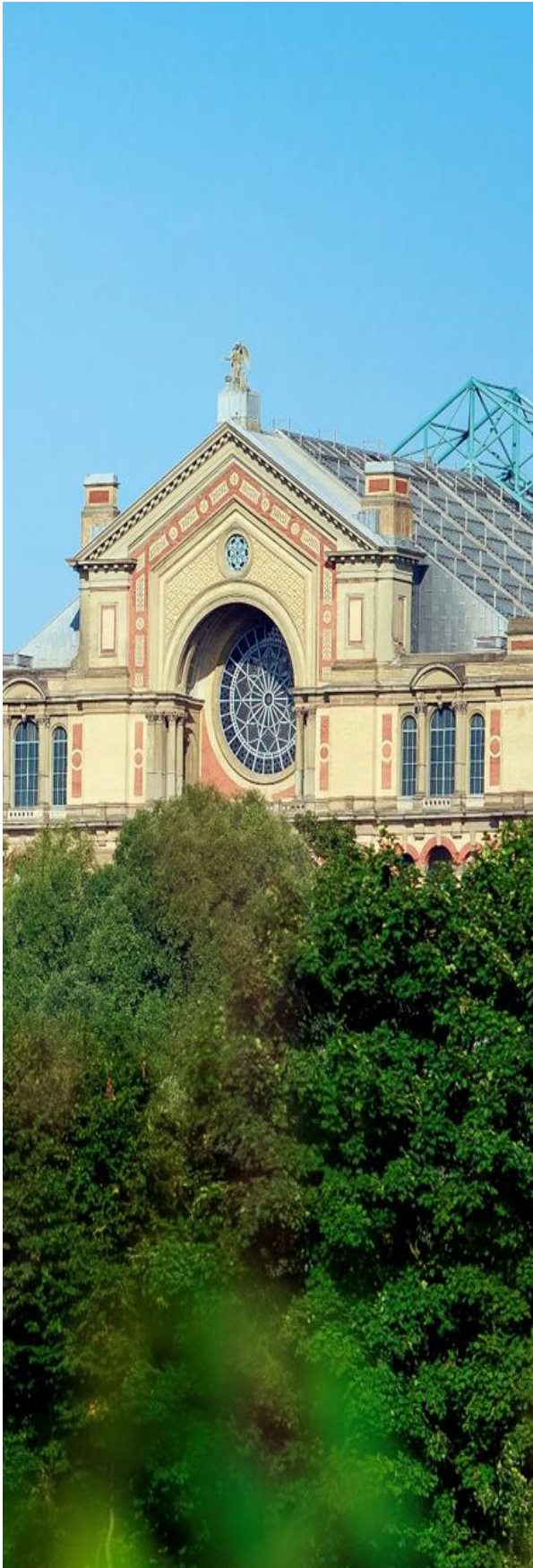


Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19



Contents

Introduction	2
Executive Summary	3
Annual Internal Audit Report & Opinion Statement 2018/19	7
Analysis of Internal Audit Work	10
Analysis of Follow Up Work	11
Consultancy Audits	11
Quality Assurance and Improvement Plan	12
Counter Fraud work 2019/20	13
Transparency Code 2015	13

Appendices

Appendix A - Detailed Internal Audit Activity for 2018/19	
Appendix B – Profile of Housing Recoveries	

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

Introduction

1. Role of Internal Audit

- 1.1 The requirement for an internal audit function is detailed within the Accounts and Audit (England) Regulations (amended) 2015, states that a relevant body must: *'Undertake and effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'*
- 1.2 The mandatory UK Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual opinion, which is based upon the internal audit work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control. This is achieved through a risk based internal audit plan. For 2018/19, the internal audit plan was agreed with management and endorsed by the Corporate Committee at the start of the financial year. The internal audit plan provides a reasonable level of assurance over the system and internal controls operating in the Council and the level of assurance should not be regarded as absolute.
- 1.3 Under the PSIAS, internal audit is required to have an external quality assessment at least once every five years. Haringey's audit was externally assessed in 2014, which confirmed that the Council complied with the required standards; annual self-assessments undertaken since this have ensured continuing compliance with PSIAS. We plan to have another external assessment to maintain compliance with the standards.
- 1.4 Internal Audit services for Haringey Council, excluding the investigation of allegations of fraud and corruption, are provided by Mazars Ltd (Mazars) as part of the framework contract awarded to the London Borough of Croydon. The contract was retendered in 2017 and now runs until 2024 with a further option to extend for 2 years.

2. Internal Audit Approach

- 2.1 To assist the Council in meeting the relevant audit standards and achieving its objectives, internal audit provides a combination of assurance and advisory activities. Assurance work involves assessing how well the systems and processes are designed and working; advisory activities are available to help improve systems and processes where required.
- 2.2 A full range of internal audit services has been provided during the year and considered when forming the annual opinion. The approach to each audit review is determined by the Head of Audit and Risk Management, in discussion with Mazars and service management and will depend on; the level of assurance required; the significance of the area under review; and risks identified.
- 2.3 A report is issued for every assurance project in the annual audit plan, which provides an overall audit opinion according to the severity of risk of the findings.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

In addition, each recommendation is given a priority rating, to assist service management in prioritising their work to address agreed recommendations. The overall classification relates to the findings at the time of the audit work. Internal Audit undertake formal follow up work to ensure recommendations are implemented.

Executive Summary

3. Internal Audit Opinion

3.1 The Head of Audit and Risk Management is responsible for delivering an annual audit opinion and report that can be used by the Council to help inform its statutory Annual Governance Statement. The annual audit opinion provides a conclusion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

3.2 Internal audit work, using a risk based approach, included reviews of those systems, projects, and establishments to discharge the Chief Financial Officer's responsibilities under s151 of the Local Government Act 1972; the 2017 UK Public Sector Internal Audit Standards; and the 2015 Accounts and Audit (England) Regulations.

3.3 In providing the annual audit opinion reasonable, but not absolute, assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance given, I have taken account of:

- reports on all internal audit work completed, including any advisory work and briefings to management;
- results of follow up exercises undertaken;
- any reviews completed by external review bodies;
- the resources available to deliver the internal audit plan; and
- compliance with 2017 UK PSIAS.

