.4 The Council's Constitution also describes how the Head of Audit and Risk Management is entitled to have unrestricted access to any part of the Council, including its buildings, records, documents, items of equipment and members of staff. The Head of Audit and Risk Management can also report matters to the police, if this is appropriate.

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- 3.5 We will deal with all information fairly and confidentially. We will try, as far as possible, not to reveal the names of the people who gave us the information. Our fraud response plan attached at **Appendix 1** gives more advice on this issue for employees and Section 5 of this strategy details how people can report any suspected cases of fraud or corruption.
- 3.6 We expect our Directors and Assistant Chief Executives to deal firmly and quickly with anyone who is responsible for fraud or corruption. The Head of Audit and Risk Management, in consultation with the relevant Director, or Assistant Chief Executive may refer matters to the police if any criminal activity is suspected, or has taken place.
- 3.7 We will treat all concerns raised in good faith seriously. We must ensure that any investigation process is not misused and therefore any abuse, such as raising unfounded or malicious allegations, will be dealt with as a disciplinary matter.

4. Preventing fraud and corruption

- 4.1 We believe that if we are to eliminate fraud and corruption, we must prevent it from happening in the first place. It is essential that we have clear rules and procedures that all Councillors, employees, consultants and contractors understand and can work within. These include the main procedures which apply to all Councillors and employees, and these are set out in section 2 of this strategy. The following section sets out what we as a Council must do, as part of our regular working arrangements, to reduce the risk of fraud and corruption.
- 4.2 We must regularly review and update our written rules to ensure that they keep up to date with the latest government legislation.
- 4.3 Directors and Assistant Chief Executives must make sure that suitable levels of controls are included in working procedures, especially financial procedures. It is important that employees' duties are organised so that no one person can carry out a complete transaction without some form of checking process being built into the system.
- 4.4 We must follow our procedures when employing, or considering employing, new staff. We must undertake all relevant checks required by law, including Police and Criminal Records Bureau checks and our own internal procedures, including previous employment, qualification and reference checks.
- 4.5 We are committed to working and co-operating with other organisations to prevent organised fraud and corruption. Wherever possible, we will be prepared to help and exchange information with other Councils and organisations to deal with fraud. We will only share information in line

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with the relevant Data Protection legislation.

- 4.6 We have confidential facilities available for people to give us information that may prevent fraud and corruption. These include dedicated telephone lines for fraud, including Housing Benefit fraud and the email reporting facility, which members of the public can use to give us information about any concerns they may have.
- 4.7 We will make sure that full details of reporting facilities are widely published to the public, Councillors and employees, and that all information we receive in this way is investigated and dealt with quickly and in line with our procedures.

5. Detecting and investigating fraud and corruption

- 5.1 You should read this section with our fraud response plan which is shown at **Appendix 1**.
- 5.2 Under our Code of Conduct and Council Constitution, employees must report any suspected cases of fraud and corruption to the appropriate manager, or, if necessary, directly to the Head of Audit and Risk Management. Reporting cases in this way is essential to the anti-fraud and corruption strategy and makes sure that:
- Suspected cases of fraud and corruption are investigated properly;
 - the fraud response plan is carried out properly;
 - there is a standard process for dealing with all suspected cases of fraud and corruption; and
 - people and our interests are protected.
- 5.3 The Council's Whistleblowing Policy, which is shown at **Appendix 2**, is intended to encourage and enable employees to raise serious concerns. By law, employees reporting concerns in this way have certain rights. These are set out in the Public Interest Disclosure Act 1998.
- 5.4 The Head of Audit and Risk Management will work with Directors, Assistant Chief Executives and the Head of Human Resources to decide how the allegations made will be investigated. This will include referring cases to the police where necessary. We will prosecute offenders and we will carry out our disciplinary procedures where appropriate. We will ensure that any internal proceedings do not prejudice any criminal case.
- 5.5 In cases relating to Housing Benefits and Council Tax Fraud, the action taken will follow the policies and procedures laid down by the Benefits and Local Taxation division.

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6. Training and raising awareness

- 6.1 We understand that the key to introducing a successful anti-fraud and corruption strategy and making sure it continues to apply will depend on effective training and making sure that everyone is aware of their responsibilities.
- 6.2 We support the idea of providing training for employees who are involved in, or who manage, systems. We will make sure that their responsibilities and duties are regularly reviewed and employees are reminded of these on a regular basis.
- 6.3 We are also committed to training and developing our employees who are involved in investigating fraud and corruption. We will continue to provide suitable training so that their work is carried out in line with any legal requirements and our own written rules.
- 6.4 In addition, we need to ensure that everyone, including Councillors and employees, is aware of the proper procedures and processes they can use to report and respond to any suspected case of fraud. The publication of this strategy and regular reminders to employees and Councillors of their responsibilities will assist us in raising and maintaining awareness.

7. Our commitment

- 7.1 We are committed to tackling fraud and corruption whenever it happens. Our response will be effective and organised and will rely on the principles set out in this strategy.
- 7.2 We will continue to review our rules and procedures and will make sure that this strategy document is regularly reviewed to keep it up to date and in line with our written rules.

Haringey Fraud Response Plan

1. Why we have a Fraud Response Plan

- 1.1 Haringey Council is committed to developing a culture of honesty and zero tolerance to fraud and corruption.
- 1.2 In line with that commitment, the Council's Anti-Fraud Strategy outlines how we aim to prevent, investigate and report on fraud and corruption.
- 1.3 This Fraud Response Plan supports the Council's approach by setting out the ways in which employees, or members of the public can make their concerns known about suspected fraud or corruption. It also outlines how the Council will deal with such instances.

2. What we want to know about

- 2.1 This Fraud Response Plan is intended to be implemented where concerns about fraud or corruption have been raised.

The definition of **Fraud** is based on the Fraud Act 2006 which introduced three specific offences of fraud: fraud by false representation; fraud by failing to disclose information; and fraud by abuse of position.

Corruption is defined as:

"The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person".

- 2.2 Concerns or allegations which fall within the scope of other procedures, e.g. grievances about an employee's own employment, mistreatment of vulnerable clients, or acts of discrimination, will usually be referred to the relevant department and dealt with under those procedures.
- 2.3 Fraudulent or corrupt acts may include:
 - Where a process or system is likely to be abused by either employees or public, e.g. allocation of housing or other accommodation
 - Where individuals or companies have fraudulently obtained money from the Council, e.g. by submitting invalid invoices, or Housing Benefit fraud
 - Where Council equipment is used for personal use, e.g. personal use of Council vehicles
 - Where there is a misuse of resources, e.g. theft of building materials
 - Activities undertaken by officers of the Council which may be illegal, or against the Council's Constitution or policies, e.g. receiving gifts or hospitality
- 2.4 This above list cannot cover every instance of fraud or corruption. If you have any questions, please contact the Head of Audit and Risk Management for further advice and guidance (Tel: 020 8489 3768).

3. How we protect those people who raise concerns

3.1 Confidentiality

We will try to protect a person's identity when he or she raises a concern and does not want their name to be revealed. However, in some cases, the investigation process itself may reveal the source of the information. Also, the person may be required to make a statement either as part of the investigation process, or to provide evidence for any disciplinary hearing, or criminal prosecution.

3.2 Harassment or Bullying

We understand that reporting any concerns may be a difficult decision to make, especially if the individual is worried about suffering harassment or bullying from those responsible for carrying out the fraud or corruption. We will not tolerate harassment or bullying and our disciplinary procedures and our policy on harassment and bullying support this. We will take action to protect those who raise a concern in good faith.

3.3 Anonymous Allegations

We would always encourage people come forward to discuss their concerns with us directly. Concerns raised anonymously may be much less convincing, but, depending on the seriousness of the issues raised and the amount of information provided, we will still consider investigating the concern further. However, unless we are able to confirm the allegation from other sources, we may not be able to undertake a full investigation.

3.4 Untrue Allegations

A concern may be raised in good faith by some-one, but it is not found to be the case by the subsequent investigation. No action will be taken against the person who raised the original concern. However, if people make allegations they know to be untrue, we may consider taking further action against those individuals making the allegations.

4. What should an employee do if they suspect fraud or corruption?

4.1 Employees are often the first to realise when things may be going wrong, or fraud and corruption may be taking place. However, they may feel that they would not be supported by colleagues or managers, if they raised their concerns, or they may even be afraid of being harassed or bullied. In these circumstances, an individual may feel it would be easier to ignore their concerns, rather than report it.

4.2 The Council's Whistleblowing Policy is intended to encourage and enable employees to raise concerns within the Council, rather than overlooking a problem. The policy applies to all Haringey employees, staff of Council contractors, agency staff and trainees.

4.3 This policy has been discussed with the relevant Trade Unions and

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professional organisations and has their support. A full copy of the Whistleblowing Policy is attached to the Anti-fraud and corruption strategy, and on the Council's intranet site (Harinet), or can be obtained from your Personnel Section, or your Trade Union Representative.

- 4.4 If an employee suspects fraud, they should raise their concern with their line manager. Failing that, the employee should approach their line manager's manager, or the Director. If the employee cannot raise their concern within their department, they should approach Internal Audit, their Personnel Manager, or the Head of Legal Services.
- 4.5 The nature of the complaint will determine the Council's course of action and the employee's concerns may be investigated by service management, Internal Audit, or Personnel.
- 4.6 Audit and Risk Management can be contacted at:
Level 2, Alexandra House,
10 Station Road,
Wood Green,
London,
N22 7TR

Telephone: 020 8489 3768
Fax: 020 8489 3827

5. What should a member of the public do if they suspect fraud or corruption?

- 5.1 The Council encourages members of the public who suspect fraud and corruption to contact the Head of Legal Services or Audit and Risk Management in the first instance.
- 5.2 Audit and Risk Management operates independently of all other Council departments.
- 5.3 The possible courses of action taken by the Council are outlined in section 6 below.
- 5.4 Audit and Risk Management can be contacted at:
Level 2, Alexandra House,
10 Station Road,
Wood Green,
London,
N22 7TR

Telephone: 020 8489 3768
Fax: 020 8489 3827

6. How will allegations of fraud or corruption be dealt with by the council?

Appendix 1

- 6.1 For issues raised by employees or members of the public, the action taken by the Council will depend on the nature of the concern. The matters raised may be investigated internally, or referred to the Police.
- 6.2 We cannot say how every individual case will be dealt with. However, the Council does have a Disciplinary Code of Practice which sets out the general processes for in disciplinary cases. We will comply fully with this Code in our investigations. As a general guide, we will use the following approach to ensure that clear lines of communication are in place, ensure that appropriate people and specialists are involved at the right times, and confidentiality is maintained. We will:
- Inform the relevant manager of the allegation;
 - Undertake an initial review to see if the allegation could be true;
 - Advise the relevant manager of the results of the initial review and agree whether there needs to be any further investigation;
 - Inform the Personnel Department of the investigation to date and agree whether the employee should be suspended from work to allow for further investigations to take place;
 - Agree an approach with the manager and personnel to complete the investigation, together with any relevant timescales;
 - Produce a final report on the findings of the investigation, which will say whether any breaches of the Council's procedures, regulations, or Code of Conduct have taken place.
- 6.3 Within ten working days of a concern being received, the responsible officer will write to the complainant:
- Acknowledging that the concern has been received;
 - Indicating how they propose to deal with the matter;
 - Giving an estimate of how long it will take to provide a final response; and
 - Provide individuals with information on staff support mechanisms.
- 6.4 The Council accepts that those people who reported the alleged fraud or corruption need to be assured that the matter has been properly addressed. Subject to legal constraints, the Council will inform the person raising the concern about the progress and outcome of any investigation.

7. Alternative methods for raising concerns

- 7.1 If either a member of the public or an employee feel that it is right to take the matter outside these processes, the following are possible ways forward:
- **your local Councillor** – If you live within Haringey, your Councillor can be contacted at their regular surgery in your area. If you are not sure which is your Councillor, visit our website, www.haringey.gov.uk or call 020 8489 2947. You can also write to your councillor at: Member Services, Level 5, River Park House, 225 High Road, Wood Green, N22 8HQ.

Appendix 1

- **the council's external auditors (Grant Thornton)** – These are appointed to review and comment on the Council's finances and performance. By law, they must be completely independent from the Council. They can be contacted at paul.dossett@gtuk.com.
- **your Trade Union** – employees may invite their Trade Union to raise a matter on their behalf.
- **the Police** – suspicions of fraud or corruption may be reported directly to the Police.

