

## Annual Report on Internal Audit Activity 2013/14

### 1. Summary of Internal Audit work

- 1.1 Internal Audit services for Haringey Council, excluding the investigation of allegations of fraud and corruption, are provided by Mazars Public Sector Internal Audit Ltd. A full report is issued for every planned project in the annual audit plan. The report provides an overall audit opinion according to the seriousness of the findings. In addition, each recommendation is given a priority rating, to assist service management in prioritising their work to address agreed recommendations. The overall classification given was that applying at the completion of the audit work. In each case, recommendations are agreed with the client for the work and an action plan completed, showing responsible officer and timescales to address the weaknesses identified.
- 1.2 The recommendations made should be sufficient to address all the control weaknesses identified. As long as the recommendations have been implemented as agreed in the action plan, the risks presented should be addressed, and the residual risk would fall. A definition of the overall classification is shown in Table 1 below:

**Table 1**

<b>Assurance Level</b>	<b>Definition</b>
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.

- 1.3 For 2013/14 a total of 79 projects, including schools, formed the annual audit plan which was approved by the Corporate Committee on 14 March 2013. Resources to complete follow up work are also included in the annual audit plan. The results of the follow up reviews were reported separately to the Corporate Committee throughout 2013/14, although no individual reports were issued for the majority of this work.
- 1.4 In addition, requests for additional audit work were made during 2013/14 and a further 3 system checks, including sample testing (rather than full audits) were completed. Including follow up work completed and resources to support work which did not result in a formal report, Mazars delivered 92% of the planned audit programme by 31 March 2014, including completing fieldwork, which is slightly lower than the agreed performance indicator which specifies a 95% completion rate. However, the completion rate had risen to 96% by 30 April 2014.





1.5 Two projects (20 days) were deferred; and one school audit (5 days) was also deferred as a result of a fraud investigation completed during 2013/14. Both audits and the school visit will be completed during 2014/15. A summary of the outputs of the remaining project work completed by 31 March 2014 against the planned work is shown at Table 2 below.

**Table 2 – Planned project work vs. completion rates at 31 March 2014**

	Number of projects planned	Number of final reports issued	Number of draft reports issued	Work in Progress	% draft/ final complete
Key systems	12	7	4	1	92%
Other systems	48	26	10	12	75%
Schools	19	13	6	0	100%
Additional work	3	3	0	0	100%
<b>Total</b>	<b>82</b>	<b>49</b>	<b>20</b>	<b>13</b>	<b>84%</b>

1.6 The following table indicates the audits completed and relevant levels of assurance during 2013/14. Thirteen audits reports were still to be issued in draft at 31 March, however indicative assurance levels have been reported where available.

**Table 3 – Assurance levels provided**

	Full 	Substantial 	Limited 	Nil 
<b>2012/13</b>	<b>3</b>	<b>49</b>	<b>18</b>	<b>1</b>
<b>2013/14</b>	<b>0</b>	<b>64</b>	<b>17</b>	<b>1</b>

1.6 All audit work is followed up to ensure the agreed recommendations have been implemented. The results of the follow up programme are reported separately to managers and members. The timing and nature of each follow up depends on the risk assessment of the area at the end of the original audit project.

1.7 There are no national performance indicators for internal audit work. However, local performance indicators are reported to the Corporate Committee on a quarterly basis.

**Table 4 – Local performance measures**

Performance Indicator	Actual	Target
Audit work – Days Completed vs. Planned programme	92%	95%
Priority 1 recommendations implemented at follow up	100%	95%

1.8 This level of audit coverage is satisfactory and complies with the mandatory 2013 UK Public Sector Internal Audit Standards (PSIAS).

**2. Counter-fraud work 2013/14**

2.1 Audit and Risk Management has a total net budget of £1m. In 2013/14, the business plan target for the counter-fraud work was to contribute £2.5m worth of savings, or avoided expenditure, to assist the Council in improving its frontline services.

