



Haringey Council

<b>Report for:</b>	Corporate Committee 29 November 2012	<b>Item number</b>	
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<b>Title:</b>	Internal Audit Progress Report – 2012/13 Quarter 2
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<b>Report authorised by :</b>	Director of Corporate Resources <i>J. Parker 21/11/12</i>
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<b>Lead Officer:</b>	Anne Woods, Head of Audit and Risk Management Tel: 020 8489 5973 Email: <a href="mailto:anne.woods@haringey.gov.uk">anne.woods@haringey.gov.uk</a>
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<b>Ward(s) affected: ALL</b>	<b>Report for: Non-Key Decision</b>
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### 1. Describe the issue under consideration

1.1 The Corporate 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 Corporate Committee on the work undertaken by the Internal Audit Service in completing the 2012/13 annual audit plan, together with the responsive pro-active fraud investigation work, and housing benefit fraud investigation work. Where further action is required or recommended, this is highlighted in the report and appendices and included in the recommendations for the Corporate Committee.

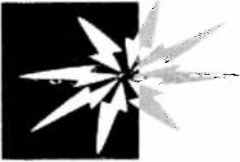
1.2 In addition, the report provides details of the work the Council's Human Resources business unit has undertaken in supporting disciplinary action taken across all departments by respective Council managers.

### 2. Cabinet Member Introduction

2.1 Not applicable

### 3. Recommendations

3.1 The Corporate Committee is recommended to note the audit coverage and counter-fraud work completed during the second quarter, 2012/13.



3.2 That the Corporate Committee reviews the management responses received for those audit recommendations not fully implemented; and confirms that the managers' actions taken during the quarter to address the outstanding recommendations are appropriate.

#### **4. Other options considered**

4.1 Not applicable.

#### **5. Background information**

5.1 The internal audit service and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council. This report looks at the work undertaken in the quarter ending 30 September 2012 and focuses on:

- Progress by Deloitte and Touche 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 particular attention given to priority 1 recommendations;
- Details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities, including those within the remit of the Corporate Anti-Fraud and Housing Benefit Fraud Investigation Teams; and
- Information in respect of disciplinary action taken by managers across all departments of the Council during the quarter.

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

#### **6. Comments of the Chief Financial Officer and Financial Implications**

6.1 There are no direct financial implications arising from this report. The work completed by Deloitte and Touche is part of the framework contract which was awarded to the London Borough of Croydon from 1 April 2012, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

6.2 The financial benefits to the Council of the work completed during the first quarter as part of the ongoing tenancy fraud project will be realised as properties are recovered and returned to the Council's portfolio. The Audit Commission estimate that the costs of fraudulent tenancies and unauthorised sub-letting equate to £18k per annum per property. During the second quarter, seventeen Council properties were recovered.



## **7. Legal Implications**

7.1 The Head of Legal Services has been consulted in the preparation of this report and, save to confirm that the Committee does have the Constitutional power to take the action detailed in the recommendation paragraph, advises that there are no specific legal implications arising from the report.

## **8. Equalities and Community Cohesion Comments**

8.1 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. The report also contains details of how fraud investigation work is undertaken and pro-active fraud projects are managed. Improvements in managing risks and controls will therefore improve services the Council provides to all sections of the community.

## **9. Head of Procurement Comments**

9.1 Not applicable.

## **10. Policy Implications**

10.1 There are no direct implications for the Council's existing policies, priorities and strategies. However, improving controls and reducing the opportunity for fraud to take place in the first place, and taking appropriate pro-active action to detect and investigate identified fraud will assist the Council to use its available resources more effectively.

## **11. Use of Appendices**

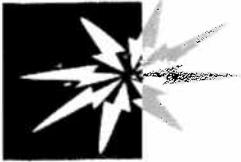
11.1 Appendix A – Deloitte and Touche Progress report  
Appendix B – In-house Team – investigations into financial irregularities  
Appendix C – Council-wide disciplinary information  
Appendix D – Anti-Bribery Policy

## **12. Performance Management Information**

12.1 Although there are no national or Best Value Performance Indicators, key 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 key area monitored in 2012/13 and gives a breakdown between the quarterly and cumulative performance.