Audit and Risk Management
July 2008

WHISTLEBLOWING

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WHISTLEBLOWING

BACKGROUND

The Government's paper on an ethical framework for local government proposed that every local authority should institute a procedure for whistleblowing, which would enable workers to raise concerns about malpractice confidentially inside and, if necessary, outside the organisation. In line with these proposals, the Council designed a whistleblowing policy based on guidance from the Local Government Board (LGMB) and this was agreed by Personnel Sub Committee on 10 November 1998. The Council's whistleblowing policy is kept under review to ensure it complies with relevant guidance and best practice.

The Whistleblowing Policy is set out in full on page 3 with additional Guidance for Managers on page 7. Key points from the Policy are listed below together with information on the Public Interest Disclosure Act which provides protection for whistleblowers.

SUMMARY OF WHISTLEBLOWING POLICY

- Where a worker has concerns about malpractice (and it is not appropriate to raise them through other procedures) they should be raised with:

either	(a)	The worker's line manager
or failing that	(b)	The line manager's manager (grandparent role) or the director
2nd step	(c)	Head of Audit and Risk Management, Human Resources or Head of Legal Services
3rd step	(d)	Members
final step	(e)	an external organisation - i.e. Grant Thornton. This is the Council's independently appointed External Auditor and can be contacted at the following email address paul.dossett@gtuk.com .
- The Council will provide a written response to the whistleblower, assuming the referral is not made anonymously, within ten days indicating how it proposes to deal with the concerns raised.
- The Council will seek to protect the worker's identity when they raise a concern and do not want their name to be disclosed. However, during the investigation the source of the information may be revealed and individuals may be required to provide a statement.
- The Council will not tolerate harassment or victimisation and will take action to protect a worker raising a concern in good faith.

- Investigations conducted under this Policy will follow the same process as the Disciplinary Procedures for investigating cases of misconduct/gross misconduct .
- If employees make an allegation which they believe to be genuine but is then not proven, no action will be taken against them. However, employees who maliciously raise an unfounded concern may have disciplinary action taken against them.

PUBLIC INTEREST DISCLOSURE ACT Protection for Whistleblowers

Under the Public Interest Disclosure Act 1998, a worker will have the right not to suffer detriment or be unfairly dismissed as the result of speaking out about crime, fraud, miscarriages of justice, dangers to health and safety, breaches of civil service code or risks to the environment.

The Whistleblower must reasonably believe that one of the conditions that constitutes a qualifying disclosure is occurring, and must make the disclosure in good faith and not for personal gain.

A qualifying disclosure means any disclosure of information which in the reasonable belief of the worker making the disclosure tends to show one or more of the following:

- that a criminal offence has been committed, is being committed, or is likely to be committed;
- that a person has failed, is failing or is likely to fail to comply with any legal obligation to which he is subject;
- that a miscarriage of justice has occurred, is occurring or is likely to occur;
- that the health or safety of any individual has been, is being or is likely to be endangered;
- that the environment has been, is being or is likely to be damaged.

If workers wish to raise the matter externally rather than internally, they will be protected only if they can show that they are not motivated by personal gain and that they reasonably believe the information they are giving is true.

If victimised by their employers, whistleblowers can bring a claim to an employment tribunal for compensation. Awards will be uncapped and based on the losses suffered. Gagging clauses in employment contracts and severance agreements will be void.

WHISTLEBLOWING POLICY

INTRODUCTION

Workers of the Council have an important role in helping the organisation to promote good practice while providing a service to the community and protecting its vulnerable clients.

Workers are usually the first to know when something is going seriously wrong - be it a serious danger to the public or a major fraud. All too often the alarm is not sounded on malpractice. The result is that the people in charge do not get the chance to take action before real damage is done.

Whistleblowing policies aim to ensure that serious concerns are properly raised and addressed in the workplace and are increasingly recognised as a key tool to deliver good practice. It is essential for Haringey that a whistleblowing policy/procedure is in place and well publicised so all staff are aware of what is required of them.

We must ensure that the code meets the requirements of the Council's equality policies and is not misused in any way to discriminate against minority groups.

1. Who it applies to

This policy applies to all Council workers which includes senior and junior members of staff. The following sections set out what you should do and how the council will respond in cases which are referred under this policy.

2. How you identify matters of concern

That concern may be something that:-

- is unlawful
- is against the Council's standing orders or policies
- falls below established standards or practice
- amounts to improper conduct
- involves clients or the public being put in danger
- involves funds being stolen or wasted.

This is not an exhaustive list and you should speak to your manager, or contact one of the people or organisations listed below, if you need further advice.

3. How to raise your concern

Where you have concerns about malpractice and it is not appropriate to raise them through other procedures such as grievance procedures, they should be raised with:-

- | | | |
|-----------------|-----|---|
| either | (a) | your line manager |
| or failing that | (b) | the line manager's manager (grandparent role) or the director |
| 2nd step | (c) | the Head of Audit and Risk Management, Human Resources, or the Head of Legal Services |
| 3rd step | (d) | Members |

- final step e) an external organisation - Grant Thornton. This is the Council's independently appointed External Auditor and can be contacted at the following email address paul.dossett@gtuk.com

The decision to raise concerns with the managers listed above, will depend on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. If you believe that management is involved, you could approach any of the following: the Head of Legal Services, the Head of Audit and Risk Management, Human Resources or Grant Thorntons, the Council's external Auditors.

4. How the Council will respond

Within ten days of a concern being raised the responsible person will:-

- Assess the complaint and identify the most effective process to use to investigate the allegations raised.
- Notify the Head of Audit and Risk Management that a complaint has been raised to ensure it is recorded properly in accordance with this policy.
- write to the person raising the complaint, assuming that the referral has not been made anonymously, to acknowledge their complaint
- indicate how they propose to deal with the matter raised
- give an estimate of how long it will take to provide a final response
- provide individuals with information on staff support mechanisms.

There are existing procedures in place to enable individuals to lodge a grievance relating to their own employment. A grievance should be seen as a direct concern to individuals whilst whistleblowing concerns the wider organisation.

This Whistleblowing Policy is intended to cover concerns that fall outside the scope of other procedures These include:-

- conduct which is an offence or a breach of law
- health and safety risks, including risks to the public as well as other employees
- the unauthorised use of public funds
- possible fraud and corruption
- damages to the environment
- sexual or physical abuse of clients
- other unethical conduct.

5. Investigating the case

Following an allegation, where appropriate, an independent and impartial manager will be involved in the investigation.

Managers will make sure that the investigation is carried out as quickly and as thoroughly as possible.

Once an investigation commences, every effort will be made to bring it to an early conclusion.

To conduct an investigation under the Whistleblowing Policy, managers will follow the same process as the Disciplinary Procedures for investigating cases of misconduct/gross misconduct.

An investigation may conclude that, potentially, there has been a breach of the Council's Code of Conduct and Disciplinary Rules. In these circumstances, management would invoke the disciplinary process.

The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided.

The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will arrange for you to receive advice about the procedure.

The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the progress and outcome of any investigation.

6. The responsible officer

The Head of Legal Services, (Monitoring Officer), has overall responsibility for the maintenance and operation of this policy. The Head of Audit and Risk Management will maintain a record of concerns raised and the outcomes (but in a form which does not breach your confidentiality) and will report as necessary to the Council

7. How the matter can be taken further

This policy is intended to provide you with an avenue **within** the Council to raise concerns. The Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:

- Grant Thornton – The Council's External Auditors
- your trade union
- your local Citizens Advice Bureau
- the District Auditor
- the Police.

If you do take the matter outside the Council, you should ensure that you do not disclose confidential information. Check with the contact point about that.

8. Protection for Whistleblowers - Confidentiality

The Council will seek to protect an individual's identity when they raise a concern and do not want their name to be disclosed. However, during the investigation the source of the information may be revealed and the individual may be required to provide a statement.

9. Untrue Allegations

If you make an allegation which you think is genuine but is not proven, no action will be taken against you. If, however, you maliciously raise an unfounded concern, then disciplinary action may be taken against you.

10. Anonymous Allegations

The policy encourages individuals to put their name to their allegations. However, it is understood that some people may wish to remain anonymous. Concerns expressed in this way are much less powerful, but will be considered, at the discretion of the Council.

In exercising the discretion the factors to be taken into account would include: the seriousness of the issues raised, and the credibility of the concern.

11. Victimisation

The Council will not tolerate harassment or victimisation and will take action to protect you when you raise a concern in good faith.

If you do receive reprisals from those responsible for the malpractice or any other member of staff, they may be disciplined under the Council's procedures.

12. Contracting Organisations

These arrangements will be extended, with appropriate variations, to staff of contracting organisations. Such arrangements will be carefully confined to those areas of activity relating specifically to contractors' relationships with the Council and should not extend to contractors' internal arrangements.

It is necessary for all involved in the process, i.e. Council staff, whistleblowers and anyone accused of malpractice, for whistleblowing to be dealt with properly, quickly and discreetly to make the process efficient, fair and effective.

WHISTLEBLOWING - GUIDANCE NOTES FOR MANAGERS**WHAT IS WHISTLEBLOWING**

Whistleblowing is when a worker discloses, i.e. 'blows the whistle' on, any wrongdoings such as fraud, malpractice, mismanagement, breach of any health and safety law or any other illegal act, either on the part of management or by fellow workers.

It often happens when:-

- i) workers have tried to complain through internal channels and have failed
- ii) the organisation's culture persuades workers that complaints will be ignored
- iii) the person committing malpractice is the worker's direct boss and/or at the top of the organisation, so again workers feel to complain directly would be useless and result in victimisation.

Management Responsibility

When workers discover something is wrong they should be encouraged to report the malpractice. This gives managers the chance to correct any malpractice before the issue escalates.

Managers must try to ensure that workers who make a complaint have confidence that:

- a) it is going to be properly investigated and addressed
- b) they will suffer no detriment as a result of speaking out.

N.B Victimising or deterring workers from raising legitimate concerns is a serious disciplinary offence. Whistleblowers are also afforded protection under the Public Interest Disclosure Act (see page 2).

Managers must have respect for the confidentiality of workers raising concerns if they (the workers) so wish. However, workers should be made aware that during the investigation the source of the information may need to be revealed and the individual may be required to provide a statement.

In all cases where an employee uses the Council's Whistleblowing policy to raise their concerns, the person receiving the concern must notify the Head of Audit and Risk Management. They are the Council's nominated officer for recording any Whistleblowing referrals and are required to maintain a log, which ensures confidentiality, and provide periodic information on the use of the Whistleblowing policy.

Internal reporting mechanisms for dealing with whistleblowing complaints

As a first step, individuals should normally raise concerns with their line manager or their manager's manager (grandparent role) or the Director. Secondly, if for example they believe management is involved, they should approach the Head of Legal Services, Human Resources, or the Head of Audit and Risk Management. The next step should be to Members and finally to an external agency (see below).

Depending on the seriousness of the allegation and who is suspected of the malpractice, individuals may wish to report directly to the Head of Legal Services or Members.

It must be emphasised that, before deciding on using external mechanisms, a final request to the Head of Legal Services or members should be encouraged.

If whistleblowers fear that their employer will bring retribution, they can make a wider disclosure to the police, the media or MPs.

External Reporting Mechanisms

If individuals do not feel confident using the internal reporting channels they should contact **Grant Thornton**, an external organisation who are the Council's independently appointed External Auditor and can be contacted via email at paul.dossett@gtuk.com.

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Agenda item:

[No.]

Audit Committee

On 22 July 2008

Report Title: **Money Laundering Regulations 2007**

Forward Plan reference number (if applicable): **N/A**

Report of: **Head of Audit and Risk Management**

Wards(s) affected: **All**

Report for: Non-key decision

1. Purpose

1.1 To identify the impact on the Council of the new Money Laundering Regulations 2007 that came into effect on 15 December 2007. These build upon the existing Money Laundering Regulations 2003, Proceeds of Crime Act 2002, Terrorism Act 2000, and the Terrorism Act 2006.

1.2 To provide a revised Anti-Money Laundering Policy and procedures for approval.

2. Recommendations

2.1 To note the implications of the new Money Laundering Regulations 2007; and

2.2 To agree the resultant revised Proceeds of Crime and Anti-Money Laundering policy and procedures as given in appendix A.

Report Authorised by: **Chief Financial Officer**



Contact Officer: Anne Woods, Head of Audit and Risk Management

Tel: 020 8489 5973

Email: anne.woods@haringey.gov.uk

3. Local Government (Access to Information) Act 1985

3.1 List of background documents:

The following background documents were used in production of this report:

- Money Laundering Regulations 2007

4. Background

- 4.1 The new regulation implements Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (the Third Directive).
- 4.2 The Council responded to the previous Money Laundering Regulations 2003 by introducing the Money Laundering procedure and guidance, which was written in conjunction with relevant Proceeds of Crime and Data Protection guidance. The guidance was last updated in January 2004, following the introduction of the Money Laundering Regulations 2003.