3.4 I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Council's internal control environment.

3.5 I have considered the work completed by both Mazars and the in-house counter fraud investigation team for 2018/19. This includes reviews of internal audit reports, fraud investigations and briefings to management. In my opinion, with the exception of those areas where 'limited' or 'nil' assurance reports have been issued, the controls in place in those areas reviewed are adequate and effective.

3.6 Where weaknesses in controls have been identified, internal audit has worked with management to agree appropriate actions and timescales to improve controls. Internal Audit will undertake follow up reviews or further audit work to confirm their implementation.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

- 3.7 It is my opinion that overall internal audit can provide Adequate Assurance that the system of internal control that has been in place at the Council for the year ended 31st March 2019 accords with proper practice, except for the significant internal control issues referred to in para 5.11. This means that there is generally a sound control framework in place, but there are significant issues of compliance or efficiency or some specific gaps in the control framework which need to be addressed. Adequate Assurance indicates that despite this, there is no indication that risks are crystallising at present.
- 3.8 The control environment at Osborne Grove was an area of significant concern during the previous year. Osbourne Grove is a Council run Nursing Home in Stroud Green. We visited the establishment before an adverse CQC report and issued a No Assurance report. Management took swift action to rectify the issues identified and on a follow up visit no recommendation remained outstanding. A further review undertaken in 2018/19 was assigned substantial assurance.
- 3.9 Analysis of recommendations raised in service focus reviews shows that a significant proportion of recommendations raised relate to organisation controls highlighting staff are aware of their responsibilities and such responsibilities being appropriately discharged. This includes such issues as out of date policies, procedures and guidance, poor record keeping, failure to keep service user data and service assessments up to date, poor training provision and a lack of up to date job descriptions.
- 3.10 Further actions to enhance the governance framework, where controls were not fully implemented in 2018/19 included:
- The need to review and refresh the Human Resources policies and present to Standards and Remuneration Committee;
 - Finalisation of the Adults safeguarding protocols; and
 - The need to establish a database of all consultation responses which is accessible on the council's website.
- 3.11 I reported last year that the control environment in Haringey's schools required improvement. While this year our schools visits have indicated an improvement with fewer schools assessed as limited or no assurance opinions, some schools are still a cause for concern. Work continues to be undertaken in conjunction with the Schools Forum and Children's Services to assist schools and reduce the potential risks. A summary of outcomes for 2018/19 is as follows:
- Eight schools received a 'substantial' assurance rating; (2017/18 -11)
 - Three schools received a 'limited' assurance rating (2017/18 – 7);
 - No schools received a 'nil' assurance rating (2016/17 - 2); and
 - Two reports are still at draft stage at the time of writing this report and subject to on-going discussions with the school.
- 3.12 At a previous meeting, the committee asked for the performance of Haringey schools to be benchmarked against neighbouring boroughs. The table below sets out an analysis of assurances assigned to school for the financial year 2017/18.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

Assurance level	Camden LB	Islington LB	Enfield LB	Hackney LB	Barnet LB
Full / Significant / Substantial	0	0	3	4	4
Substantial / Reasonable / Moderate	2	1	11	10	18
Limited	2	2	4	4	2
Nil / No	0	1	0	3	0
Total	4	4	18	21	24

The table above shows that for three of the five organisations, the proportion of schools receiving Limited or Nil Assurances ranges from 75% to 33%. It is noted all organisations use different assurance levels though the majority do not use the “Full Assurance.” The Committee is reminded to note that as previously discussed, from the financial year 2019/20, the assurance ratings to be used at Haringey Council will be Substantial, Adequate, Limited or Nil.

4. Internal Audit Coverage and Output

4.1 The 2018/19 audit plan was informed by internal audit’s own assessment of the Council’s key risk areas and discussions with Priority Owners and senior management to ensure that audit resources were aligned to agreed areas of risk. A small contingency was included in the audit plan to ensure any emerging risks during the year could be adequately reviewed. Work has been planned and performed in order to obtain reasonable assurance that the internal control system is operating effectively. The contingency was fully utilised.

4.2 The original plan for 2018/19 included 53 projects, including schools audits, and was approved by the Corporate Committee on 22 March 2018. Internal audit liaised closely with Priority Owners and senior managers during the year to ensure that audits planned continue to focus on high risk areas in light of emerging risks and changes to operational processes.

4.3 As a result of ongoing liaison and review of risks, some changes were made to the original plan during the year as follows:

Number of projects as per the original plan	53
Projects added to the plan	12
Cancelled audits	3
Audits deferred to 2019/20	0
Total number as per the revised plan	62

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

4.4 Most of the audit work was geared towards providing assurance to management on the adequacy and effectiveness of the Council's internal control environment. This work provided an outcome report with an assurance rating. Other work provided advice and support to management to improve efficiency, or the effectiveness of systems, services or functions; in these cases an outcome report or assurance rating is not provided.

4.5 Resources to complete follow up work are also included in the annual audit plan, including formal follow up reports for schools. The results of the follow up reviews were reported to the Corporate Committee throughout 2018/19.

4.6 The 2018/19 internal audit plan was substantially completed with the following exceptions:

- Fieldwork was in progress for reviews at 31 March 2019; and
- Three audits had been postponed at management request to commence after 31st March 2019.

I do not consider these exceptions to have an adverse impact on providing my overall opinion for 2018/19.

4.7 Including follow up work and resources to support work, which did not result in a formal report, Mazars delivered 98% of the planned audit work (as at 31 May 2019).

4.8 The following table indicates the audits completed and levels of assurance provided for the 2018/19 audit plan. Seven audits reports were still to be issued as final.

Table 1 – Number of reports issued by assurance level

Assurance Level	Number of Reports Issued
Full Assurance	1
Substantial Assurance	27
Limited Assurance	16
No Assurance	0
Advisory work completed	8
Audits postponed / cancelled	3
Final reports to be issued	7
Total	62

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

Assurance Definition:

Full Assurance: There is a sound system of control designed to achieve the system objectives.

Substantial Assurance: There is basically a sound system, but there are weaknesses which put some of the system objectives at risk.

