



Haringey Council

Agenda item:

Audit Committee

On 5 November 2009

Report Title: **Internal Audit Progress Report – 2009/10 Quarter 2**

Report authorised by: **Chief Financial Officer**

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

Tel: 020 8489 5973

Email: anne.woods@haringey.gov.uk

Wards(s) affected: **All**

Report for: **Non-key decision**

1. Purpose of the report

1.1 To inform the Audit Committee of the work undertaken during the second quarter by the Internal Audit Service in completing the annual audit plan and any responsive fraud investigation work. In addition, the work of the Council's personnel division in supporting disciplinary action taken across all departments by respective council managers.

2. State link(s) with Council Plan Priorities and actions and/or other Strategies:

2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services by reviewing key services and making recommendations for improvement where appropriate. Follow up work is undertaken to ensure that managers implement agreed recommendations and improvements.

2.2 Internal audit forms a key element within the revised Use of Resources assessment and will continue to be part of the CAA from 2009 onwards. The reports to both managers and the Audit Committee on progress against the agreed audit plan and the implementation of audit recommendations ensure that the requirements of the CAA assessment are fulfilled.

3. Recommendations

3.1 The Audit Committee is recommended to note the audit coverage and progress during the second quarter 2009/10.

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

3.3 That the Audit Committee confirms that the actions taken during Quarter 2 to address the outstanding recommendations are appropriate.

4. Reason for recommendation(s)

4.1 The Audit Committee is responsible for monitoring the completion of the annual internal audit plan and the implementation of agreed recommendations as part of its Terms of Reference. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Audit Committee.

4.2 Where further action is required or recommended, this is highlighted in the covering report and associated appendices and included in the recommendations for the Audit Committee.

5. Other options considered

5.1 Not applicable

6. Summary

6.1 The internal audit service makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the authority. This report looks at the work undertaken in the quarter ending 30 September 2009 and focuses on:

- Progress by Deloitte and Touche (internal auditors) on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised;
- Progress in implementing outstanding internal audit recommendations with special attention given to priority 1 recommendations; and
- Details of investigative work undertaken relating to fraud and/or irregularities that fall outside the remit of the Housing Benefit Fraud Investigation Team, including information in respect of disciplinary action taken.

6.2 The information has been compiled from information held within the Audit & Risk Management Unit and from records held by Deloitte and Touche and the Council's corporate Human Resources business unit.

7. Head of Legal Services Comments

7.1 The Head of Legal Services has been consulted in the preparation of the is report, and advises that there are no direct legal implications arising out of the report or the recommendations.

8. Chief Financial Officer Comments

8.1 The Chief Financial Officer has no additional comments to make.

9. Head of Procurement Comments

9.1 Not applicable

10. Equalities and Community Cohesion Comments

10.1 This report deals with how risks to service delivery are managed across all areas of the council, which have an impact on various parts of the community. Improvements in managing risks and controls will therefore improve services the Council provides to all sections of the community.

11. Consultation

11.1 No external consultation was required or undertaken in the production of this report. Consultation is undertaken with respective service managers, Assistant Directors and Directors in the production of individual internal audit reports and follow up programmes and their comments included in the final report which is circulated in accordance with the agreed internal audit reporting protocol.

12. Service Financial Comments

12.1 There are no direct financial implications arising from this report. The work completed by Deloitte and Touche is part of the five year contract which was awarded following a competitive tendering exercise in compliance with EU regulations from 1 April 2007. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

13. Use of appendices

13.1 Appendix A – Deloitte and Touche Progress report
Appendix B – In-house Team – investigations into financial irregularities
Appendix C – Council-wide disciplinary information

14. Local Government (Access to Information) Act 1985

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

15. Performance Management Information

15.1 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. Table 1 below shows the targets for each area of audit activity monitored and gives a breakdown between the quarterly and cumulative performance.

Table 1

PI Ref.	Performance Indicator	2 nd Quarter	Year to date	Target
A1	Audit work Completed vs. Planned programme	63% of planned Q2 programme	44% of total annual programme	95%
A2	User satisfaction (1 = low, 5 = high)	3.5	3.55	3.75
A3	Time taken to complete investigations (2008/09 referrals)	14.3 weeks	17.25 weeks	12 weeks
A4	Priority 1 recommendations implemented at follow up (2008/09 audits)	100%	100%	95%

16. Internal Audit work – Deloitte and Touche contract

16.1 The activity of Deloitte and Touche for the second quarter of 2009/10 to date is detailed at Appendix A. Members of the Audit Committee receive detailed summaries of all projects for which a final report has been issued on a monthly basis to allow for any issues to be raised and discussed in a timely manner. Appendix A provides a list of all final reports which have been issued during the quarter, together with detailed summaries of all reports which are issued with a 'limited' assurance rating.