5. Money Laundering Regulations 2007

- 5.1 The Money Laundering Regulations 2007 implement the main preventative measure of the Third Directive, namely requiring risk based customer due diligence measures.
- 5.2 The Third Directive and the Money Laundering Regulations 2007 apply to a defined set of relevant financial services. Most of the Council's business does not fall within the classification of "relevant" financial services. It is mainly those services involving accountancy, audit, legal, and property transactions which could be carrying out relevant business. The following are examples of the type of transactions:
- treasury management in accepting deposits/investments;
 - legal services' involvement with financial or property transactions;
 - collection or refunding of money from the council's debtors;
 - loans and mortgage deals;
 - formation and management of companies or trusts; and,
 - dealing in transactions involving a total cash payment in excess of £10,000.
- 5.3 As with the previous regulations, it is debatable as to the degree to which local authorities need to ensure compliance, but the Council's operations do include transactions and business that could involve money laundering. The client identification requirements are applicable only to those activities that are defined as relevant business.
- 5.4 However, the reporting requirements are different. The legislation is such that all organisations and individuals must, if they suspect money laundering, inform the Serious Organised Crime Agency (SOCA).
- 5.5 Haringey's approach has been to put in place arrangements within the Council that comply with the regulations and reflect good practice. In this way the Council is seen to be acting prudently and to the proper professional standards that certain officers will need to follow. In respect of legal issues, the Law Society requires the Council to have anti-money laundering policies and guidance in place and to complete regular returns in respect of money laundering. In respect of financial issues, the Chartered Institute of Public Finance and Accountancy (CIPFA) have declared an intention to revise their guidance, but to date nothing has been produced.

- 5.6 The Money Laundering Regulations 2007, for the first time, required firms to vary identification and monitoring of their customer on a risk sensitive basis. Firms are allowed to reduce the level of customer identification in specified lower risk situations, for example, dealing with public bodies.
- 5.7 Reviewing the Council's existing processes and procedures relating to money laundering has resulted in the policy being redrafted to include a section on due diligence (see appendix A). In most cases, the business undertaken will be where the client is another public or statutory body, and therefore the risk assessment indicates that no further due diligence about the status of the client is needed.
- 5.8 However, for other third party clients or politically exposed persons, there needs to be formal and recorded due diligence checks. In these rare circumstances, guidance on performing the due diligence checks will be provided by the Head of Audit and Risk Management, in their role as the Council's Money Laundering Reporting Officer, in consultation with relevant officers from legal and corporate finance where appropriate.
- 5.9 Therefore, a record must be maintained, including details of the customer due diligence, which needs to be kept for five years after the end of the business relationship and records of transactions, which also need to be kept for five years.

6. Financial Implications

- 6.1 There are no direct financial implications arising from the revisions to the policy and procedures.

7. Risk Implications for the Council

- 7.1 Where the Council undertakes relevant business, it is normally with other public and statutory bodies and therefore no specific due diligence is needed.
- 7.2 Although local authorities are unlikely to be a prime target for money laundering, the size and scope of services is such that it is not possible to discount entirely the risks surrounding money laundering. In order to mitigate this risk, the policy and guidance has been produced and will be disseminated to relevant officers and made available on the Council's intranet site (Harinet).

8. Legal Implications

- 8.1 The Head of Legal Services has been consulted in the preparation of this report, and makes the following comments.
- 8.2 The Head of Legal Services agrees that it is debatable as to whether the Council is obliged to adopt the Regulations. However, money laundering is a risk and as such needs to be identified, assessed and mitigated. Accordingly, the Head of Legal Services supports the recommendations contained in this report.
- 8.3 The Head of Legal Services is also able to report that his service already has a written procedure dealing with money laundering, being a requirement of the Law Society quality charter mark – Lexcel – which the service holds.

9. Conclusion

- 9.1 The Council should respond to the Money Laundering Regulations 2007 by reflecting the need for due diligence in a revised Proceeds of Crime and Anti-Money Laundering policy. This may be subject to further change if CIPFA produces revised guidance. In the interim, however, it is important that the Council's procedures reflect the new regulations and the Council's policy is amended now.

Appendix A: Policy and Procedures: Proceeds of Crime and Anti-Money Laundering

PROCEEDS OF CRIME AND ANTI-MONEY LAUNDERING POLICY AND PROCEDURES

1. What is money laundering?

Money laundering is the term used for several offences involving the proceeds of crime, or terrorism. This includes possessing, or in any way dealing with, or concealing, or converting the proceeds of any crime, as well as funds likely to be used for terrorism, as well as the proceeds of terrorism. Money laundering is generally used to describe the activities of organised criminals converting the proceeds of crime into legitimate activities, with the intention of hiding their true sources of income.

The original Money Laundering legislation and regulations were designed to combat this scale of criminal activity. However, the current legislation now covers all proceeds of crime, both money and property, regardless of how small the value. In reality, it involves a suspicion that someone is benefiting financially from dishonest activities. Therefore, the money laundering aspect would be the attempt to do legitimate business with the Council using assets and/or monies derived from the proceeds of crime or terrorism.

This guidance sets out the legal and regulatory requirements relating to money laundering, as they affect both the Council and you personally.

2. What laws exist to control money laundering?

In recent years, new laws have been passed which significantly shift the burden for identifying acts of money laundering from Police and Government agencies to organisations and their employees. The principal legislation and regulation relating to money laundering are the Proceeds of Crime Act 2002, the Terrorism Act 2000, and the Money Laundering Regulations 2007.

There are three primary offences to take account of:

- **'concealing'** is where someone knows, or suspects, a case of money laundering, but conceals or disguises its existence;
- **'arranging'** is where someone involves himself or herself in an arrangement to assist money laundering; and,
- **'acquisition', 'use', or 'possession'** is where someone seeks to benefit from money laundering by acquiring, using, or possessing the property concerned.

There are also two third party offences to take account of:

- **'failing to disclose a primary offence'** is where someone becomes aware or suspects money laundering, but fails to take action in reporting it; and,
- **'tipping off'** is where someone informs a person who is, or is suspected of being, involved in money laundering, in such a way as to reduce the likelihood of being investigated, or prejudicing an investigation.

PROCEEDS OF CRIME AND ANTI-MONEY LAUNDERING POLICY AND PROCEDURES

These money laundering offences may be committed by the Council itself, or by any of the Members and employees (including permanent, agency and temporary staff) working within it.

3. What is the Council's response to money laundering?

Local authorities have a responsibility to ensure the proper conduct of public business. The consequences of the Council or any of its Members or employees facing prosecution under the money laundering legislation would be very serious and reflect poorly not only on the Council, but on the public service as a whole.

Although local authorities are unlikely to be a prime target for money laundering, the size and scope of services is such that it is not possible to discount entirely the risks surrounding money laundering. In order to mitigate this risk, this policy and guidance, including reporting arrangements, has been produced.

Management should ensure that arrangements are in place to prevent the Council and its Members and employees being exposed to money laundering in those services where there is a potential risk. They should also ensure that those Members and employees who may become exposed to money laundering are made fully aware of this guidance and are suitably trained.

It should be noted that the professional bodies of some employees (e.g. accountants and solicitors) have issued guidance on personal obligations and responsibilities relating to money laundering, and those employees should familiarise themselves with that guidance.

4. What are the implications for staff who become involved?

Examples of possible situations involving exposure to money laundering are found in the appendix to this document. However, it cannot be stressed too strongly that it is every Member and employee's responsibility to be vigilant, and to be aware of the requirement to report actual or suspected cases of money laundering.

While it is unlikely that a Member or employee would commit one of the three primary offences, a failure to disclose a suspicion of money laundering is a serious offence in itself, and there are only very limited grounds in law for not reporting a suspicion.

Depending on the severity of the suspected offence, the Magistrates' Court can issue fines of up to £5,000, or sentences of up to 6 months in prison (or both), and, in the Crown Court, fines are unlimited, and sentences of up to 14 years may be handed out.

PROCEEDS OF CRIME AND ANTI-MONEY LAUNDERING POLICY AND PROCEDURES

5. How do we ensure due diligence?

The Money Laundering Regulations 2007, for the first time, require the identification and monitoring of clients on a risk sensitive basis. Where relevant business is undertaken, the clients need to be subject to some form of risk based due diligence. Most of the Council's business is not defined in the regulations as being relevant; it is mainly those services involving accountancy, audit, legal, and property transactions which could be carrying out relevant business.

In most cases, the business undertaken will be where the client is another public or statutory body, and therefore the risk assessment indicates that no further due diligence about the status of the client is needed. However, for other third party clients or politically exposed persons (see attached appendix for definition) there needs to be formal and recorded due diligence checks. A record will be maintained, by Corporate Finance, including details of the customer due diligence, which needs to be kept for five years after the end of the business relationship together with a record of the transactions also kept for five years. In these rare circumstances, guidance on performing the due diligence checks can be obtained from the Head of Audit and Risk Management.

6. What should I do if I suspect a case of money laundering?

If you have any questions or doubts about an individual, company, or transaction that you have been dealing with, then it is important to seek advice from the Head of Audit and Risk Management. This approach means that the information can be considered at the time the transaction or the business takes place.

Section 2 of this guidance states that failure to take action or to report activities is an offence under the Regulations. However, failure to do so is only an offence if the suspicion relates, in the event, to an actual crime. Therefore, a common sense approach needs to be taken, in order to ensure that officers' time is not wasted.

The Council has nominated the Head of Audit and Risk Management within the Corporate Resources Directorate as the officer responsible for dealing with any suspicions of money laundering. You should therefore report any suspicious transactions or concerns to the Head of Audit and Risk Management in writing. The matter would then be discussed with you and a decision made whether to make a formal report to the Serious Organised Crime Agency.

PROCEEDS OF CRIME AND ANTI-MONEY LAUNDERING POLICY AND PROCEDURES

A. Examples of possible situations involving exposure to money laundering

1. There may be situations where funds come into the Council from an unfamiliar source. In particular, if the Council is forming a new business relationship, or is considering undertaking a significant one-off transaction, it would be prudent to identify fully the parties involved. This will be especially true if the parties concerned are not physically present, or may be acting for absent third parties.
2. Transactions involving the handling of the proceeds of asset disposals, e.g. land sales, can be especially vulnerable, and may demand further enquiry. Caution should be exercised in respect of:
 - unusual arrangements; offshore funds being used;
 - transactions involving a third party who is not known to the Council, or where the identity of a party is difficult to establish or is undisclosed;
 - where an intermediary is involved, or where the ultimate ownership of a company is hidden; and,
 - situations where a party is evasive as to the source of funds.
3. Members or employees having direct contact with the public or businesses may become suspicious where the nature of the goods or the amounts of the cash seems inconsistent with what might, in the circumstances, be regarded as normal.
4. Cashiers may be asked, in the normal course of their work, to accept payments in unusually amounts of cash for the settlement of debts. As a guide, sums in the region of £10,000 and above would be regarded as a sum of cash that should be reported.
5. Circumstances which might arouse particular suspicion are where cash is tendered which exceeds significantly the amount of the debt, or are paid twice or more and the person or business requests subsequently a refund from the Council of the balance.

B. Politically Exposed Persons

The Regulations define politically exposed persons as a person “...who is or has, at any time in the preceding year been entrusted with a prominent public function by a state other than the United Kingdom, an European Community institution or an international body” or a family member or known close associate of such a person.



Agenda item:

[No.]

Audit Committee

On 22 July 2008

Report Title: **Internal Audit Progress Report - 2008/09 Quarter 1**

Forward Plan reference number (if applicable): **N/A**

Report of: **Head of Audit and Risk Management**

Wards(s) affected: **All**

Report for: Non-key decision

1. Purpose

1.1 To inform the Audit Committee of the work undertaken by the Internal Audit Service for the first quarter 2008/09 and reports outstanding from 2007/08,

2. Recommendations

2.1 That the Audit Committee notes the audit coverage and progress during the first quarter 2008/09 and on the reports outstanding from 2007/08.

2.2 That the Audit Committee notes the progress and responses received in respect of outstanding audit recommendations.

2.3 That the Audit Committee considers whether any further action is necessary to address outstanding priority 1 recommendations.