Limited Assurance: Weaknesses in the system of controls are such as to put the system objectives at risk.

No Assurance: Control is generally weak leaving the system open to significant error or abuse.

4.9 The level of audit coverage provided in 2018/19 is satisfactory and complies with the requirements of the mandatory UK Public Sector Internal Audit Standards (PSIAS).

5. Annual Internal Audit Report & Opinion Statement 2018/19

Scope of Responsibility

5.1 The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. Specifically, the Council has a statutory responsibility for conducting a review of the effectiveness of the system of internal control on at least an annual basis.

5.2 Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The Accounts and Audit Regulations require the Council to review, at least annually, the effectiveness of its system of internal control. Internal audit plays an important role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity and recommendations should strengthen the control environment and ultimately contribute to achieving the organisation's objectives.

The Purpose of the System of Internal Control

5.3 The Council's system of internal control is designed to manage risk to a reasonable level rather than to completely eliminate the risk of failure to achieve policies, aims and objectives. Consequently, it can only provide a reasonable, and not absolute, assurance of effectiveness.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

5.4 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's vision, strategic priorities, policies, aims and objectives. It also is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Annual Opinion Statement on the Effectiveness of the System of Internal Control

5.5 The IA Plan for 2018/19 was developed primarily to provide Corporate Board and the Corporate Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, including an assessment of the Council's corporate governance arrangements and risk management framework.

5.6 The HIA opinion is based primarily on the work carried out by the Council's IA service during 2018/19, as well as a small number of other assurance providers. Where the work of internal audit has identified weaknesses of a systematic nature that impact on the system of internal control, this has been considered in forming the HIA opinion.

Basis of Assurance

5.7 All of the IA reviews carried out in 2018/19 have been conducted in accordance with the UK PSIAS, based on the annual assessment carried out by Mazars as part of their annual internal peer review challenge.

5.8 In line with the UK PSIAS, the Head of Audit and Risk Management is professionally qualified and suitably experienced. The skills mix within the contractor's team has evolved during the year though every single member of the IA team is either fully qualified or actively studying for a relevant professional internal audit or accounting qualification. As a result, the 2018/19 IA resources fulfilled the UK PSIAS requirements in terms of the combination of professionally qualified and suitably experienced staff.

Qualifications to the Opinion

5.9 During 2018/19 the Council's IA service:

- had unrestricted access to all areas and systems across the authority;
- received appropriate co-operation from officers and members; and
- had sufficient resources to enable it to provide adequate coverage of the authority's control environment to provide the overall opinion. A benchmarking review of local authorities' internal audit service has revealed Haringey Council has on average fewer internal audit days than other London boroughs. The Head of Audit and Risk Management is looking at how the authority can obtain an adequate level of business assurance.

Other Assurance Providers

5.10 In formulating the HIA overall opinion on the Council's system of internal control, the Head of Audit and Risk Management has taken into account the work undertaken by other sources of assurance, and their resulting findings and

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

conclusions. These other assurance providers which included:

- Risks identified on the Corporate Risk Register;
- The work of the Priority Boards;
- The work of Feedback and Information Governance Group;
- The work of the Business Continuity Management Group;
- The work of the Health & Safety Group;
- Ofsted Inspection;
- Peer Review carried out by the LGA; and
- External Audit (BDO Binder Hamlyn) including grant claim certification of HB Subsidy.

Significant Internal Control Weaknesses

- 5.11 Internal audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise during the year.
- 5.12 There were several significant control weaknesses identified by internal audit during 2018/19. The risks identified from the audit work have been raised with management and work is ongoing to strengthen the Council's control environment in relation to the risks identified
- 5.23 The audit work for 2018/19 has raised awareness of weakness of controls around compliance with policies and procedures. For a number of audits assigned limited assurance, it was noted the internal controls had been designed to mitigate risks, though in practice, some of these controls were not operating. Ordinarily, the "second line of defence" would alert management where internal controls are not operating as intended but for a number of audit areas, the second line of defence was not effective in identifying the weakness in the operation of the control. Examples of internal controls in the second line of defence include quality assurance and monitoring arrangements, performance management and key performance indicators, data quality and control and oversight and supervision.
- 5.24 For one audit areas, the arrangements put in place to deliver service objectives appeared overly complex requiring a high degree of intervention from officers to achieve the desired goals. Management recognise this and are looking to streamline service provision where possible.
- 5.25 Senior management have agreed to respond to the significant internal control weaknesses identified for internal audits carried out in 2018/19. The work of internal audit has also seen internal control improvements in other areas, including the work senior management has carried out to review and refresh the Medium Term Financial Plan and transformation savings to strengthen financial resilience of the Council, though senior management recognise there is more to do.
- 5.26 There have also been a number of changes to management and organisational structures to align delivery of council services to its Borough Plan 2019 -2023.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

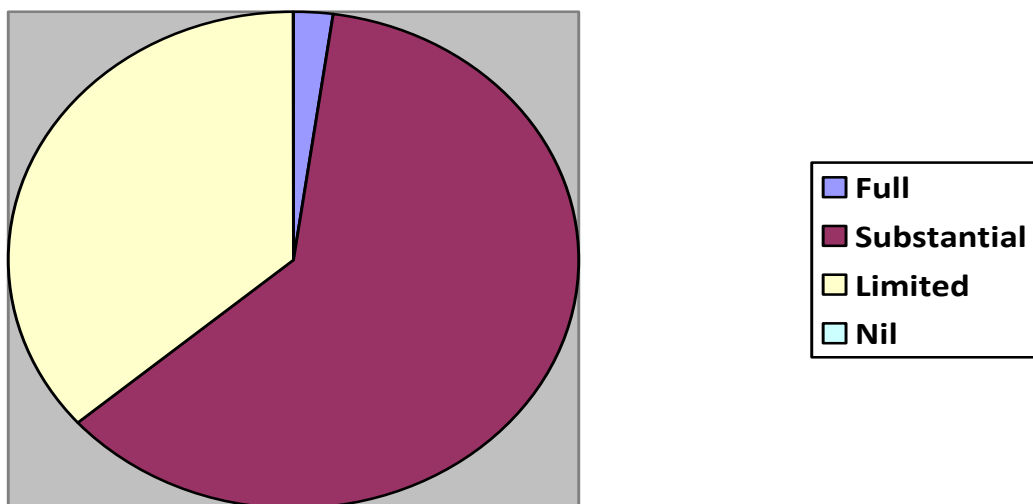
6. Analysis of audit work

6.1 A review of the work of internal audit is summarised in the table below:

Assurance Level	2018/19 Assurance Reports	2017/18 Assurance Reports
Full	1 (2%)	0 (0%)
Substantial	27 (45%)	27 (50%)
Limited	16 (26%)	16 (30%)
Nil	0 (0%)	3 (6%)
Advisory	8 (13%)	4 (7%)
Finals report to issue	7 (12%)	4 (7%)
Total	59 (100%)	54 (100%)

