



<b>Report for:</b>	Corporate Committee 26 June 2014	<b>Item number</b>	
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<b>Title:</b>	Internal Audit Progress Report – 2013/14 Quarter 4
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<b>Report authorised by :</b>	Assistant Director of Corporate Governance
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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 2013/14 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 The report also provides information from the Council's Human Resources (HR) service area in respect of (a) work undertaken in supporting disciplinary action taken across all departments by respective Council managers; and (b) consultants employed by the Council.

### **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; and the actions taken during the quarter to



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ensure audit recommendations are implemented and address the outstanding recommendations during the fourth quarter, 2013/14.

3.2 The Corporate Committee reviews and notes the information received from the HR service area.

### **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 31 March 2014 and focuses on:

- Progress by Mazars 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;
- Information in respect of disciplinary action taken by managers across all departments of the Council during the quarter; and
- Details of consultants employed by all departments across the Council to the end of March 2014.

5.2 The information in this report has been compiled from information held within Audit & Risk Management and from records held by Mazars and the Council's HR service area.

### **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 Mazars 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 2013/14 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, mainly relating to additional costs for temporary accommodation. During 2013/14 in total, 57 Council properties were recovered, equivalent to a cost saving to the Council of approximately £1 million.



## **7. Comments of the Assistant Director, Corporate Governance and Legal Implications**

7.1 The Assistant Director, Corporate Governance has been consulted in the preparation of this report and advises that there are no direct 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 – Mazars Progress report – Internal audit  
Appendix B – In-house Team – investigations into financial irregularities  
Appendix C – Council-wide disciplinary information  
Appendix D – Consultants employed by the Council as at 31/3/14.

## **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. Table 1 below shows the targets for each key area monitored and gives a breakdown between the quarterly and cumulative performance.

**Table 1**

<b>PI Ref.</b>	<b>Performance Indicator</b>	<b>4<sup>th</sup> Quarter</b>	<b>Year to date</b>	<b>Target</b>
1	Audit work – Days Completed vs. Planned programme	92%	91%	95%
2	Priority 1 recommendations implemented at follow up	100%	100%	95%
3	Benefit fraud cases completed and accepted for prosecution	5	32	30
4	Benefit overpayments recovered (including POCA and confiscation awards)	£0.2k	£4.4k	£150k



### **13. Internal Audit work – Mazars**

- 13.1 The activity of Mazars for the fourth quarter of 2013/14 to date is detailed at Appendix A. Mazars planned to deliver 225 days of the 2013/14 annual audit plan (900 days) during the quarter and actually delivered 207 days audit work during the quarter. The total days delivered fell short of the planned annual target, although this was achieved by 30 April. 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. All final reports issued received a 'substantial' assurance rating.
- 13.3 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 to ensure that managers were taking appropriate action to address outstanding recommendations. Two lower priority recommendations from 2011/12 remain outstanding, with both found to be 'partly implemented'. Work is ongoing to address the recommendations and Internal Audit are satisfied that managers' actions to date are appropriate and cost effective 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.
- 13.4 A summary of all follow up audits for 2012/13 work which have been undertaken is also included at Appendix A. We have followed up on 62 recommendations to date and found that 54 have been implemented; two are no longer applicable; three are in progress; and three have not been implemented. No Priority 1 recommendations remain outstanding. Overall, a compliance rate of 95% has been achieved for the third quarter.

### **14. In-house Team: Fraud investigation/Pro-active work**

- 14.1 In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees. Appendix B details the individual cases that were completed by the Team up to the end of the fourth quarter of 2013/14 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 fourth quarter, one staff-related whistle blowing referral was made.
- 14.2 Within the fourth quarter, six new cases relating to permanent and temporary employees were referred to the Fraud Team. Three cases were completed during the quarter involving Council employees. The Fraud Team work closely



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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. The Audit Commission estimate that each fraudulent tenancy costs councils an estimated £18k in temporary accommodation and other associated costs.

14.4 As at 31 March 2014, 152 new referrals of suspected tenancy fraud have been received by the team during 2013/14. Together with 57 cases brought forward from 2012/13, this gives a current total of 209 referrals (148 received during 2012/13) and Table 2 below summarises the source of these referrals:

**Table 2**

<b>Referrals Received From:</b>	<b>Number</b>
Brought forward 2012/13	57
Tenancy Management Officer	93
Fraudcall (email and freephone telephone)	31
Members of the Public	8
National Fraud Initiative	1
Other Local Authority	2
Haringey Staff	16
Home Office	1
<b>Total</b>	<b>209</b>

14.5 During 2013/14 and up to the end of the fourth quarter, forty six Haringey properties have been recovered in total, plus eleven applications for Succession, or Grant of Tenancy, refused on evidence of ineligibility, so the tenancies can be allocated to tenants in accordance with the Council's lettings policy. Seventy nine cases have been closed where no fraud has been identified and there are 73 ongoing investigations.

14.6 The section also works closely with the Council's key Registered Providers to target and investigate housing and tenancy fraud in joint working with Registered Provider staff. As at 31 March 2014, 50 new referrals of suspected tenancy fraud have been received and together with 29 cases brought forward from 2012/13, this gives a current total of 79 referrals to date.

14.7 As a result of the joint working, twenty one Registered Providers' properties have been recovered in the year to date. Investigations have been closed in five cases with no fraud identified and are ongoing in 45 cases.

14.8 In December 2013, the team recruited two temporary members of staff to assist with the investigation and recovery of fraudulent and ineligible tenancies. The staff are both internal secondments to the Fraud Team and are being funded



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from the specific central government grant provided to support the tenancy fraud work.

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

15.1 During the fourth quarter, the Fraud team completed investigations on five benefit fraud cases and submitted these for prosecution at crown court via Legal Services, giving a total of thirty two cases submitted in the year to date, although seven cases are still to be heard. There are also five cases with outstanding warrants which the team chase up on a regular basis.

15.2 The team achieved one successful prosecution during the quarter and twenty eight to date, with a total overpayment value of £976k, although only £4.4k has been recovered to date. The team has an annual target of 30 prosecution cases for 2013/14, and this target was achieved.

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

16.1 Appendix C details the number of disciplinary suspensions and/or action taken in the fourth quarter of 2013/14. The data is taken from SAP and the information has been provided by the HR business unit in line with Council statistics reported elsewhere.

16.2 During the quarter, the number of disciplinary cases investigated was 28, with 12 remaining 'open' at the end of the quarter, a reduction in average cases remaining open from 19 at the start of the year. The average length of time taken to resolve disciplinary cases in the quarter was 63 days, which is a slight increase of five days on the previous quarter's average. Internal Audit has not completed any further verification on the information provided by HR for this appendix.

### **17. Consultants information**

17.1 Appendix D details the consultants employed by the Council during the third quarter. The data is taken from SAP and the information has been provided by the HR business unit. Internal Audit has not completed any further verification on the information provided by HR for this appendix.