Report Authorised by: **Chief Financial Officer**

Contact Officer: Anne Woods, Head of Audit and Risk Management

Tel: 020 8489 5973

Email: anne.woods@haringey.gov.uk

3. Local Government (Access to Information) Act 1985

3.1 For access to the background papers or any further information please contact Anne Woods on 0208 489 5973.

4. Background

- 4.1 The purpose of this report is to advise the Audit Committee of the audit activity for the first quarter of 2008/09. In addition, the report updates the position on those reports from 2007/08 which remained outstanding at 31st March 2007.
- 4.2 This is the first report presented in the new format which was agreed at the Audit Committee on 24 June 2008. The aim of the revised report is to provide:
- An overall summary of completed reports, providing details of the date when the audit was undertaken; the date of the final report; the assurance level; the direction of travel (providing a comparison against previous years); the number of recommendations made in each of the priority areas; and any further comments;
 - Where a 'limited' or 'no' audit assurance level is indicated, a more detailed summary is included;
 - An overall summary of work completed as part of the work on the Financial Management Standard in Schools (FMSiS);
 - An overall report on the outcome of audit follow up work; and
 - A more detailed summary of progress in management's implementation of the Priority 1 recommendations made.

5. Performance Management Information

- 5.1 Although there are no national or Best Value Performance Indicators, local performance targets have been agreed for Audit and Risk Management. These form part of Corporate Resources' reporting processes, but are detailed below for information. The table shows the targets for each area of audit activity monitored and gives a breakdown between the quarterly and cumulative performance.

PI Ref.	Performance Indicator	1 st Quarter	Year to date	Target
A1	Audits completed vs. Planned programme	14%	14%	95%
A2	User satisfaction (1 = low, 5 = high)	3.6	3.6	3.75
A3	Time taken to complete investigations (2007/08 referrals)	16 weeks	16 weeks	12 weeks
A4	Priority 1 recommendations implemented at follow up (2007/08 follow up)	67%	67%	95%

6. Deloitte and Touche

- 6.1 The activity of Deloitte and Touche for the first quarter of 2008/09 to date is detailed at Appendix A. This also includes details of all reports outstanding from 2007/08, which are separately identified. For 2008/09, a total of 14 projects was planned for the first quarter, including school visits. To date, 2 projects have been completed and issued as final reports. A further 4 projects have been completed and draft reports have been issued.

- 6.2 The programme of planned follow up audits is also reported at Appendix A. For follow up work in relation to 2007/08 audits, a total of 20 recommendations have been subject to follow up. Of these, 8 have been implemented including 6 out of 9 priority 1 recommendations. A further 5 are in progress and being implemented and 4 recommendations are no longer applicable. In total, a 50% compliance rate has been achieved, which is higher than previous years.
- 6.3 The work of internal audit and the new reporting requirements to both the Audit Committee and Cabinet, which receive details of all outstanding Priority 1 recommendations as part of the 2008/09 corporate performance reporting arrangements have ensured that managers take greater responsibility for implementing recommendations. The percentage of outstanding priority 1 recommendations from 2006/07 remains high and internal audit will continue to work with managers to ensure these are addressed.
- 6.4 At the previous Audit Committee, further details of all outstanding recommendations reported when the follow up work was undertaken were provided. Since July 2007, work has been ongoing, in conjunction with the Chief Financial Officer, to ensure that Directors were aware of the required actions necessary. As a result, Appendix A also contains a detailed explanation of the status of all priority 1 recommendations from 2004/05 and 2005/06 which were reported as 'not implemented' when the original follow up work was completed.
- 6.5 At the end of 2007/08, there were a total of 8 priority 1 recommendations which had not been implemented from previous years. Of these, which have been agreed by managers, one had now been implemented and the remaining recommendations were in the process of being implemented and a revised deadline for completion has been provided. Directors have been kept informed of progress at all stages and Internal Audit are satisfied that managers are taking appropriate action to address the issues raised in the original recommendations.

7. In-house Team – Fraud investigation/Irregularities

- 7.1 In accordance with the Council's Constitution, Internal Audit investigates all cases that fall outside the remit of the Housing Benefit Fraud Investigation Team and the Information Security Policy. Appendix B details the individual cases that were completed by the In-house Team during the first quarter 2008/09 and brought forward from 2007/08.
- 7.2 Within the first quarter, four new cases were referred to Internal Audit for investigation, and one case was completed during the quarter involving Council employees. The cases investigated during the first quarter covered a number of allegations from fraudulent misuse of grant money and fraudulent overtime claims. During 2008/09, the average length of time taken to investigate all allegations was 16 weeks.
- 7.3 The council has a dedicated email address and telephone number, which is advertised on the Council website, by which members of the public can report instances of suspected fraud or irregularity. The In-house Team manage and monitor these referrals. During 2008/09 to date, two referrals in relation to new allegations were made

via the council's email reporting facility. A further five emails were received. Of these, two related to previous investigations and three were in relation to housing benefit/council tax issues and were referred to the Housing Benefit Fraud Investigation Team. No referrals were made via the telephone reporting facility.

7.4 The In-house Team also investigates claims of non-receipt of Council cheques. In 2008/09 to date, there was one referral for investigation. Improvements in procedures, including the introduction of 'positive pay' whereby the council's banking team receives information on cheques before they are cleared, and new cheque security measures have substantially reduced the level of fraudulent activity in this area. The council has not lost any money, as the fraud was detected and the cheque was not cashed.

7.5 Appendix C details the number of disciplinary suspensions and/or action taken in the first quarter of 2008/09. The data is taken from SAP and the information has been provided in line with council statistics reported elsewhere. In addition, better management information is now available to assist in monitoring and reviewing outstanding cases in order to improve processes across all directorates.

8. In-house Team – other work

- 8.1 In addition to the investigation of allegations of fraud and financial irregularity, the In-house Team has completed work to provide assurance and an audit certificate on three corporate grant claims: Supporting People; LAA grant; and the GAF grant. Central government and Government Office for London required that each grant was supported by an internal audit certification that the grant monies, which were in excess of £40 million, had been used in accordance with the grant terms and conditions.
- 8.2 In all cases, internal audit were able to provide the required assurance to the funding bodies. Some control weaknesses were identified, although these were not significant and did not impact on internal audit's overall opinion. Where control weaknesses were identified, action plans have been put in place to ensure that the recommendations made are addressed. In addition, internal audit have been working with service departments and corporate finance to update and re-issue the guidance for managers responsible for grant expenditure.

9. Risk Management

- 9.1 Members requested that the Audit Committee receive regular information on risk management and progress on implementing the Council's updated risk management strategy. It is proposed that the updates are provided on a quarterly basis as part of the regular progress reporting and that a separate report on risk management work is provided on an annual basis. The annual report on risk management work will include the submission of the corporate risk register for Member review.
- 9.2 During the first quarter, business units and directorates have been updating their risk registers to reflect the agreed objectives and priorities for the 2008/09 business plans. Appendix D shows the latest position for all Business Units and Directorates as at June 2008. All Business Units have provided copies of the latest version of their risk registers and the directorate risk registers are currently being agreed by the respective management teams. When this is complete, the corporate risk register will be updated and reviewed by CEMB.

**Internal Audit
Quarter 1 Internal Audit Report
2008/2009
London Borough of Haringey**

Deloitte & Touche Public Sector Internal Audit Ltd.
July 2008

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Executive Summary

Introduction

This is our first quarter report to the Audit Committee for the 2008/09 financial year including details of all reports which are now at final stage. The report provides information on those areas which have achieved full or substantial assurance and gives an indication of the direction of travel for key systems work which will provide Members with information on how risks are being managed over time. The format of this report is also designed to highlight the key risks facing individual departments and the Council which have been identified during the course of internal audit reviews. A more detailed summary of the limited assurance audit findings is included for information. The report draws together the summary information which is provided on a monthly basis to Members of the Audit Committee. Members of the Committee will also be provided with full copies of our audit reports upon request.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports.

The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Audit Committee. The audits highlighted in **bold** are those not previously reported to the Audit Committee.

As a reminder, our recommendations are prioritised according to the following categories:

<i>Priority 1</i>	-	major issues for the attention of senior management
<i>Priority 2</i>	-	other recommendations for local management action
<i>Priority 3</i>	-	minor matters and/or best practice recommendations

Key Highlights/ Summary of Quarter 1 2008/09:

- **Insurance Arrangement Audit**
- **Social Services Establishment Audits**
- **Start of FMSIS audits for second wave of Primary Schools**

APPENDIX A

Audit Progress Summary – Quarter 1 2008/09:

The following table sets out the audits completed in this quarter and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Audit Committee. The audits highlighted in bold are those not previously reported to the Audit Committee.

Detailed summaries of all audits which do not receive 'Full' or 'Substantial' assurance ratings are also provided for Members' information.

[illegible]

Audit Progress Summary – 2007/08:

The following table sets out the audits finalised in this quarter and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Audit Committee. The audits highlighted in bold are those not previously reported to the Audit Committee.

Detailed summaries of all audits which do not receive 'Full' or 'Substantial' assurance ratings are also provided for Members' information.

[illegible]

Detailed summaries:

Audit area	Scope	Status/key findings	Assurance
IT SYSTEMS			
Environmental Enforcement System	<p>Audit work was undertaken to cover the following areas and control objectives:</p> <ul style="list-style-type: none"> • User access structure; • Logical access controls and security configuration of the system; • Input, output and processing controls; • Interfaces; • Audit trail; • Backup procedures; and • Business continuity / disaster recovery arrangements. 	<p>Weaknesses in the system are such as to put the system objectives at risk.</p> <p>A number of controls were observed to be operating satisfactorily, some of which are listed below:</p> <ul style="list-style-type: none"> • A system administrator had been appointed and had received training on the M3PP application; • A unique username and password was required prior to gaining access to the application; • Default passwords were force changed upon first entry and the user was not able to change the new password back to the default password, therefore forcing the user to chose another password known only to themselves; • Users were locked out of the system after three unsuccessful login attempts and required the system administrator to unlock the account before another three login attempts could be obtained; and • With the exception of the issues raised in recommendation 6, the data input controls were found to be operating effectively. <p>Within the system there are weaknesses which put the system objectives at risk. Some of the areas where weaknesses were found are:</p> <ul style="list-style-type: none"> • Passwords were not a minimum of six characters and did not require a combination of alpha and numeric; 	Limited

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Audit area	Scope	Status/key findings	Assurance
		<ul style="list-style-type: none"> • There was no ongoing monitoring of unsuccessful logon attempts undertaken; • There were at least 14 generic and 12 Administrator user accounts that had been set up for use within the application; • There were no formal procedures in place for the setting up of user accounts, account maintenance and deactivation of existing users. There were at least three leavers identified that still had active user accounts on the system; • Procedures were not yet in place to ensure that all changes to master data were valid, authorised and checked by a second officer once input to the system; • Data was not always input in a timely manner and as a result data within the application was not always accurate and-up-to date; • Except for one module, it was not possible to run audit trail reports of user actions and therefore Administrator actions were not monitored; and • A draft Disaster Recovery Plan produced in September 2006 had not been finalised and signed off by senior management (although we note that the system is defined as 'not mission critical'). <p>As a result of our internal audit work in this area we have raised ten priority 2 and two priority 3 recommendations which should help to improve the control environment.</p>	
URBAN ENVIRONMENT			
Parking Control & Enforcement	<p>Audit work was undertaken to cover the following areas and control objectives:</p> <ul style="list-style-type: none"> • Issue of Penalty Charge Notices; • Unregistered Vehicles; 	<p>Weaknesses in the system are such as to put the system objectives at risk.</p> <p>A number of controls were observed to be operating satisfactorily, some of which are listed below:</p>	Limited

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Audit area	Scope	Status/key findings	Assurance
	<ul style="list-style-type: none"> • Identification of Income Due; • Income Recovery; • On Street Income Collection; • Appeals; • Residents Parking Permits; • Accounting for Income; • Write-Offs; and • Follow up. 	<ul style="list-style-type: none"> • All roads within controlled parking zones were covered in routes set out by Parking Supervisors; • Parking offences were recorded onto hand-held 'HUSKY' devices; • CIVICA system, used for parking enforcement, was checked to hand-held devices once the downloads are complete; • Outstanding debts were appropriately escalated from PCNs, to Notice to Owner after 28 days, to Charge Certificate after a further 14 days, after which a warrant was obtained from Court in order to pass the debt onto the bailiffs; • Complaints were recorded adequately; and • Write-offs were appropriately authorised. <p>Within the system there are weaknesses which put some of the system objectives at risk. The areas where weaknesses were found include:</p> <ul style="list-style-type: none"> • There was a lack of supervisory monitoring of Parking Attendants; • There were no manual PCN forms for back-up in case of HUSKY device failure; • Records of voided PCNs were incomplete; • Parking Assistants were not aware of persistent evaders as these were not recorded on HUSKY devices; and • There was no regular management review of suspended cases. <p>As a result of our audit work we have raised nine priority 2 recommendations and six priority 3 recommendations which will help improve controls in the area.</p>	

FMSIS Assessments and Summary:

Our work during 2008/09 will involve on checking compliance with the requirements of the Financial Management Standard in Schools (FMSiS).