The table above shows the levels of “assurance” work for 2018/19 and 2017/18 is broadly similar. There was a doubling of the number of advisory audits between 2017/18 and 2018/19, this is understandable as management seek input over design of internal control to ensure effective arrangements are put in place.

6.2 The assurances assigned for internal audits carried out in 2018/19 are presented in a pie chart below.



6.3 The above pie chart shows that 28 of the 44 internal audits received a satisfactory level of assurance (Full or Substantial Assurance - 64%) and 16 out of 44 audits received Limited Assurance (36%). This is an improvement on the previous year

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

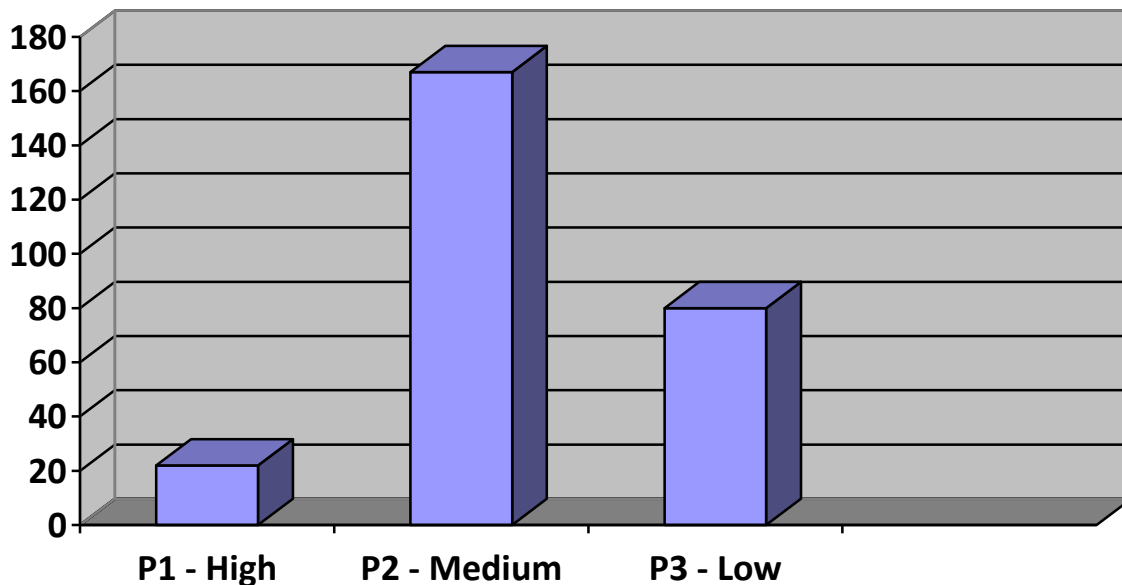
where 59% of the audits received a satisfactory level of assurance and 41% of the audits were assigned Limited or Nil Assurance.

Follow up – Recommendations raised in 2017/18

6.4 An analysis of the recommendations raised as part of the 2018/19 audits is set out below.

Risk	Number of recommendations	Percentage
Priority 1 – High	22	8%
Priority 2 – Medium	167	62%
Priority 3 - Low	80	30%
Total	269	100%

6.5 The bar chart below shows the profile of high, medium and low priority recommendations. As can be seen, the majority of the recommendations are classed as high or medium risks. This is to be expected considering the audit plan is prepared using a risk based approach.



7 Consultancy Audits 2018/19

7.1 Over the last year, the number of consultancy work, advice and guidance increased considerably over the previous year (four in 2017/18 and eight in 2018/19). This is reasonable when services are reshaping their management structure and delivery models. The trend for continued support and advice is likely to continue into 2019/20 and beyond, the risk management service is reviewing its operations to assess how best the service can support the work the organisation.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

8 Quality Assurance and Improvement Programme

- 8.1 The Public Sector Internal Audit Standards' (PSIAS) set out the need for internal audit to develop an assurance and improvement programme (QAIP) which seeks to ensure the internal audit service conforms to the PSIAS and provides a means of maintaining continuous improvement.
- 8.2 For 2018/19, the internal audit service has looked broadly at two areas; the use of assurance levels to inform senior management and the Corporate Committee of risks from the work of internal audit and, to sharpen understanding of key risks by identifying, assessing and reporting on the bases of risk. To that end, the audit planning processes, and reporting arrangements have been updated so that the documents are more risk orientated. The assurance levels have also been changed to better reflect the profile of risks for the areas audited.
- 8.3 Work is underway to develop and refine the QAIP during 2019/20 to generate ideas.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

Counter-fraud work 2018/19

1. Introduction

1.1 Haringey Council is committed to ensuring the highest possible standards are maintained by its staff, contractors and residents. Fraud and corruption can impact on the public's confidence in the Council and its reputation in the long term. Counter-fraud policies and strategies are in place to detect and prevent fraud and a corporate Fraud Team is managed by the Head of Audit and Risk Management.