**Table 1**

<b>PI Ref.</b>	<b>Performance Indicator</b>	<b>2<sup>nd</sup> Quarter</b>	<b>Year to date</b>	<b>Target</b>
1	Audit work – Days Completed vs. Planned programme	100%	46%	95%
2	Priority 1 recommendations	100%	100%	95%



	implemented at follow up			
3	Benefit fraud cases completed and accepted for prosecution	9	18	30
4	Benefit overpayments recovered (including POCA and confiscation awards)	£0	£8.6k	£150k

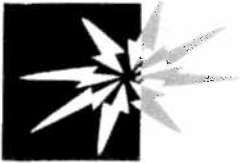
### 13. Internal Audit work – Deloitte and Touche contract

13.1 The activity of Deloitte and Touche for the second quarter of 2012/13 to date is detailed at Appendix A. Deloitte and Touche planned to deliver 235 days of the 2012/13 annual audit plan (940 days) during the second quarter. Deloitte and Touche actually delivered 275.5 days audit work during the quarter, which is above the level of the planned work and overall the level of completed work is on target to achieve the required output. Ongoing monthly contract monitoring reviews ensure that performance levels are kept under review.

13.2 Members of the Corporate 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 considered 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 the findings and recommendations of those reports which received a 'limited' assurance rating.

13.3 In relation to the audit reports for gifts and hospitality and declarations of interest, the Chair of the Corporate Committee wanted the Council's policy on these areas to be attached to this report for members' information. These areas are all covered in the Council's Code of Conduct (section 7 and section 9), but the Council also has an Anti-Bribery Policy in response to the Bribery Act 2010 which deals specifically with this issue. A copy of the policy, which follows CIPFA's best practice guidance, is attached for information.

13.4 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 the previous Audit Committee meetings to ensure that managers were taking appropriate action to address outstanding recommendations. Four recommendations from prior years remain outstanding, with only one high priority recommendation remaining as 'partly implemented'. Work is ongoing to address the Priority 1 recommendation and Internal Audit are satisfied that the interim controls in place manage the risks adequately; and that managers' actions are appropriate to manage these 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.



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- 13.5 A summary of all follow up audit projects for 2011/12 work which have been undertaken is also included in Appendix A. We have followed up on 88 recommendations to date and found that 64 have been implemented, 12 are no longer applicable including 10 relating to establishments that are now closed, ten are in progress, and two have not been implemented. Overall, a compliance rate of 86% has been achieved for the second quarter and 100% in relation to Priority 1 recommendations.
- 13.6 As a result of the 'limited' level of assurance provided for the Council's Mortuary Service, and concerns expressed by members and the Chair of the Corporate Committee, Internal Audit undertook an urgent follow up review of the agreed nine recommendations. The detailed results are included at Appendix A and Internal Audit confirmed that 8 of the 9 recommendations had been fully implemented and one had been partly implemented. The partly implemented recommendation related to the recording of the property book reference number on the admission sheet, where testing highlighted one instance (in ten cases) where this had not been done. This was explained as an oversight by management and audit were advised that changes to the design of the Mortuary stationery should address the issue in the future.
- 13.7 At the previous meeting of the Corporate Committee, the Chair requested an update on the implementation of recommendations that had received a 'limited' level of assurance as reported in Quarter 1. Internal Audit have followed up on these reports and the summary results are included at Appendix A.
- 14. In-house Team: Fraud investigation/Pro-active work**
- 14.1 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 Council's Information Security Policy. Appendix B details the individual cases that were completed by the In-house Team in the second quarter of 2012/13 and any which were brought forward from 2011/12, relating to Council employees. 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 anonymous staff-related whistle blowing referral was made; the investigation is ongoing in this case.
- 14.2 Within the second quarter, nine new cases were referred to Internal Audit for investigation relating to permanent and temporary employees. Six cases were completed during the quarter (14 cases in total for 2012/13) involving Council employees. Internal Audit work closely with officers from personnel and the service involved to ensure that the investigation is completed as quickly as possible.
- 14.3 The section has been continuing to work with Homes for Haringey and the Strategic and Community Housing Service to target and investigate housing and tenancy fraud during 2012/13. The Audit Commission estimate that each



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fraudulent tenancy costs councils an estimated £18k in temporary accommodation and other associated costs.