All Primary, Infants, Junior and Special Schools are to be assessed as to whether they meet the requirements of the standard by 31st March 2010. To achieve this it is planned that these schools will be assessed over the three years as follows:

- 40% of schools by the 31st March 2008;
- 40% of schools by the 31st March 2009; and
- 20% of schools by the 31st March 2010.

Our schedule of visits to Primary Schools in 2008/09 covers 29 schools (43%). Of these, five schools have already been visited. One report has been issued and the school has been assessed as meeting the standard. A report will be issued in July for the other four schools and visits are scheduled to further schools in July and following months. Where schools are assessed as not meeting the standard, in accordance with FMSiS guidance, further time is being allowed to enable schools to provide the required evidence which would ensure that they achieve the standard. We are liaising with relevant Secondary and Primary Schools that have not yet met the Standard to ensure that key recommendations are implemented as soon as possible.

The table below sets out the Primary Schools visited in Quarter 1, where a final report has been issued, and the current status with regards to compliance with the Standard (which is reported as either pass or fail):

Primary School	Date of Assessment	Date of Final Report	Outcome (Pass/Fail)	Comments
The Vale Special School	16.06.08	10.07.08	Pass	

Follow Up 2006/07

AUDIT AREA	Assurance Level	Recommendations											Comments	
		Category				Implemented				N/A	Not Imp.	In Progress		
		1	2	3	Total	1	2	3	Total					
Chief Executives.														
Contract and Document Management	Substantial	1	4	1	6	0	1	0	1	0	1	4		
Programme Budget & Budget Control Reporting Independent Challenge	Substantial	1	6	0	7	0	4	0	4	3	0	0		
Equalities	Substantial	0	6	0	6	0	1	0	1	1	1	3		
Partnership Arrangements	Substantial	0	6	0	6	0	4	0	4	0	0	2		
Finance														
Debtors	Substantial	1	5	0	6	0	1	0	1	0	4	1		
Cash Receipting	Substantial	0	5	0	5	0	4	0	4	0	1	0		
Creditors	Substantial	0	4	1	5	0	3	1	4		1	0		
Treasury Management	Substantial	0	3	0	3	0	2	0	2	0	1	0		
Strategic FM & Budgetary Control	Substantial	0	1	2	3	0	1	1	2	0	0	1		
Payroll & Expenses	Limited	0	9	2	11	0	4	1	5	0	6	0		
Council Tax	Substantial	0	1	1	2	0	1	1	2	0	0	0		
Accounting & General Ledger	Substantial	0	3	0	3	0	3	0	3	0	0	0		
NNDR	Substantial	2	2	0	4	1	2	0	3	0	0	1		
Housing & Council Tax Benefits	Substantial	0	4	3	7	0	3	3	6	0	0	1		
Social Services														
Haringey Integrated Community Equipment Services (HICES)	Limited	4	9	1	14	2	2	0	4	2	5	3		
Temporary Housing Repairs	Substantial	2	5	0	7	0	1	0	1	1	3	2		
Housing Association Leasing Scheme	Limited	6	3	1	10	0	2	1	3	0	0	7		

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AUDIT AREA	Assurance Level	Recommendations													Comments
		Category					Implemented					N/A	Not Imp.	In Progress	
		1	2	3	Total	1	2	3	Total						
Environment															
Waste Management	Limited	7	7	0	14	5	3	0	8	0	4	2			
Health and Safety-Environmental Services	Limited	3	3	0	6	0	0	0	0	0	1	5			
Parking Control and Enforcement	Substantial	1	4	0	5	0	3	0	3	0	0	2			
Children's Services															
Sure Start: Early Years	Substantial	2	4	2	8	0	1	0	1	2	4	1			
Financial Monitoring of Schools	Substantial	0	3	1	4	0	2	0	2	1	0	1			
Building Schools for the Future – Project Management	Substantial	0	3	1	4	0	2	0	2	1	0	1			
IT Audits															
Email Usage	Substantial	0	3	1	4	0	2	0	2	0	2	0			
Request work															
New Deal for Communities	N/A	6	5	0	11	5	4	0	9	0	0	2			
Total		36	105	17	158	13	53	8	74	11	34	39			

Implemented – officers has indicated through self-certification the progress of recommendations. We have verified a sample of responses.

N/A – the recommendation is no longer applicable due to changes in the system, or alternative action has been taken to address the risk.

Not implemented – the recommendation has not been addressed, alternative action has not been taken.

Partly implemented – officers have started implementation of recommendations

Follow Up 2007/08

AUDIT AREA	Assurance Level	Recommendations													Comments
		Category				Implemented					N/A	Not Imp.	In Progress		
		1	2	3	Total	1	2	3	Total						
Environment															
Compliance with Procurement Procedures - Streetscene	Substantial	1	5	0	6	0	2	0	2		4	0		0	
CCTV Systems	Substantial	2	2	1	5	1	0	0	1		0	2		2	
Pro-active Anti-fraud – Blue Badges	Limited	6	3	0	9	5	0	0	5		0	1		3	

Implemented – officers has indicated through self-certification the progress of recommendations. We have verified a sample of responses.

N/A – the recommendation is no longer applicable due to changes in the system, or alternative action has been taken to address the risk.

Not implemented – the recommendation has not been addressed, alternative action has not been taken.

Partly implemented – officers have started implementation of recommendations

DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2008/09

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Detailed Progress Report - Implementation of Priority 1 Recommendations

Audit Area	Number of Priority 1 Recommendations	Original Implementation Deadline	Progress/Status	Comments/Update
2004/05				
Payroll & Expenses	1	31.03.06	An online process is being developed for Payroll to manage expense claims payments. <i>Deadline: 2008/09</i>	In Progress Representatives of Personnel have already met with Finance staff to begin a review of the expenses being claimed and paid through petty cash. It has highlighted that there are distinct types of expense; a) genuine employee expenses for Travel and Subsistence, b) other business expense (where an employee has purchased something on behalf of the Authority and is re-claiming the cost), c) Agency Workers claiming expenses. The HR Support Team is in the process of preparing new claim forms, one for each of the types mentioned above. At the same time Personnel will be preparing guidance to issue to Managers and employees on the situations and levels of expenses that can be claimed. This will also confirm the need for all claims to be covered by receipts. Following a review of the Resources required there will also be a move towards payment of the Travel and Subsistence type of claim through the payroll and a drive to get Managers to use the Procurement process and P Cards to reduce the need for employees to incur individual expenses.
2005/06				
Sustainability	4	2006	1. Corporate Procurement Strategy and Procurement Policy 2. Sustainable Procurement Procedures <i>Deadline: End December 2008</i> 3. Sample check of environmental checklists completed by Project Managers <i>Deadline: End December 2008</i>	Implemented In Progress A Procurement manual is currently being developed and will be finalised by end of December 2008. In Progress This process will be implemented in line with the Procurement manual currently being developed.

DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2008/09

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Audit Area	Number of Priority 1 Recommendations	Original Implementation Deadline	Progress/Status	Comments/Update
			4. Sustainability Development Manager to be involved in projects above the threshold value of £500,000 <i>Deadline: End December 2008</i>	In Progress A Sustainability Development Manager has recently been appointed. This process will be implemented in line with the Procurement manual currently being developed.
Telecommunication	1	Dec'06 and Q4 2007/08	Telecommunications Strategy <i>Deadline: 2008/09</i>	In Progress This will be included within the IT Strategy currently in development.
iPlan Application and e-Planning	1	Dec'06 and Jun'08	Improved Logical Access Controls within the e-Planning application. <i>Deadline: September 2008</i>	In Progress Upgrade is currently in progress and system will go live by September 2008.
TORREX Leisure Management System	1	Ongoing/ May 2008	Request to software suppliers to correct the system in order to fully prevent access following repetitive invalid logon attempts <i>Deadline: December 2008</i>	In Progress Requests have been sent to the software suppliers. It is expected that the software will be upgraded by December 2008, in line with the release schedule from the suppliers (normally October) and allowing for upgrade to be operational.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Deloitte & Touche Public Sector Internal Audit Limited

London

July 2008

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APPENDIX B
IN HOUSE AUDIT – IRREGULARITIES INVESTIGATED 01/04/08 - 30/06/2008 & B/F FROM 2007/08

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 30/06/08	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
Adult, Culture and Community Services	Allegation of housing fraud B/F	1	1	1	Dismissed Appeal heard – re-engaged ET Lodged	
	Alleged private working whilst off sick	1	1	1	Employee Dismissed	
Corporate Resources	Allegation of irregular overtime claims	1	1	1	Employee Resigned	
Urban Environment	Alleged Irregular housing application B/F	1	1	1	Dismissed Dismissal Upheld at Appeal ET Lodged	
	Alleged Irregular CT & HB claim B/F	1	1	1	Decision Pending Employee Resigned	

APPENDIX B
IN HOUSE AUDIT – IRREGULARITIES INVESTIGATED 01/04/08 - 30/06/2008 & B/F FROM 2007/08

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 30/06/08	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
Non-specific	LBH cheques claims of non-receipt	1	N/A	N/A	N/A	£1,040
Total		6	5	5		£1,040

Progress Report Quarter 1 - Risk Register Update Summary

Status as at: June 2008

	Department	Level	Register Title	Date of most recent update	Date copy returned to audit
1	Corporate - CEMB	Corporate	Corporate Register	March 08	4-04-08
2	CE – Policy Performance Partnerships & Communication	Dept	Policy Performance Partnerships & Communication	April 08	25-04-08
3	CE – PPC	BU	Safer Communities	April 08	25-04-08
4	CE – PPC	BU	Neighbourhood Management	April 08	25-04-08
5	CE – PPC	BU	Communications	April 08	25-04-08
6	CE – PPC	BU	Improvement and Performance	April 08	25-04-08
7	CE – Organisational Development	Dept	Organisational Development	June 08	18-06-08
8	CE – OD	BU	Human Resources	June 08	18-06-08
9	CE – OD	BU	Local Democracy and Member Support	June 08	18-06-08
10	CE – OD	BU	Organisational Development & Learning	June 08	18-06-08
11	Corporate Resources (CR)	Dept	Corporate Resources	June 08	3-07-08
12	CR	BU	Legal Services	June 08	30-06-08
13	CR	BU	IT Services	June 08	30-06-08
14	CR	BU	Customer Services	June 08	30-06-08
15	CR	BU	Benefits & Local Taxation	June 08	30-06-08
16	CR	BU	Corporate Finance	June 08	15-06-08
17	CR	BU	Audit & Risk Management	June 08	17-06-08
18	CR	BU	Corporate Procurement	June 08	19-06-08
19	CR	BU	Corporate Property Services	June 08	30-06-08
20	Children and Young People's Service (CYPs)	Dept	Children and Young People's Service	May 2008	28-05-08
21	CYPs	BU	Children & Families	May 2008	28-05-08
22	CYPs	BU	School Standards and Inclusion	May 2008	28-05-08
23	CYPs	BU	Business Support & Development	May 2008	28-05-08
24	CYPs	BU	Change for Children	May 2008	28-05-08

Progress Report Quarter 1 - Risk Register Update Summary

	Department	Level	Register Title	Date of most recent update	Date copy returned to audit
25	Adults Culture and Community Services (ACCS)	Dept	Adults Culture and Community Services	April 08	
26	ACCS	BU	Commissioning & Strategy	June 08	18-06-08
27	ACCS	BU	Adult Services	June 08	18-06-08
28	ACCS	BU	Recreation Services	June 08	18-06-08
29	ACCS	BU	Adult learning, Libraries & Culture	June 08	18-06-08
30	Urban Environment (UE)	Dept	Urban Environment	April 08	
31	UE	BU	Strategic & Community Housing	June 08	24-06-08
32	UE	BU	Frontline Services	June 08	23-06-08
33	UE	BU	Planning Policy & Development	June 08	23-06-08
34	UE	BU	Enforcement	June 08	20-06-08

Haringey Council – Audit Committee

Disciplinary Case Analysis April 2008 to June 2008

Introduction

The information in this report is taken from SAP, covering the period 01 April 2008 – 30 June 2008.