16.2 Appendix A also provides detailed summaries of all recommendations which were previously recorded as outstanding at the time of the follow up audit work. Members have been monitoring the progress and implementation of these at each Audit Committee to ensure that managers were taking appropriate action to address outstanding recommendations. A summary of all follow up audits of 2008/09 projects which have been undertaken in 2009/10 is also included in Appendix A (pages 30-31) and as at 30 September 2009, all Priority 1 recommendations had been implemented.

16.3 To date, 44% of the planned programme of work has been delivered. A total of 50% of the total annual audit plan was estimated to be delivered in the first two quarters of 2009/10. Although the level of audit work delivered to date is slightly below the target, there are no issues identified at this date which will prevent the 95% annual target from being achieved and ongoing monthly contract monitoring reviews ensure that performance levels are kept under review.

16.4 In this quarter, a total of 11 projects from the 2009/10 annual audit plan have been finalised, including 5 school visits to assess compliance with the Financial Management Standard in Schools (FMSiS). The programme of planned follow up audits is also reported at Appendix A. 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 2009/10 corporate performance reporting arrangements, have ensured that managers take greater responsibility for implementing recommendations.

16.5 In conjunction with the Chief Financial Officer, Directors are kept advised of the outstanding recommendations and any actions required to ensure that implementation of recommendations is achieved. From 2008/09 onwards, the implementation of Priority 1 recommendations has been included in the PI reporting requirements for all departments. During quarter 2, Internal Audit are satisfied that managers have been taking appropriate action to address the issues raised in the original recommendations prior to 2008/09. Revised timescales have been agreed in two instances where it was considered appropriate.

17. In-house Team – Fraud investigation/Irregularities

17.1 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 to date in 2009/10 and any which were brought forward from 2008/09. The listing at Appendix B also includes any referrals made using the Council's whistle blowing policy which were investigated by Internal Audit. During the second quarter, one whistleblowing referral was made to an officer's line manager which was investigated by an independent service manager. Internal Audit are satisfied that the investigation was carried out appropriately and in accordance with Council policy. No further action was required.

17.2 Within the second quarter, nine new cases were referred to Internal Audit for investigation, and three cases were completed during the quarter involving Council employees. The three cases completed in quarter two took 14.3 weeks on average to complete. Internal Audit work closely with officers from personnel and the service involved to ensure that the investigation is completed as quickly as possible.

17.3 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 the second quarter, 17 referrals in relation to new allegations were made via the Council's email reporting facility. Of these, seven related to housing benefit, and two related to council tax/council tax benefits issues and were referred to the Housing Benefit Fraud Investigation Team for further review. Three related to Housing and sub-letting issues and were referred to the Strategic Housing Division for further review. Two referrals related to Freedom Passes and were referred to the Parking Services Division for further review. Three referrals were not related to fraud within Haringey Council.

- 17.4 During the second quarter of 2009/10, the in-house team have also completed:
- Internal audit reviews of grant usage during 2008/09 for Adult Stroke Care in the Community which has enabled the final grant claims to be submitted in accordance with central government and external audit requirements; and
 - Ongoing support and guidance to relevant departments across the council and Homes for Haringey in relation to the National Fraud Initiative (NFI). This has ensured that the investigation processes into potential data matches can take place. A separate report is provided to the Audit Committee to advise of progress and actions taken by the Council in respect of NFI.

17.5 The In-house Team also investigates claims of non-receipt of Council cheques. In 2009/10, there have been no referrals for investigation. This is a substantial reduction on previous years' figures. 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 reduced the opportunity for attempted fraud in this area.

18. Council-wide disciplinary statistics

- 18.1 Appendix C details the number of disciplinary suspensions and/or action taken in the second quarter of 2009/10. The data is taken from SAP and the information has been provided by the Council's Human Resources business unit in line with council statistics reported elsewhere.
- 18.2 Improved processes, monitoring, management information and liaison between service departments and HR has been put in place. These improved processes have resulted in an average of 65 days per case in quarter 2. This level has been maintained over the previous four quarters.