



Haringey Council

Agenda item:

Audit Committee

On 26 July 2010

Report Title: Internal Audit Progress Report – 2010/11 Quarter 1

Report authorised by: Director of Corporate Resources

J. Parke 15/7/10

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 first quarter by the Internal Audit Service in completing the 2010/11 annual audit plan and reports issued for outstanding 2009/10 audits together with the responsive fraud investigation work. In addition, to provide details of the work the Council's personnel division has undertaken 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 provide assurance that managers have implemented agreed recommendations and improvements.

3. Recommendations

3.1 The Audit Committee is recommended to note the audit coverage and progress during the first quarter 2010/11.

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 1 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 June 2010 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 this report, and advises that there are no direct legal implications arising out of the report.

8. Chief Financial Officer Comments

8.1 There are no direct financial implications arising out of this report. The costs for the internal audit service as a whole are contained within the revenue budget for the service.

8.2 The Chief Financial Officer is pleased to note the implementation of all Priority 1 recommendations by their due date. Whilst there remain a number of lower priority recommendations which remain outstanding or only partly implemented, the Chief Financial Officer considers the actions taken by management to be satisfactory in managing the risks facing the Council.

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. 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	1st Quarter	Year to date	Target
A1	Audit work Completed vs. Planned programme	95%	95%	95%
A2	User satisfaction (1 = low, 5 = high)	3	3	3.75
A3	Time taken to complete investigations (2009/10 referrals)	11 weeks	11 weeks	8 weeks
A4	Priority 1 recommendations implemented at follow up	100%	100%	95%

16. Internal Audit work – Deloitte and Touche contract

16.1 The activity of Deloitte and Touche for the first quarter of 2010/11 to date is detailed at Appendix A, which also includes reports issued for outstanding work from the 2009/10 audit plan. 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. As at 30 June, only 2 recommendations from prior years remained outstanding: 2005/06 - One Priority 2 recommendation remains outstanding; and 2007/08 - One Priority 3 recommendation remains outstanding. Work is ongoing to address these and internal audit is satisfied that managers' actions are appropriate to manage the lower priority risks facing the Council. Internal Audit will continue to monitor implementation of recommendations to ensure appropriate actions are taken to mitigate identified risks.

16.3 A summary of all follow up audits projects which have been undertaken is also included in Appendix A (pages 26-27). We have followed up on 181 recommendations and found that 152 (84%) have been implemented, 11 have been partly implemented, 11 have not been

implemented and seven are no longer applicable. All Priority 1 recommendations followed up to date, where the deadline for implementation has passed, have been implemented.

16.4 To date, 95% of the planned annual programme of work for quarter 1 has been delivered. A total of 20% of the total annual audit plan was estimated to be delivered in the first quarter of 2010/11. At this stage 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.

16.5 In conjunction with the Director of Corporate Resources, 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 performance reporting requirements for all departments. During quarter 1, Internal Audit are satisfied that managers have been taking appropriate action to address the issues raised in the original recommendations prior to 2008/09.

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 2010/11 and any which were brought forward from 2009/10. 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 first quarter, one whistleblowing referral was made.

17.2 Within the first quarter, no new cases were referred to Internal Audit for investigation, and three cases were completed during the quarter involving Council employees. The three cases completed took 11 weeks on average to complete. One case required liaison with the Department for Work and Pensions, another London borough and our own Housing Benefit department in order to conclude and this took a total of 14 weeks. The remaining two cases both took less than the 8 week target. 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 first quarter, 16 referrals in relation to new allegations were made via the Council's email reporting facility. Of these, nine related to housing benefits issues and were referred to the Housing Benefit Fraud Investigation Team for further review and two referrals related to school admissions. Five referrals were not related to fraud within Haringey Council.

17.4 The In-house Team also investigates claims of non-receipt of Council cheques. In the first quarter of 2010/11, there have been no referrals for investigation and no losses to the

Council. 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.

17.5 During the first quarter, the in-house team has also undertaken work to support the Corporate Finance business unit in the review and certification of grant claims which fall outside the remit of external audit. Reviews of grant claims for Adult Stroke Care and GAF have been satisfactorily completed and the certification provided within the central government timescales.

18. Council-wide disciplinary statistics

18.1 Appendix C details the number of disciplinary suspensions and/or action taken in the first quarter of 2010/11. 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 During quarter 1, the number of disciplinary cases investigated was 64, with 45 remaining 'open' at the end of the quarter. The average length of time taken to resolve disciplinary cases in quarter 1 was 105 days, the same as the previous quarter. Five of the complex cases which contributed to the increased length of suspension time in recent quarterly reports were resolved during quarter 1, although some remain under investigation.