The data is based on Haringey Council employees who

- hold Permanent, Temporary or Fixed Term Contracts
- are considered as Supernumerary (employees that have been on a Temporary Contract for more than 52 weeks)

Note that this data excludes:

- Casual or Sessional Workers
- Schools
- Agency Workers

Legend	
Adults, Culture & Community Services	AS
The Children & Young People's Service	C
Corporate Resources	CR
People & Organisational Development	PO
Policy, Performance, Partnership & Comms	PP
Urban Environment	UE
Haringey Council	HGY

The Council's Disciplinary Procedure is considered as a tool to assist in good management and not solely as a means of imposing sanctions or setting out procedures leading to dismissal.

The procedure aims to:

- Allow managers to address issues of unsatisfactory conduct and seek improvements in behaviour
 - Ensure that employees covered by the procedure are treated fairly and consistently
 - Ensure that proper and adequate procedures are observed before any disciplinary decisions are taken
 - Help and encourage all employees to achieve and maintain standards of conduct, attendance and job performance
 - Maintain discipline essential to the delivery of high quality services
 - Protect the health, safety and well being of staff, service users and members of the public
 - Safeguard the integrity and good reputation of the Council
- (Disciplinary Procedure July 2005)*

Disciplinary Cases

This section looks at the number of formal actions taken against employees under the disciplinary procedure based on data retrieved from SAP.

Disciplinary Cases by Directorate				
Directorate	Cases Closed	Cases Open	No of cases	No of employees
AS	11	5	16	14
C	6	5	11	11
CR	3	10	13	12
PO	0	0	0	0
PP	1	0	1	1
UE	7	6	13	13
HGY	28	26	54	51

Please, note that the total number of cases is **54**, but this only represents **51** employees. The reason being, that one employee can have more than one case running concurrently. For example, an employee's dismissal could count as one case and their appeal as another.

- Urban Environment has the highest percentage of disciplinary cases against its workforce at **1.91%**
- **26** cases remain 'open' at the end of this period.

The following table looks at the stages of Disciplinary cases.

Stages of Disciplinary Cases				
Stage	Cases Closed	Cases Open	Total	%
Invest. - not suspended	11	5	16	11
Invest. - suspended	13	17	30	13
ET	2	1	3	2
Appeal	2	3	5	2
Total	28	26	54	28

The following table identifies the outcomes of the 28 cases that were concluded.

Disciplinary Case Outcomes						
Outcome	Invest. - not suspended	Invest. - suspended	Invest. - appeal	Invest. - ET	Total	%
Appeal dismissed	0	0	0	0	0	0
Appeal upheld	0	0	0	0	0	0
Dismissal	1	6	0	0	7	25
No action	3	0	0	0	3	11
Other	0	0	1	2	3	11
Part upheld	0	0	0	0	0	0
Verbal warning	2	0	0	0	2	7
Written warning	4	0	1	0	5	18
Final writ warning	1	1	0	0	2	7
Resigned	0	4	0	0	4	14
Suspension lifted	0	2	0	0	2	7
Relegation/Demotion	0	0	0	0	0	0
Total	11	13	2	2	28	100

- In **18%** of cases the employee received a Written Warning
- **25%** of cases resulted in Dismissal

This table displays reasons for Disciplinary action against employees.

Reasons for Disciplinary Cases				
Reason	Cases Open	Cases Closed	Total	%
Assault	1	1	2	4
Attendance	4	0	4	7
Behaviour	7	12	19	35
Fraud / Theft	9	5	14	26
Misuse of resources	1	0	1	2
Negligence	0	3	3	6
Other	4	7	11	20
Total	26	28	54	100

- The highest cause for disciplinary action was for Behaviour at **35%**

This table looks at the ethnic breakdown and gender split for Disciplinary cases

Disciplinary Case employee representation by Ethnicity and Gender						
	Female		Male		All	
Ethnic Class	Total	%	Total	%	Total	%
B & M E	23	57.5	17	42.5	40	78.4
White	7	63.6	4	36.4	11	21.6
Total	30	58.8	21	41.2	51	100

- **26.5%** of the workforce is male, but the male representation of the disciplinary cases is significantly higher at **41.2%**

The following table looks at the ethnic breakdown per Directorate and across grade bands.

Disciplinary Case employee representation by Ethnicity and Grade Band (T = Total no. in grade band, WF = % of total disciplined employees in Directorate)															
Dir	Ethnic Group	MANUAL		SC1-SC5		SC6-SO2		PO1-PO3		PO4-PO7		PO8+		TOTAL	
		T	WF	T	WF	T	WF	T	WF	T	WF	T	WF	T	WF
AS	B & ME	1	7.1	3	21.4	3	21.4	1	7.1	1	7.1	0	0.0	9	64.3
	White	1	7.1	2	14.3	1	7.1	1	7.1	0	0.0	0	0.0	5	35.7
	Total	2	14.3	5	35.7	4	28.6	2	14.3	1	7.1	0	0.0	14	100
C	B & ME	2	18.2	2	18.2	4	36.4	1	9.1	1	9.1	0	0.0	10	90.9
	White	0	0.0	0	0.0	0	0.0	0	0.0	1	9.1	0	0.0	1	9.1
	Total	2	18.2	2	18.2	4	36.4	1	9.1	2	18.2	0	0.0	11	100
CR	B & ME	6	50.0	0	0.0	5	41.7	0	0.0	1	8.3	0	0.0	12	100
	White	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
	Total	6	50.0	0	0.0	5	41.7	0	0.0	1	8.3	0	0.0	12	100
PO	B & ME	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	White	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PP	B & ME	0	0.0	0	0.0	0	0.0	1	100	0	0.0	0	0.0	1	100
	White	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
	Total	0	0.0	0	0.0	0	0.0	1	100	0	0.0	0	0.0	1	100
UE	B & ME	0	0.0	4	30.8	1	7.7	3	23.1	0	0.0	0	0.0	8	61.5
	White	0	0.0	3	23.1	2	15.4	0	0.0	0	0.0	0	0.0	5	38.5
	Total	0	0.0	7	53.8	3	23.1	3	23.1	0	0.0	0	0.0	13	100
HGY	B & ME	9	17.6	9	17.6	13	25.5	6	11.8	3	5.9	0	0.0	40	78.4
	White	1	2.0	5	9.8	3	5.9	1	2.0	1	2.0	0	0.0	11	21.6
	Total	10	19.6	14	27.5	16	31.4	7	13.7	4	7.8	0	0.0	51	100

Suspensions

This table shows a summary of suspension cases.

Summary of Suspension Cases	
Case status	Total
No. of cases heard	9
No. of cases not concluded	17
No. of cases not concluded - leaver	4
Total	30

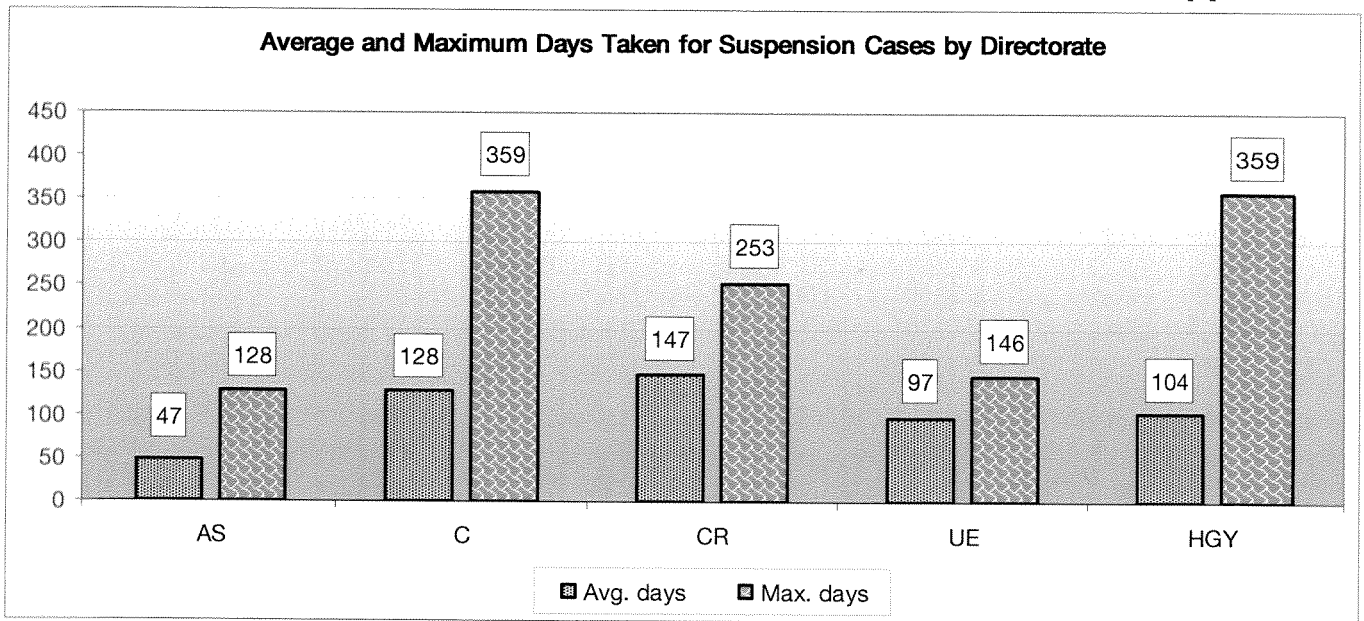
Of the **30** suspensions, **9** cases have been heard.

The table below looks at the **30** suspension cases and identifies the no. of working days each case has taken. If the case has not concluded by the end of the period, the number of working days is calculated from the start date of the current disciplinary stage to the end of the quarter.

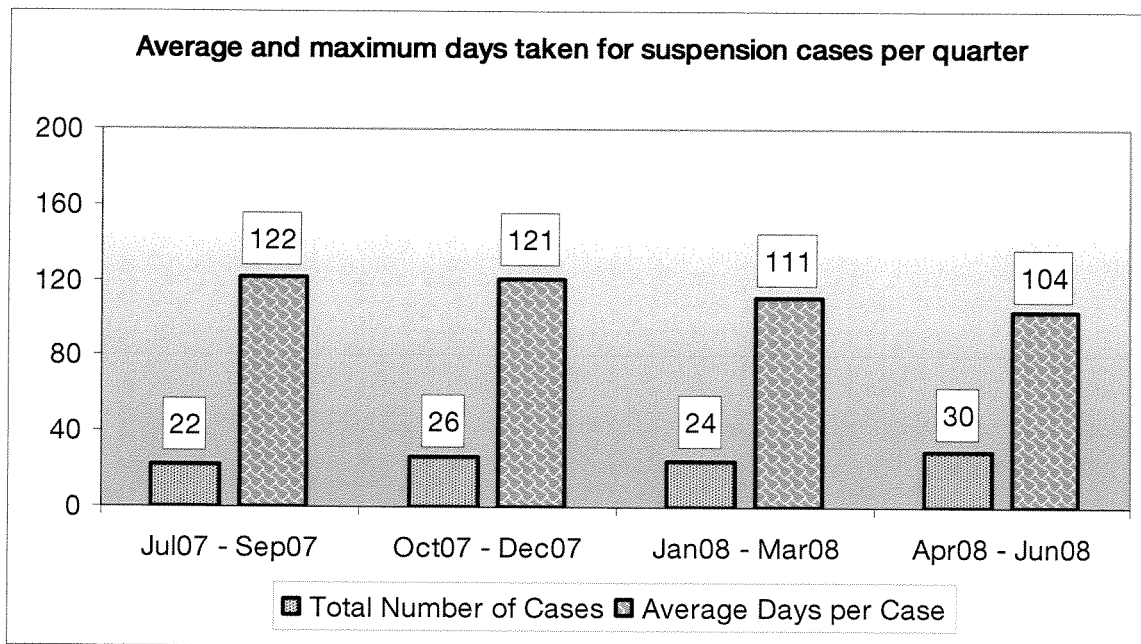
The table also identifies, by directorate, the average number of days suspension and the maximum days for a single case.

Timescales of Suspension Cases										
Directorate	1-60 days	61-120 Days	121-180 days	181-240 days	240+ days	Total cases	Total cases heard	Total no. of days taken for all cases	Avg. days	Max. days
AS	6	2	1	0	0	9	3	426	47	128
C	3	3	0	0	2	8	4	1024	128	359
CR	3	1	0	0	4	8	1	1179	147	253
PO	0	0	0	0	0	0	0	0	0	0
PP	0	0	0	0	0	0	0	0	0	0
UE	1	1	3	0	0	5	1	487	97	146
HGY	13	7	4	0	6	30	9	3116	104	359
Total cases heard	2	3	2	0	2	N/A	N/A	N/A	N/A	N/A

In this quarter, on average, **104** days were spent on each suspension case. This is a further **7** day decrease compared to the previous quarter of **111** days.