2. Transparency Code 2015

2.1 In accordance with Part 2 of the Local Government Transparency Code 2015, Haringey is required to publish information on the cost of its counter-fraud work and the outcomes achieved. Details of the required information and the Fraud Team's involvement in counter-fraud work during 2018/19 is summarised below:

Table 2 Transparency Code reporting – costs and fraud cases 2018/19

Transparency Code requirement	2018/19
Allocated budget for counter-fraud work	£672k
Number of staff (absolute and FTE) undertaking counter-fraud work	7.5 staff: 7.5 FTE
Number of staff of professionally accredited counter-fraud specialists	5 staff
Total amount of time spent on the investigation and prosecution of fraud	1,323 days
Total number of fraud cases investigated	848
Number of occasions powers under the Prevention of Social Housing Fraud Regulations have been used	120

2.2 The Transparency Code also requires a breakdown of the 848 fraud cases (identified in Table 2) investigated during 2018/19. This detail is summarised in Table 3 below:

Table 3 Transparency Code reporting – investigations completed by type

Investigation area	Number of investigations
Right to Buy applications	236
Tenancy fraud	191
Pro-active tenancy checks	205
Gas Safety tenancy checks	149
Employee fraud cases	22
No Recourse to Public Funds	45
Total	848

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

3. Internal Employee Investigations

- 3.1 During 2018/19, eighteen (18) investigations were completed involving council employees. The allegations covered a number of issues including misuse of position, misuse of council resources, misuse of blue badge, tenancy fraud, undeclared 2nd jobs, working whilst on sickness absence, and dishonesty. The number of investigations completed by directorate is shown below. The number of investigations in total is consistent with previous year's work.
- 3.2 In all 18 investigations, the Risk Management service liaised with service management; which identified the relevant breach of the Council's Code of Conduct and recommended:
- (i) Disciplinary action be taken in accordance with Council procedures and /or
 - (ii) Changes to policy, practice or procedure to mitigate similar occurrences.
- 3.3 In nine (9) cases, the investigation found evidence to support the allegations. In one (1) instance the Fraud Team were required to support the disciplinary process, which led to a dismissal. In one (1) instance the Service Manager took internal action without sanction. Seven (7) employees resigned prior to a disciplinary hearing.
- 3.4 In nine (9) cases, there was either insufficient evidence to support the allegation or Service management completed the disciplinary process. There was one (1) instance of a compromise agreement.
- 3.5 There were three (3) instances of Agency staff being investigated for alleged irregularities and each instance, the temporary agency contract was terminated.
- 3.6 The Fraud Team work closely with officers from HR and the service area involved to ensure that the investigation is completed as quickly as possible. The Fraud Team have been set a target to complete investigations within eight weeks of the referral from 2019/20 and this will continue to be monitored. It is anticipated most cases will be completed in this period although cases can and do take longer to go through the disciplinary process and reach a conclusion.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

Table 4 – Employee Investigations by service area

Service area	Investigations 2018/19
Adults & Health	1
Childrens Services (incl. schools)	10
Customers, Transformation & Resources	3
Environment & Neighbourhoods	1
Housing, Regeneration & Planning	1
Homes for Haringey	2
Total	18

4. Use of the Council's Whistleblowing policy 2018/19

- 4.1 The Head of Audit and Risk Management maintains the central record of referrals made using the Council's whistleblowing policy. In total, eighteen whistleblowing referrals were made during 2018/19, fourteen (14) of which are included in the Employee investigations referred to above.
- 4.2 All referrals made using the whistleblowing policy are reviewed and subsequent investigations are managed according to all relevant statutory requirements, including Data Protection, Regulation of Investigatory Powers and Police and Criminal Evidence Acts. In some cases, the limited amount of information provided means a full investigation cannot be undertaken. The management of the Risk Management service undertakes an initial review of the information before agreeing an approach with HR and service management. Any allegations relating to financial issues are investigated by the Fraud Team.
- 4.3 In 2018/19, three (3) cases were reported to Service Directors, one (1) is an ongoing investigation including the Police and fourteen (14) have been investigated under the Employee Irregularity procedure.
- 4.4 Regular reminders regarding expected standards of behaviour and how to report suspected fraud are provided via staff newsletters, the Council's intranet and website and via Haringey People and Home Zone publications.

5. Pro-Active and Reactive Counter Fraud Activity 2018/19

- 5.1 During 2018/19, the Fraud Team have undertaken a number of pro-active and reactive counter-fraud projects in areas which have been identified as a high fraud risk. Progress reports on this work have been reported to the Corporate Committee during the year; the findings and outcomes are all shared with service managers as the projects are delivered. Details of the key counter-fraud projects are detailed below.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

5.2 Tenancy Fraud

5.2.1 In 2018/19, the Fraud Team continued to work with Homes for Haringey to prevent and detect tenancy fraud. Numbers of referrals received, investigations completed and properties recovered to date by the Fraud Team are summarised below. An analysis of properties recovered by bedroom size and post code since April 2014 is provided at Appendix B.

Table 5 – tenancy fraud referrals, investigations and properties recovered

2018/19 – Referrals received:

Brought forward from 2017/18		110
Referrals received in 2018/19		191
Total referrals received for investigation		301

2018/19 Outcomes:

Properties Recovered	52	
No Fraud Identified	101	153
Ongoing investigations	*	148

*See Note 1 below

Note 1:

Of the 148 ongoing investigations; 60 of these cases (40%) are progressing towards Tenancy recovery. Following a referral, the status of the tenancy has been investigated and the case is either awaiting a Court Hearing, the Particulars of Claim are with Legal Services, an NTQ is awaiting expiry, a succession application has been refused and the tenant is awaiting an offer of smaller accommodation, there is a Notice on the Public Trustee, or the rent account is showing an “Unauthorised Occupant” on the Housing database, awaiting eviction.

Note 2:

Twenty (20) of the 52 properties recovered in the financial year have been assisted through a Tenancy Fraud project which involves officers from the Fraud Team accompanying warrant officers, where a court order has been granted to access properties, to ensure the safety of gas appliances.

5.3 Prosecutions

5.3.1 As at 31 March 2018 (Q4) three (3) Tenancy Fraud cases have been prepared and are with Legal Services for a Court application.

5.3.2 A fourth prosecution (Blue Badge and Freedom Pass) has been presented to Court as part of a joint prosecution with three neighbouring London Boroughs. The outcome should be known to report verbally at Committee.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

5.4 Gas safety – execution of warrant visits

5.4.1 107 Gas Safety warrants have been executed in total in the financial year; where twenty (20) of the 52 properties recovered through Tenancy Fraud can be attributed in whole, or part to ongoing investigations by the Fraud Team.