14.4 As at 30 September 2012, 61 referrals of suspected tenancy fraud have been received by the team during 2012/13 (108 received in total during 2011/12) and Table 2 below summarises the source of these referrals:

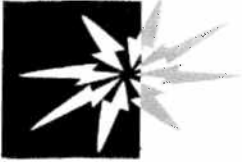
**Table 2**

<b>Referrals Received From:</b>	<b>Number</b>
Tenancy Management Officer	41
Fraudcall (free phone referral number)	2
Registered Providers	17
Members of the Public	0
Joint investigation with Housing Benefit Fraud	0
Education Welfare	0
National Fraud Initiative	0
Police	0
Other Local Authority	1
Haringey Councillor	0
Legal Services	0
Haringey Staff	0
Customer Services Centre Staff	0
	<b>61</b>

14.5 During 2012/13 to date, 26 Haringey properties have been recovered in total, including cessation of four fraudulent succession applications, so the tenancies can be allocated to tenants in accordance with the Council's lettings policy. In addition, two Registered Providers' properties have also been recovered. Advice and recommendations for further action have been made by the Corporate Anti-Fraud Team to the Tenancy Management Teams in one further case.

14.6 Investigations are ongoing in 59 cases; and 29 cases which were referred to the team as a potential fraudulent tenancy case resulted in no further action being taken. Feedback on the outcomes of cases is provided to housing and Homes for Haringey staff during regular case conferences and team meetings to show the positive outcomes resulting from their referrals. The total of 26 properties recovered to date includes action taken in 6 cases by housing officers.

14.7 In addition to the above details relating to tenancy fraud, the Corporate Anti-Fraud Team has also abated two fraudulent 'Right to Buy' applications from proceeding where the maximum discount of £75k was being claimed by the applicants. The Corporate Anti-Fraud Team is also currently taking forward prosecution cases using relevant Housing and Fraud Act legislation against four former tenants that were found to have been sub-letting.



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14.8 During the second quarter, the Corporate Anti-Fraud Team also undertook a pro-active exercise to review the discounts and exemptions given to students in relation to Council Tax. Sixty cases were reviewed in total and no instances of fraud or incorrectly applied discounts and exemptions were found.

### **15. Housing Benefit Fraud Investigation**

15.1 During the second quarter, the HB Fraud team completed investigations on nine benefit fraud cases and submitted these for prosecution at crown court. Five of the cases were submitted via Legal Services and the remainder were submitted as joint prosecutions with the DWP. Four cases submitted by the team to the DWP for joint prosecutions in 2011/12 are still to be heard. There are also four cases with outstanding Bench Warrants which the team chase up on a regular basis. The team has an annual target of 30 prosecution cases for 2012/13, and it is expected that this target will be achieved.

15.2 In the second quarter, nine cases were heard at crown court, including seven prosecuted via Legal Services. All nine prosecution cases found in favour of the Council. All cases identified that an overpayment had been fraudulently obtained by the claimants. The total overpayment identified for the nine cases was £444.9k, of which only £8.6k (2%) has been recovered to date. Overpayment plans are in place to recover the remaining amounts and the team will be working with the HB recovery team and Legal Services going forward to ensure that all options for recovery are considered when fraud has been proven.

15.3 The Housing Benefit team has established an information sharing protocol and risk based process with the Housing Benefit processing and housing teams to review cases where Right to Buy applications have been submitted and the applicants have housing and council tax benefit claims in payment. As a result of the review processes, two applicants have withdrawn from the process, five benefit claims have been suspended, and a further four cases have found to have been overpaid. The teams will continue to work together to ensure benefit and right to buy processes are applied correctly.

15.4 The Housing Benefit team have also been working jointly with other local authorities and public sector organisations during quarter 2 to identify counterfeit EU passports and identity documents provided in support of benefit applications. To date 68 cases have been identified and 63 cases have been suspended or cancelled. The section is part of a cross-Council project to implement new document scanning software at the point of application for various Council services including housing, employment and benefits.

### **16. Council-wide disciplinary statistics**

16.1 Appendix C details the number of disciplinary suspensions and/or action taken in the second quarter of 2012/13. The data is taken from SAP and the



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information has been provided by the Council's Human Resources business unit in line with Council statistics reported elsewhere.

16.2 During the quarter, the number of disciplinary cases investigated was 32, with 19 remaining 'open' at the end of the quarter. The average length of time taken to resolve disciplinary cases in quarter four was 54 days, which represents an increase of 12 days compared to the previous quarter, but is still lower than the last two quarters of 2011/12.