The chart below looks at the number of suspension cases per quarter and highlights Haringey Council's average number of days per case.



The average number of days taken per suspension case has fallen further since the last quarter, showing the benefit of the extra scrutiny and focus on management action that is continuously ongoing.

Although this is good and reflects that we have made an improvement from this time last year, the Council still aims to lower the average number of days taken per case to 70 days.

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Agenda item:

[No.]

Audit Committee

On 22 July 2008

Report Title: **Report on the work of the Audit Committee 2007/08**

Forward Plan reference number (if applicable): **N/A**

Report of: **Head of Audit and Risk Management**

Wards(s) affected: **All**

Report for: **Non-key decision**

1. Purpose

1.1 To advise the Audit Committee of the proposed report to Full Council in respect of the work undertaken by the Audit Committee during 2007/08.

2. Recommendations

2.1 That the Audit Committee approves the draft report on the work of the Committee during 2007/08.

2.2 That the final version of the report is presented to the next available Full Council meeting for information.

Report Authorised by: **Chief Financial Officer**



Contact Officer: Anne Woods, Head of Audit and Risk Management

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Email: anne.woods@haringey.gov.uk

3. Local Government (Access to Information) Act 1985

3.1 Audit Committee Agendas and Minutes 2007/08

4. Introduction

- 4.1 Haringey Council's Audit Committee has been established for a number of years, in accordance with best practice, with agreed Terms of Reference which match CIPFA guidance. In fulfilling its Terms of Reference the Audit Committee produces an annual report of the work it has completed during the year which is submitted to a meeting of the Full Council for information.

5. Reporting Process

- 5.1 In 2007/08, Members requested that a draft version of the Committee's annual report be presented to the Audit Committee to ensure that all Members had the opportunity to review and provide input to the report.
- 5.2 The draft annual report of the Audit Committee is attached as Appendix A to this report. The draft report has been compiled using the agreed minutes of the 2007/08 municipal year. During this year, the Audit Committee met on five occasions: 26 June, 10 July, and 29 October 2007; 28 January and 12 May (deferred from 28 April due to the elections) 2008.
- 5.3 Agreed recommendations and Member comments, where appropriate, have been included to reflect the discussion and outcome of the meetings. The report is structured against agreed headings, rather than chronological order to prevent repetition and duplication.

1. Background

- 1.1 The Terms of Reference of the Audit Committee require it to maintain an overview of the Council's arrangements for corporate governance and the regulatory framework; internal control; risk management; and internal and external audit. This report has been produced to advise Full Council of the matters considered by the Audit Committee at its meetings during the municipal year 2007/08, in fulfilment of its Terms of Reference. It is presented to Full Council for information.
- 1.2 The Audit Committee is required to meet at least four times per year in accordance with the Council's reporting and financial cycles. During 2007/08, the Committee has met on five occasions and each meeting was quorate.
- 1.3 To support members in their role, officers provided a briefing session on the function, status, responsibilities and role of the audit committee. The Council's Section 151 Officer (or his deputy) and Head of Audit and Risk Management were in attendance at each meeting. The Council's external auditors, The Audit Commission, attended the Committee to present, amongst other reports, their Annual Audit and Inspection Letter.

2. Summary

- 2.1 The Audit Committee takes its responsibilities very seriously and considers its role in enhancing the Council's internal control environment, which is considered effective by both internal and external audit, to be significant in assisting the Council achieve the highest possible rating as part of the Comprehensive Performance Assessment (CPA) process. During 2007/08, key achievements for the Committee were:
 - Contributing to the CPA process and assisting the Council achieve a score of 3 out of 4 for Internal Control as part of the Use of Resources assessment;
 - Providing input into the Internal Audit function thorough review and approval of the annual audit plan and quarterly review process, including monitoring implementation of audit recommendations as part of the formal follow up reporting process;
 - Reviewing and approving the Council's internal audit strategy; and
 - Contributing to and approving the Council's Statement of Internal Control.
- 2.2 The following sections describe the work of the Audit Committee in relation to the key tasks identified within the committee's agreed Terms of Reference which were in effect during 2007/08.

3. Corporate Governance and regulatory framework

- 3.1 In performing their role in this area, the Audit Committee consider the actions taken by the Council's managers, who are responsible for ensuring adequate systems of control and assurance are in place, and receive information during the course of the year in order to discharge their responsibilities.

- 3.2 During 2007/08, the Committee fulfilled this responsibility by reviewing and approving the Council's Annual Governance Statement (AGS). The Accounts and Audit Regulations 2006, require the Council to review the effectiveness of its systems of internal control and to publish an AGS each year, with the financial statements. The Audit Committee are the lead body for this and are able to discharge this duty by receiving at their meetings, reports relating to the key areas of Internal Audit; Risk Management; External Audit; and Housing Benefit Counter-Fraud activity. In 2007/08, the Committee made recommendations at its meeting on 12 May 2008 which were incorporated into the final AGS and published with the Council's financial statements.
- 3.3 In addition, the Audit Committee reviewed the Council's draft Local Code of Corporate Governance (LCCG) which was presented to its meeting on 12 May 2008. Members recommended changes to the draft LCCG, including the need to reflect the political reality of having an opposition party, and providing greater clarity in relation to the distinctions between the ruling party, the opposition and committees, such as the Audit and Pensions Committees, where all Members worked together for the best interests of the taxpayers. The changes were incorporated into the LCCG prior to presentation at Full Council for formal adoption.
- 3.4 Members reviewed and approved the 2007/08 annual audit plan at the Audit Committee meeting on 26 April 2007, part of the 2006/07 Municipal year. Members were satisfied that the plan was appropriate to deal with the Council's key risks. The Head of Audit and Risk Management provided the Committee with quarterly reports on performance against this plan and a summary of key findings and recommendations for individual audits. This provided the Committee with assurance that any significant weaknesses were being addressed by management. The Committee noted that no key financial systems were provided with a 'no' or 'limited' assurance rating during 2007/08.
- 3.5 The Audit Committee received and considered the 2007/08 annual audit and inspection plan from the Council's external auditors, which had been issued jointly by the Audit Commission and RSM Robson Rhodes (now Grant Thornton) at the meeting on 10 July 2007. The Committee raised a number of issues relating to the plan and questioned whether the actions highlighted in the plan with regard to the social services and ICT were achievable. The Audit Committee also requested the Chief Financial Officer to ensure compliance with specific issues relating to the plan, including risks with regard to the operations conflict between the BSF programme and the existing PFI schools and the management issues relating to Alexandra Palace and Park to safeguard the overall issues of tax-payers as well as the Council.
- 3.6 The Audit Committee received quarterly reports on counter-fraud activity relating to Housing Benefit and Council Tax Benefit from the Deputy Head of Benefits and Local Taxation. In order to ensure that the Committee fulfilled its Terms of Reference, Members requested that information on payments made and resultant overpayments be included in all quarterly reports after the first report was reviewed and this was completed. Members raised concerns about whether sufficient resources were in place to prevent fraud at the outset and were advised that verification processes were in place to ensure the risk was minimised and that the

procedures had been reviewed by the Benefits Fraud Inspectorate and were found to be adequate.

- 3.7 Members were advised that, at the end of 2007/08, the Housing Benefit service had achieved a good performance against targets and a CPA rating of 4 (excellent). Members were advised of a Housing Benefit anti-fraud and corruption strategy which had been drafted and recommended that this be subject to further review and input from relevant Members to ensure that the strategy was effective.
- 3.8 Members also received details of the inspection by the Benefits Fraud Inspectorate and the 20 recommendations made as a result. Members expressed concerns about the emphasis of targets, set by the Department for Work and Pensions, on fraud rather than benefit take up and were advised that income maximisation in respect of benefit take up was a Council priority. Members raised concerns that the emphasis from the Council appeared to focus on fraud, rather than benefit take up, but were assured that the Council's procedures met central government standards and requirements and the Council had a clear responsibility to both prevent and detect fraud.

4. Risk Management

- 4.1 The Audit Committee are responsible for reviewing the effectiveness of systems for the assessment and management of material areas of risk within Haringey and monitoring their maintenance and development in accordance with the Council's Risk Management strategy. In order to fulfil this responsibility, the Audit Committee has received regular reports during 2007/08 on the Council's Risk Management framework, together with summary details of business unit and departmental risk registers. The Council's corporate risk register was presented to the Audit Committee twice yearly for review.
- 4.2 At its meeting on 12 May 2008, the Audit Committee reviewed the proposed new risk management framework for the Council which set out how all the various processes involving risk, including health and safety, business continuity, emergency planning and business planning would be drawn together and managed. Members questioned if all areas of the Council had risk registers in place and the Head of Audit and Risk Management confirmed that all Business Units and Departments had these in place. Members also questioned who was responsible for monitoring that risk registers were kept up to date and were advised that Business Unit managers and Directors were responsible, but that Internal Audit completed regular checks on risk registers as part of the annual audit plan. Members were also advised when each risk register was last updated and reviewed as part of the regular reports to the Audit Committee. Members were satisfied with the assurances given on the Council's compliance with the risk management framework.

5. Internal Audit

- 5.1 Internal Audit is provided primarily by an outsourced function, through a contract awarded to Deloitte and Touche, and supplemented by in-house staff undertaking investigations into allegations of fraud and financial irregularities.

- 5.2 During 2007/08, Internal Audit completed 91 reviews across all Council directorates, including schools and individual social services establishments, with 76 final reports and 16 draft reports having been issued at the year end. Quarterly reports on progress against the annual audit plan were provided to the Audit Committee throughout the year. The Chair of the Audit Committee commented on a number of areas during the year which were highlighted by the audit recommendations made and which he considered needed to be addressed. Members were given assurance that appropriate action would be taken.
- 5.3 In 2006/07, Members requested that Internal Audit provide detailed reports on the implementation of audit recommendations as part of the agreed follow up programme. The provision of detailed reports on the implementation of Priority 1 recommendations continued throughout 2007/08 and Members were advised that, at the end of the year, 93% of all Priority 1 recommendations had been fully implemented, with the remaining 7% in progress. Members wanted to ensure that all outstanding recommendations were addressed and required officers to take appropriate action to resolve any issues and provide the Committee with target dates for final implementation. Revised target dates and reports monitoring compliance with these were presented to the Committee. The Committee subsequently agreed that the actions taken were considered reasonable.
- 5.4 The Committee also considered reports detailing investigations into financial irregularities. During 2007/08, Members noted that 26 investigations had been completed, but were concerned about the effect of officers being suspended from duty while investigations were completed. Members were advised that Internal Audit worked closely with Human Resources to manage the cases as quickly and effectively as possible. In addition, performance information on the length of time taken to complete investigations was included in the quarterly reports for 2007/08 to provide Members with further information in this area.
- 5.5 In compliance with the Accounts and Audit Regulations, the Committee received a report on the effectiveness of internal audit. This assessment was completed as part of a reciprocal peer review process with the Royal Borough of Kensington & Chelsea and Waltham Forest LBC. Members noted that Haringey's internal audit function had been assessed as effective in comparison to the CIPFA Code of Practice. Members questioned the role of the Audit Committee in the decision making process and were advised of the Terms of Reference for the Committee and the opportunity that these presented to make recommendations and require explanations from officers.
- 5.6 The Audit Committee received the Council's annual internal audit plan and audit strategy at its meeting on 12 May 2008. Members questioned the level of resources allocated to the review of key financial systems and questioned whether these should be reviewed and more allocated to higher risk areas. Members were advised that resources were allocated on a risk basis and that changes to key financial systems took place every year which had to be reviewed. Members were also advised that external audit required an annual assessment of the effectiveness of the key financial systems and it was more cost-effective to use internal audit resources to complete this. Members were also advised of resources which were allocated to high risk areas including project management and procurement. The

Chair was satisfied with the assurances of the Chief Financial Officer that the internal audit plan complied with standards required by CIPFA.