5.4.2A further twenty (20) properties are under continued investigation or monitoring for one of the following three reasons (i) a forced entry and awaiting collection of the keys by the displaced occupant (ii) the property is already under investigation and awaiting possession actions by either Tenancy Management or Legal Services) (iii) the property is already subject to an 'Unauthorised Occupant'. There may be some duplication with these cases and those that are recorded as being with Legal (Note 1 above).

5.4.3 Through these visits, the Fraud Team have come across cases of concern; where the living conditions and/or vulnerability of a tenant needs to be addressed by Tenancy Management or Social Services. These are reported to the appropriate Service. In 2018/19 at least twenty four (24) cases of concern or Tenancy Management action were noted and conveyed to the relevant Service.

5.5 Lock Changes

5.5.1 This pro-active exercise resulted in one (1) property being recovered, as at Q4, which is included in the 52 reported above. The exercise will not be repeated in 2019/20.

5.6 Regeneration

5.6.1 There have been two fraudulent applications identified and stopped and these are included in the Q4 figures above. The exercise will not be repeated in 2019/20 as a pro-active project but the team will be available for bespoke referrals.

5.7 No Recourse to Public Funds (NRPF)

5.7.1 As at 31 March 2019, forty-five (45) referrals have been received and responded to by the Fraud Team through the financial year. It can be reported that in at least 9 instances the Fraud Team intervention has averted a fraudulent application for financial or accommodation support being given, or an open case being closed. The average cost of NRPF support per family (accommodation and subsistence for a 2 child household) is around £20,000 pa. Referrals from the NRPF are just under 50% of the number referred in 2017/18. It can be viewed that the interventions of the Fraud Team have therefore saved the Council £180, 000 in support and accommodation costs, which may otherwise have been awarded where there was, in fact, no eligibility for assistance.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

5.7.2 The project will be carried forward into the Fraud Work plan 2019/20, where advice, support and assistance to NRPF will continue as it is seen as an important Council Service.

6 Added Value in 2018/19

6.1 The Fraud Team have been actively engaged with DWP Organised Fraud in a multi-borough fraud involving Housing Benefit claims. The Council no longer investigate Housing Benefit fraud cases as these are conducted by the DWP, however, the collaborative working of the Fraud Team as led to 25 Housing Benefit cases being stopped in Haringey, with a further fifteen (15) cases prevented and seven (7) arrests. A Fraud Team Investigation Officer is on standby to be called as a witness in Court proceedings.

6.2 In 2018/19 the Council signed up to a Joint Working Protocol with the DWP to consider cases of joint interest and collaborative working.

6.3 In Q4 the Fraud Team began supporting HfH Income Collection Team with household and financial checks prior to Eviction. These are cases where a Warrant of Possession has been obtained from the Court for rent arrears and a final, independent, occupancy and monetary assessment is undertaken by the Fraud Team to advise on any change in circumstances which may preclude the eviction proceeding. It was anticipated that in almost all cases, the eviction will proceed and the property will be recovered. At the end of the quarter, the exercise is being reviewed as it is noted that the Income Collection Team will be better serviced by requesting Fraud Team support earlier in the recovery process. This will continue to be monitored. In Q4 (the first quarter of the project) one (1) property has been recovered and is included in the 52 reported above.

6.4 An earlier Tenancy Fraud investigation involved joint working with DWP and the police and as a consequence, criminal proceedings being taken against the (former) tenant, who received a lengthy custodial sentence. Under the Proceeds of Crime legislation (POCA), at the most recent hearing in Wood Green Crown Court on 16 November 2018; it was agreed that the criminal benefit in the case was £321,926.80, with a confiscation order for £108,353.40. Of this sum Haringey Council have now received £10,376.79 by way of a Compensation Order.

6.5 It was reported to Corporate Committee in the Q2 Counter-fraud performance, that following one particular NRPF referral a fraud team investigation identified £90,890 that had been overpaid in Housing Benefit to the host of an applicant family that had not declared the increased occupation of their home. In 2018/19 In 2018/19 this amounted to:

Property	Housing Benefit o/p	Council Tax o/p	Total
1	79,571	11,319	£90,890

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

7 Right to Buy in 2018/19

- 7.1 As at 31 March 2019 (Q4), the Fraud Team can report the following outcomes from investigations into RTB applications referred from the Leasehold Compliance Team:
- 7.2 The total number of referrals received in the year 2018/19 was 236.
- 7.3 There has been a decrease in the number of RTB applications received by the Council reflected in the referrals made to the Fraud Team. Records of referrals received began in Q4 of 2017/18 when 75 referrals were received.
- 7.3.1 The average no. of referrals received, per quarter, in 2018/19 is 59.
- 7.3.2 There is no established reason for this decrease (speculation could be Brexit, the regeneration programme, mortgage scrutiny by lenders, there are increasingly fewer properties to purchase, tenants are increasingly aware of the due diligence checks that Haringey, rightly, make into all RTB applications).
- 7.4 Seventy-five homes were sold
- 7.5 In total, two hundred and sixty six (266) applications were withdrawn. In one hundred and seventeen (117) of these instances, the Fraud Team had begun due diligence checks, under Anti-Money Laundering legislation to establish the veracity of the funding being sought to make the RTB purchase. It is these 117 that are counted towards the Council's grip indicators financial value outcomes.
- 7.6 As at the end of the end of the financial year (Q4) 2018/19; one hundred and ninety eight (198) live RTB applications are at various stages of application.
- 7.7 Through the course of due diligence checks on RTB applications, it may be noted that there has been a former fraudulent declaration to receive Housing Benefit, where no entitlement is due. The Fraud Team will alert Housing Benefit to the need to raise an overpayment against the tenant, which will recover lost income to the Council.