2.2 **Table 5** - Counter-fraud work outcomes in 2013/14:

Counter-fraud Activity	Number	Unit value £000s	Total £000s
<b>Corporate Investigations</b>			
Council Tenancies recovered	46	18*	828
Council tenancies: Refusal of Succession/ Grant of tenancy	11	18*	198
Registered Provider tenancies recovered	21	18*	378
Employee-related investigations	17	N/A	108
<b>Sub-total</b>			<b>1,692</b>
<b>Housing Benefit Related Investigations</b>			
Successful prosecutions completed (further 4 cases awaiting court)	28	N/A	972
Right to Buy investigations	17	75-100**	1,445
<b>Sub-total</b>			<b>2,417</b>
<b>National Fraud Initiative – joint work</b>			
Blue badges	361	0.5*	180
Pensions	1	N/A	20
<b>Sub-total</b>			<b>200</b>
<b>Total</b>			<b>4,309</b>

\*Audit Commission estimated unit value

\*\* RTB Actual discount value

2.3 During 2013/14, 17 investigations were completed involving employees. The allegations covered a number of issues including fraudulent overtime claims, working whilst off sick and council tax fraud. Table 6 below summarises the investigations completed by department. For comparison purposes, figures for 2011/12 and 2012/13 are included.

**Table 6 – Investigations by department**

Department	Investigations 2011/12	Investigations 2012/13	Investigations 2013/14
Chief Executive	1	0	2
Corporate Resources	3	2	0
Children's Service	11	5	8
Adults & Housing Services	3	6	3
Place & Sustainability	4	5	4
<b>Total</b>	<b>22</b>	<b>18</b>	<b>17</b>

2.4 The Council's anti-fraud and corruption arrangements are robust, with a clear policy and fraud response plan in place. Regular reminders regarding expected standards of behaviour and how to report suspected fraud are provided via staff

newsletters and the Council's intranet and website. All referrals 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, which are supported by agreed internal procedure manuals.

### **3. Review of 2013/14**

3.1 The counter-fraud work undertaken in 2013/14 focused more on pro-active and preventative work, including investigating tenancy fraud covering Council and Registered Provider properties. Using the grant funding from the Department for Communities and Local Government, the service recruited two staff from other Council services on a secondment basis to support the tenancy fraud work.

3.2 As a result of the work completed in 2013/14, 46 Council properties have been recovered and the keys returned, so the tenancies can be allocated to tenants in accordance with the Council's lettings policy. A further 11 applications for grant of tenancy or succession were refused based on the work of the counter-fraud team. In addition, 21 Registered Providers' properties were also recovered. The team also used the new Social Housing Tenancy Fraud Act to successfully prosecute two cases where illegal sub-letting was identified.

3.3 The counter-fraud service successfully prosecuted 28 cases of Housing Benefit fraud in 2013/14 relating to nearly £1m of overpaid benefits, with a further four cases awaiting court dates. The courts handed down custodial sentences in a number of cases and the team was successful in obtaining a judgment forcing a convicted fraudster to sell their properties in order to repay overpaid benefits of nearly £250k.

3.4 The increase in discount allowed, up to £100k, on Right to Buy purchases saw a substantial increase in applications to the Council. The counter-fraud team put processes in place to review applications in conjunction with the Home Ownership and Housing Benefit processing teams. In 2013/14, 17 applications were refused, worth over £1.4million and the teams will continue to work together to ensure benefit and right to buy processes are applied correctly.

3.5 The team worked to review the potential data matches for the Audit Commission's 2013 National Fraud Initiative exercise. All recommended matches were reviewed and the Council successfully cancelled or recovered 361 Blue Badges which were no longer valid.

### **4. Looking Forward**

4.1 The Council underwent significant organisational change in 2013/14 as the new structure was implemented. In periods of change, there are risks that management and control processes will be reduced, avoided, or stopped which increase the opportunity for fraud. The counter-fraud team has planned its work in 2014/15 to focus on high risk areas to ensure that risks are being managed appropriately in service areas. The team will work with managers pro-actively to prevent and avoid fraud and its related expenditure and assist in putting suitable controls in place where appropriate.

4.2 The Head of Audit and Risk Management is a member of the Statutory Officers Group, reporting to the Chief Executive, which will focus on ensuring appropriate management responses to audit recommendations, identifying common themes in control assurance or weakness and highlighting any areas for future audit focus. This process should complement the existing assurance processes and assist in focusing audit and counter-fraud resources on the highest risk areas.