6. External Audit

- 6.1 The Council's external audit service in 2007/08 was provided by Robson Rhodes (subsequently merged with Grant Thornton), although the Audit Commission continued to complete work on the Council's statement of accounts and CPA Use of Resources assessment. The Council's external auditors attended all of the Audit Committee meetings during the year. The Audit Committee has received reports and presentations from the Audit Commission and Grant Thornton during the year to assist it in fulfilling its responsibilities in this area.
- 6.2 The Audit Commission's report on the Use of Resources auditor judgements was presented to the Committee on 12 May 2008. Members noted the improvements in ratings that the Council had received for Value for Money, to 3 out of 4 in the Use of Resources assessments and overall that the Council had retained its score of 3 out of 4 overall for the Use of Resources assessment. However, the Committee noted that the overall score in the theme of Financial Reporting had dropped from a 3 to a 2, largely as a result of the Council not maintaining its 'notable practice' status achieved the previous year. Members noted the issue raised in relation to capital budget underspends and expressed disappointment in the Financial Reporting score. Members requested officers to ensure that action was taken to address the issues raised. The Audit Committee received a report setting out the planned actions to address the Audit Commission's recommendations made in their Use of Resources judgement. Members noted that although the Use of Resources test was getting more difficult each year, their expectation was that the Council should be focused on achieving a score of 4 out of 4.
- 6.3 The Audit Committee received the Annual Audit and Inspection Letter from the Audit Commission at its meeting on 12 May 2008. The issues and recommendations raised were discussed with the Audit Commission and Members expressed concern about the wording of specific improvement opportunities included in the Letter and as no recommendations had been raised to address the issue. Members were advised that the improvement opportunities were linked to the Use of Resources judgement. Members noted that two areas of potential risk had been included in Grant Thornton's work and requested that action was taken to resolve these.

7. Statement of Accounts 2006/07 and Accounting Policies

- 7.1 At the meeting on 10 July 2007, Members received a report on the accounting policies which were in operation during 2006/07. The Committee were concerned over some aspects of the accounting policies followed in the preparation of the financial statements. The Committee were advised that the accounting policies would form part of the external audit review of the financial statements and any issues would be reported back to the Committee. No issues were subsequently raised by the external auditors.

8. Other issues

- 8.1 Members wished to ensure that they had the necessary skills and training to be able to fulfil their roles appropriately. The Head of Audit and Risk Management agreed to ensure that appropriate training and briefing sessions were put in place for Members of the Committee. During 2007/08 separate training sessions were provided on the roles of internal and external audit, the role of the Audit Committee and risk management.
- 8.2 The Audit Committee was subject to a review of its effectiveness during 2007/08, in accordance with the recommendations of the CIPFA Guidance on Public Sector Audit Committees. The review was undertaken by the Head of Audit and Risk Management, in consultation with Members and recommendations made in order to comply with best practice and guidance. Members were satisfied with the outcome of the review and the implementation of the recommendations which would continue in 2008/09.
- 8.3 The Interception of Communications Commissioner's Office (ICCO) visited Haringey in 2007 to inspect the Council's policies and procedures in relation to the Regulation of Investigatory Powers Act 2000 (RIPA). The Audit Committee was informed of the Inspector's findings at their meeting on 28 January 2008. The ICCO reported that the Council complied with the requirements of RIPA and that the Council's arrangements for compliance were adequate. Members were satisfied with the Council's response to the recommendations made, all of which had been implemented.

8. Conclusion

- 8.1 Over the last year the Audit Committee has fulfilled its terms of reference and presented a challenge in relation to the Council's system of internal control and financial reporting arrangements. Over the next 12 months it is intended that the proposed developments will continue to enhance and develop the Committee's role and provide an effective challenge to all areas of the Council.

9. Recommendations

- 9.1 That this report is received by Full Council for information.

Agenda item:

[No.]

Audit Committee

On 22 July 2008

Report Title: **Regulation of Investigatory Powers Act (RIPA) 2000**

Forward Plan reference number (if applicable): **N/A**

Report of: **Head of Audit and Risk Management**

Wards(s) affected: **All**

Report for: **Information**

1. Purpose

1.1 To advise the Audit Committee of RIPA and its operation in practice within Haringey.

2. Recommendations

2.1 That the Audit Committee notes the contents of the report.

Report Authorised by: **Chief Financial Officer**



Contact Officer: Anne Woods, Head of Audit and Risk Management

Tel: 020 8489 5973

Email: anne.woods@haringey.gov.uk

3. Local Government (Access to Information) Act 1985

3.1 List of background documents:

The following background documents were used in production of this report:

- RIPA 2000
- Reports of the OSC and ICCO

4. Introduction

- 4.1 On the 25 September 2000 the Regulation of Investigatory Powers Act (RIPA) was brought into effect in England and Wales. The purpose of the Act was to ensure that all public authorities were able to carry out directed (covert) surveillance on a statutory basis without breaching The Human Rights Act 1998, Article 8, the right to privacy.
- 4.2 The powers to access communications data are set out in section 21-25 of RIPA 2000. The Regulation of Investigatory Powers (Communications Data) Order 2003 (S.I. 2003/3172) also applies. These powers apply to local authorities.
- 4.3 RIPA specifies how different public sector bodies, including the police, can use the Act to assist in performing their duties. RIPA allows surveillance to be undertaken and communications data (including telephone records) to be obtained for a variety of reasons, including issues relating to national security. However, under RIPA local authorities are restricted to using the legislation only in relation to the prevention and detection of crime.
- 4.4 Some areas where a crime is suspected are the responsibility of the local authority to take the lead in the first instance e.g. investigations into Housing Benefit fraud, breaches of environmental health and trading standards legislation etc. It is for this reason that the legislation allows local authorities to use the 'prevention and detection of crime' reason when applying the RIPA legislation.
- 4.5 The use and operation of RIPA is detailed in Home Office guidelines. These also contain the forms which must be used by local authorities when using RIPA. All applications to undertake surveillance and obtain communications data must be submitted using the appropriate forms.
- 4.6 All applications must be authorised by a nominated officer who has been provided with appropriate training in the use and application of RIPA. In addition, RIPA legislation requires that all applications are reviewed at regular intervals and either renewed or cancelled depending on the current status of the investigation. All reviews, renewals and cancellations also have to be completed using the relevant Home Office forms and approved by the officer authorising the original application.
- 4.7 Copies of all applications, reviews, renewals and cancellations must be maintained by the originating officer, but RIPA also requires a separate central record to be maintained within the local authority and a nominated contact officer who is responsible for the oversight of the use of RIPA across the organisation.
- 4.8 The use and application of RIPA legislation is monitored by two government offices who both report to parliament and the Secretary of State. The Office of the Surveillance Commissioner (OSC) monitors the use of RIPA in relation to directed surveillance. The Interception of Communications Commissioner's Office (ICCO) is responsible for monitoring the use of RIPA in relation to communications data. Visits are made to local authorities to monitor compliance with RIPA legislation by both the OSC and the ICCO.

Both organisations require annual returns and performance information to be made by the nominated contact officer.

5. Background

- 5.1 The issue of RIPA and its use within councils across England has been the subject of considerable media interest over recent weeks. The Local Government Association (LGA) Chairman, Sir Simon Milton, has also written to all councils in England requesting that leaders ensure that the powers are only used after careful consideration and that operations are 'necessary and proportionate to prevent or detect a criminal offence', as stipulated in the Act.
- 5.2 The LGA Chairman stated in his letter that 'Parliament clearly intended that councils should use the new powers, and generally they are being used to respond to residents' complaints about fly tippers, rogue traders and those defrauding the council tax or housing benefit system. Time and again, these are the just the type of crimes that residents tell us that they want to see tackled. Without these powers, councils would not be able to provide the level of reassurance and protection local people demand and deserve.' The LGA, in conjunction with Local Authorities Co-ordinators of Regulatory Services (LACORS), stated that RIPA should not be used for trivial matters and they specifically identify dog fouling and littering as two areas they consider to be trivial.
- 5.3 It was therefore considered appropriate, at this time, to provide the Audit Committee with details of the operation of RIPA at Haringey, and provide assurance that the Council's procedures and practices are compliant with the legislation and the LGA requirements.

6. Operational Procedures in Haringey

- 6.1 Haringey Council is committed to complying with RIPA to ensure both that an investigation is carried out properly and that the investigation is necessary and proportionate to the alleged offence.
- 6.2 Within Haringey, the nominated officer with responsibility for oversight of its application is the Head of Audit and Risk Management. A central record of all RIPA applications, reviews, cancellations and renewals is maintained securely, both electronically and in hard copy (as required by the OSC and ICCO) within the Audit and Risk Management business unit. Reminders are sent to all officers on a quarterly basis to ensure that the central record is complete and up to date. Records are held in accordance with Audit and Risk Management's records management policy, which complies fully with Data Protection Act requirements.
- 6.3 Haringey maintains a list of officers who are able to approve RIPA forms and these officers have been trained in the use and application of RIPA. Refresher training is provided on a regular basis to ensure all officers are kept up to date with their roles and responsibilities. To support them further, Haringey has produced its own local guidance notes, which are based on the Home Office guidance, and these are circulated to all officers involved in RIPA when updates to the legislation or standard forms are issued. These guidance notes are also held on the Council's intranet site. The Head of Audit and Risk Management maintains an oversight role for all RIPA applications to ensure they comply with requirements.

6.4 The Head of Audit and Risk Management, as the nominated officer, provides the required annual returns and performance information to the OSC and ICCO and acts as the liaison officer to facilitate the inspection visits for both offices.

6.5 The OSC and ICCO undertake regular inspections of all councils to ensure that their systems and procedures are compliant with RIPA legislation. Haringey Council has been inspected by both the OSC and ICCO. All results of inspection visits by the OSC and ICCO are reported to the council's Audit Committee, together with any action plans to address any identified gaps in performance. The results of the various inspection visits which have been completed to date are detailed in the sections below.

6.6 Haringey make limited use of RIPA legislation and has never used the legislation for trivial matters, and specifically not for dog fouling and littering. Since the legislation has been in place, the Council has applied to use RIPA a total of 85 times. Details of the numbers of applications are shown in Table 1 below.

6.7 The information in Table 1 has been taken from the central electronic record of all RIPA applications. The central record is maintained by Audit and Risk Management and holds high level details of the application only (reference number, applicant's name and department, authorising officer, renewal and cancellation dates), in order to comply with the Data Protection Act.

Table 1

Year	2001	2002	2003	2004	2005	2006	2007	2008
Department								
Urban Environment	1	0	3	16	6	18	15	4
Corporate Resources	3	7	6	4	2	0	0	0
Total	4	7	9	20	8	18	15	4

6.8 In order to maintain an oversight of RIPA use and provide the required data and statistical returns to the OSC and ICCO, Audit and Risk Management hold hard copies of all application, renewal and cancellation forms. These are retained within audit and Risk Management for a period of three years and then disposed of using secure confidential waste procedures. Individual departments may hold the records for longer periods if the operations result in court action or police investigation.

6.9 Table 2 below provides details of the use made of RIPA over the previous three year period. All applications have been made in accordance with RIPA legislation and requirements and have been appropriately authorised. In addition, some of the individual applications have been subject to review by the OSC and ICCO as part of their inspection processes. Details of the outcome of these inspections is contained in the sections below.

6.10 Members will note that the Council primarily uses RIPA to deal with serious cases of anti-social behaviour including drug-dealing, gang-related violence and illegal brothels. They have also been used sparingly to tackle fly-tipping, unlicensed trading and trading counterfeit goods, and benefits fraudsters.

Table 2

Year	2006	2007	2008	Total
Action taken				
Urban Environment				
Identifying persons dumping refuse on estates	1	-	-	1
Identifying persons engaged in anti-social behaviour	13	12	4	29
Acquiring communications data	2	1	-	3
Identifying persons defacing buildings	1	-	-	1
Identifying unlicensed traders	1	-	-	1
Identifying counterfeit goods	-	1	-	1
Identifying persons working whilst claiming sickness benefit	-	1	-	1

7. Office of the Surveillance Commissioner (OSC)

- 7.1 The OSC has undertaken three inspection visits in total, in October 2002, August 2004 and May 2006. No major weaknesses in the council's application of RIPA have been identified by the OSC inspector during the three visits, although recommendations to improve some areas and implement best practice have been made.
- 7.2 At the last visit in May 2006, the inspector's report concluded that the Council had maintained its standards of compliance with RIPA since the last inspection (August 2004); and that the specific recommendations made in the previous report were all implemented in a timely manner.
- 7.3 The reports from the OSC, together with the Council's response and action plans to address the recommendations, have all been reported to the Audit Committee as follows: 1 May 2003; 14 October 2004; and 20 July 2006. All recommendations made have been addressed.

8. Interception of Communication Commissioner's Office (ICCO)

- 8.1 The ICCO has undertaken one inspection visit, in May 2007, to review compliance with RIPA legislation. The inspector concluded that the council was achieving a good level of compliance with the legislation and that the standard of applications for communications data made to date was of good quality.
- 8.2 No major weaknesses in compliance were identified, although a number of recommendations to improve some areas were made. The inspector also raised a number of best practice issues which were recommended for adoption by the council.
- 8.3 The final report was issued in September 2007 and was reported, together with the Council's response and action plan to address the recommendations, to the Audit Committee on 28 January 2008. All recommendations made have been addressed.

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