Table 6 – Housing Benefit overpayments identified through RTB due diligence checks

In 2018/19 this amounted to:

Property	Housing Benefit o/p	Council Tax o/p	Total
1	21,259	2,268	
2*	47,732	3,630	
	£68,991	£5,898	£74,889

*Applies to the total for two properties - one in Haringey, one in Enfield

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

8 Financial Values in 2018/19

- 8.1 In 2018/19, the target for counter-fraud work was to contribute a minimum of £13m worth of savings, or avoided expenditure, to assist the Council in improving its frontline services. The total cost of the counter-fraud team in 2018/19 was £672k.
- 8.2 The Cabinet Office (previously the Audit Commission) valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, relating to average Temporary Accommodation (TA) costs. No new national performance indicators for tenancy fraud have been produced; therefore the £18,000 figure is still used, although this is considered low if the tenancy has been illegally sublet for several years.
- 8.3 The Government have linked RTB discount to the Consumer Retail Index, which means that, year on year, the maximum discount that can be given by the Council against the market value of a Council home, goes up. In 2018/19, this figure is £108,000. For reporting purposes and the financial value attributable to the 117 withdrawn cases referred to at 7.4, the maximum allowable figure of £108,000 is used.

Table 7 – value of outcomes achieved as a result of counter-fraud work

- 8.4 Different values can be attributed to the recovery of a property where tenancy fraud has been identified. Across London different criterion are used. Haringey continue to base their tenancy fraud values on the former Audit Commission (now Cabinet Office) assessment of £18,000, being the estimated expenditure on Temporary Accommodation (TA) for one year, which would not have been necessary with the use and occupation of a legitimate secure tenancy.
- 8.5 The following values (savings) can therefore be attributed to the recovery, or cessation, of fraudulent tenancies in the financial year 2018/19.

Table 7.1

Tenancy Fraud	Number	Unit value £000s	Total £000s
Recovery of Council Tenancy Sublet/ Succession	49	18	882
Recovery of Regeneration	2	18	36
Recovery of Income Collection	1	18	18
Total	52	18	936

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

Table 7.2

RTB	Number	Value £000s	Total £m
RTB WD	117	108,000	12.6

Table 7.3

Other	Number	Value 000s	Total £000s
NRPF	9	20	180
Housing Benefit o/p (Q2)	1	91	91
Housing Benefit o/p (x2 – Q4)	2	75	75
Compensation Order	1	10	10
Total			356

Table 7.4

Other	Number	Value 000s	Total £m
RTB	117	108	12.60
Tenancy Fraud	52	18	0.94
Other	12	356	0.36
Total			£13.90

9 National Fraud Initiative

- 9.1 The National Fraud Initiative (NFI) is a biennial national data matching exercise co-ordinated by the Cabinet Office, which matches data within and between public and statutory sector bodies, to prevent and detect fraud. Data matching involves comparing sets of data, such as the payroll, pensions, housing waiting lists of an organisation against the same records held by counterpart authorities.
- 9.2 The data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it indicates an inconsistency in the data held by each party, which requires investigation, to determine whether there is error, omission or fraud that requires further investigation and which organisation, if any, is exposed to potential loss.
- 9.3 The current NFI, data extracts were taken, nationally, in October 2018, and the results published at the end of January 2019. The Q3 Committee Report detailed the Service areas where the matches have been allocated in 2019.

Annual Internal Audit Report and Head of Internal Audit Opinion – 2018/19

- 9.4 In 2019, there are 10,145 matches identified involving Haringey records, which is similar to previous years. The proposal is that Service areas will commit to reviewing their specific allocation with any recognised or perceived fraud being passed to Internal Audit.
- 9.5 As at 31 March 2019, outcomes from the initial reviews include:
- . An investigation into a member of staff who has triple, concurrent, employment; and
 - . £128,388 of income that can be recovered by the Council.

Internal Audit Plan 2018/19 – Summary of Audit Recommendations and Assurance Ratings

Ref.	Audit area	Assurance Level	P1 Recs.	P2 Recs.	P3 Recs.	Status
	CORPORATE RISK AUDITS					
1	Information Governance / Government Data Protection Regulations	Substantial	0	0	4	Final
2	Sickness Absence	Limited	1	4	0	Final
3	Grievance management	Limited	3	6	1	Final
4	HR Policies - Review					Cancelled
5	Establishment of Commercial Entities					Advisory
6	Debt Recovery	Limited	1	2	1	Final
7	Complaints and Member Enquiries	Limited	1	5	0	Final
	Priority 1 – Outstanding for all (Children Services)					
8	High Needs Block funding	Substantial	0	3	0	Final
9	Looked after children/care leavers - high cost placements	Substantial	0	3	1	Final
10	Child Sexual Exploitation					In Progress
11	Youth Justice (Asset Plus)					In progress
12	Payments for Foster Carers	Limited	2	7	0	Final
13	Schools Admissions	Substantial	0	1	1	Final
	Priority 2 – Outstanding for all (Adult Social Services)					
14	Mental Capacity Assessments	Substantial	0	2	1	Final
15	Delayed Transfer of Care	Substantial	1	4	0	Final
16	Interface with Mental Health Trust					In progress
17	Transitions	Limited				Draft
18	Management of High Value Care Plans	Limited				Draft

Appendix A

Ref.	Audit area	Assurance Level	P1 Recs.	P2 Recs.	P3 Recs.	Status
	Priority 3 – Clean and Safe (Environmental Services & Community Safety)					
19	HCPS - Procurement Portal	Substantial	1	3	3	Final
20	Adam Platform	Limited	2	9	0	Final
	Priority 4 – Sustainable Housing Growth and Employment (Regeneration)					
21	Regeneration - Programme Management	Substantial	0	4	1	Final
22	New Build Properties - advisory	n/a				Advisory
23	Homelessness Reduction	Limited	1	3	0	Final
	CORPORATE IT AUDIT:					
24	Project management processes – <i>postponed by management request.</i>					To be carried out January 2020
25	SAP		1	7	0	Final
26	Robotic Process Automation					Cancelled
27	Cyber Security					Draft
28	Information security					In progress
	CONTRACT AND PROCUREMENT:					
29	Hays	N/A				Advisory
30	Amey	Limited	1	6	0	Final
	KEY FINANCIAL SYSTEMS					
31	Housing Benefit Overpayments	Substantial	0	1	1	Final
32	Budget Monitoring & Control	Substantial	0	3	0	Final
33	Teachers' Pensions contributions	N/A				Advisory
34	Cash Receipting and Bankline	Substantial	0	1	1	Final
35	Treasury Management	Substantial	0	0	1	Final
36	Accounting & General Ledger	Substantial	0	3	0	Final
37	Accounts Payable	Limited	2	5	0	Final
38	Accounts Receivable (Sundry Debtors)	Substantial	0	1	2	Final
39	Pension Fund Investments	Full	0	0	0	Final
40	Housing Benefits	Substantial	0	1	3	Final
41	Council Tax	Substantial	0	1	1	Final
42	NNDR	Substantial	0	3	0	Final
43	Payroll	Substantial	0	2	0	Final

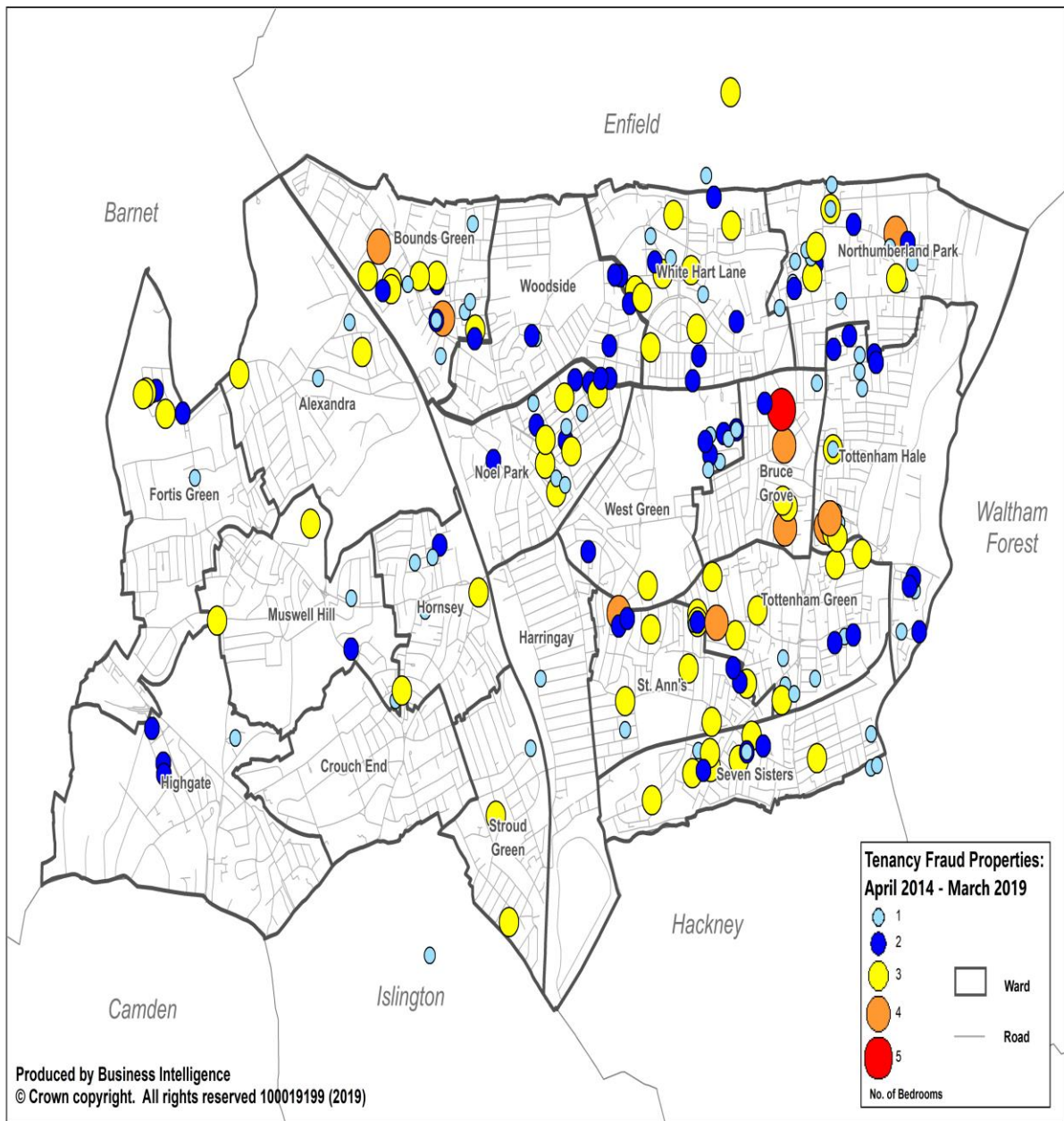
Appendix A

Ref.	Audit area	Assurance Level	P1 Recs.	P2 Recs.	P3 Recs.	Status
	School Audits					
	Secondary Schools					
44	Parkview Secondary	Substantial	0	5	7	Final
	Primary Schools					
45	The Willow Primary	Substantial	0	2	6	Final
46	Chestnuts Primary	Limited	0	9	6	Final
47	Devonshire Hill Primary	Substantial	0	1	2	Final
48	Earlham Primary	Substantial	0	3	0	Final
49	Earlmead Primary	Substantial	0	3	2	Final
50	Highgate Primary	Substantial	0	4	8	Final
51	Risley Avenue Primary	Limited	1	15	5	Final
52	St Francis de Sale Primary	Substantial	0	3	5	Final
53	St Ignatius Primary	Limited	3	9	3	Draft
54	St James C of E Primary	Limited	1	12	4	Final
55	Stamford Hill Primary					Cancelled
	Infants Schools					
56	South Haringey Infants	Substantial	0	6	4	Final
	Nursery Schools					
57	Rowland Hill Nursery	Substantial	0	1	4	Final
	Ad Hoc Work					
58	C Tax Refunds					Advisory
59	Osborne Grove	Substantial	0	3	1	Final
60	St John Vianney					Advisory
61	Ebonycare					Advisory
62	HEP Payments					Advisory

2018/19 - Audits Deferred and Cancelled

Audit area	Reason audit not undertaken
HR Policies Review	Cancelled – Policy review delayed
Robotic Process Automation	Cancelled – Programme never came to fruition
Stamford Hill Primary School	Cancelled – School due to close

Recovery of property by bedroom size



Recovery of property by postcode

