



Report for:	Corporate Committee 29 January 2015	Item number	
--------------------	--	--------------------	--

Title:	Internal Audit Progress Report – 2014/15 Quarter 3
---------------	--

Report authorised by :	Assistant Director of Corporate Governance
-------------------------------	--

Lead Officer:	Anne Woods, Head of Audit and Risk Management Tel: 020 8489 5973 Email: anne.woods@haringey.gov.uk
----------------------	--

Ward(s) affected: ALL	Report for: Information
------------------------------	--------------------------------

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.
- 1.2 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 2014/15 annual audit plan, together with the responsive and pro-active fraud investigation work. Where further action is required or recommended, this is highlighted in the report and appendices and appropriate recommendations for the Corporate Committee.

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 ensure audit recommendations are implemented and address the outstanding recommendations during the third quarter, 2014/15.

4. Other options considered



5. Background information

5.1 The internal audit 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 December 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; and
- Details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities.

5.2 The information in this report has been compiled from information held within Audit & Risk Management and from records held by Mazars.

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 2014/15 as part of the ongoing tenancy fraud project, including the amnesty 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.

6.3 Preventing fraudulent Right to Buy applications ensures that properties are retained within the social housing stock and discounts of up to £100k per property are not allocated to those who are not entitled to receive them.

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 has no comments.

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 and reducing and preventing the opportunity for



fraud 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

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

Ref.	Performance Indicator	3rd Quarter	Year to date	Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	70%	58%	95%
2	Priority 1 recommendations implemented at follow up	100%	100%	95%
3	Benefit fraud cases completed and accepted for prosecution	10	24	20
4	Tenancy fraud – properties recovered	15 (plus 2 via RTB)	27 (plus 2 via RTB)	50
5	Right to Buy – fraudulent applications prevented	15	82	10

13. Internal Audit work – Mazars

13.1 The activity of Mazars for the third quarter of 2014/15 to date is detailed at Appendix A. Mazars planned to deliver 212 days of the 2014/15 annual audit plan (850 days) during the quarter and actually delivered 147 days audit work during the quarter. 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 concerns which members may have to be considered in a timely manner.



Haringey Council

Appendix A provides a list of all final reports which have been issued during the quarter.

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 all outstanding recommendations. Internal Audit will continue to monitor implementation of recommendations to ensure appropriate actions are taken to mitigate identified risks.

13.4 A summary of follow up audits for 2013/14 work which have been undertaken to date is also included at Appendix A. We have followed up on 41 recommendations and found that 33 have been implemented; two are no longer applicable; five are in progress; and one has not been implemented. No Priority 1 recommendations remain outstanding. Overall, a compliance rate of 97% has been achieved for the quarter. We will continue to monitor all outstanding recommendations to ensure compliance.

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

14.1 Internal employee investigations

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 in the third quarter 2014/15 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 the team. During the third quarter, one staff-related whistle blowing referral was made.

Within the third quarter, five new cases relating to permanent and temporary employees were referred to the Fraud Team. Four cases were completed during the quarter involving Council employees. The Fraud Team work closely with officers from HR and the service area involved to ensure that the investigation is completed as quickly as possible.

14.2 Tenancy Fraud – council properties

The Fraud Team works with Homes for Haringey 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.

As at 31 December, 101 new referrals of suspected tenancy fraud have been received by the team. The secondment agreements for both of the two temporary staff have been extended to May 2015 to assist with the recovery of tenancies from these referrals and also to assist with investigations into



potentially fraudulent Right to Buy applications. The secondments are being funded by the DCLG grant.

Four properties were recovered in the third quarter through fraud investigations, six properties were recovered through the tenancy amnesty and a further five properties were refused succession. Table 2 below summarises the source of suspected fraud referrals and the outcomes achieved/cases closed in the third quarter:

Table 2

Carried forward 2013/14		67
Referrals received from:		
Tenancy Management Officer	63	
Fraudcall	23	
Tenancy amnesty	1	
Public	5	
Joint investigation with HB Fraud	1	
Other LA	3	
Member	2	
Haringey Staff	3	
		101
Sub-Total		168
Outcomes 2014/15		
Properties Recovered	11	
Succession of Tenancy refused	10	
Tenancy amnesty	6	
Total recovered/refused	27	
No Fraud identified	88	115
Ongoing Investigations c/f		53

Haringey Properties – 53 ongoing investigations

11 of the 53 cases (20%) are showing the status “Unauthorised Accounts” on the Housing database. This represents those cases that have been investigated, tenancy fraud has been proven, with the consequence that the tenancy is terminated against the named tenant, to avoid rent payments being made and an implied tenancy being created; and are now pending either the:

- (i) Serving, or expiry of Notice to Quit,
- (ii) Court Hearing date,
- (iii) Eviction date, or
- (iv) Offer of smaller accommodation, in instances where a succession cannot be awarded to a property too large for the intended successor’s needs.

These cases will be added to the ‘properties recovered’ numbers when keys are returned.



Haringey Council

In addition to the above cases where 27 properties have been recovered, one investigation was undertaken on a housing application which was referred to the Fraud Team. The application was proved to be fraudulent, therefore preventing a Council tenancy from being offered.

14.3 Tenancy Fraud - Registered Provider properties

The section also works closely with the Council's key Registered Providers to target and investigate housing and tenancy fraud with their staff. As at 31 December 2014, 15 new referrals of suspected tenancy fraud have been received. Table 3 below summarises the source of suspected fraud referrals and the outcomes achieved/cases closed in the third quarter:

Table 3

Carried forward 2013/14		51
Referrals received		15
Total		66
Outcomes 2014/15		
Properties Recovered	3	
Succession of Tenancy refused	0	
Total recovered/refused	3	
No Fraud identified	2	5
Ongoing Investigations c/f		61

14.4 Right-to-buy (RTB) applications

To date, 282 applications have been referred to the Fraud Team in 2014/15. The team reviews every RTB application to ensure that any property where potential benefit or succession fraud is indicated can be investigated further.

In 2014/15 to date, 102 applications have been cleared for progression; 82 applications have been withdrawn either following the applicants' interview with the Fraud Team, further investigations and/or the requirement to complete money laundering processes; and 121 applications are currently under, or awaiting investigation.

We are working with housing services, banks and financial institutions to identify potential fraudulent applications and work will continue during 2014/15.

14.5 Housing Benefit Fraud Investigation

During the third quarter, the Fraud team completed investigations on ten benefit fraud cases and submitted these for prosecution at crown court via Legal Services and the DWP. There are also five cases with outstanding warrants which the team chase up on a regular basis.

Seven cases were successfully prosecuted in court. The total overpayment value of the cases concluded is £382k, and £20k has been recovered, with most



Haringey Council

recovery processes instigated via ongoing benefit entitlement. The team has an annual target of 20 prosecution cases for 2014/15, and this target has been achieved.

14.6 Tenancy fraud – key amnesty

The tenancy fraud amnesty ran from 14 October to 20 December 2014. News and information articles were published on the Council and HfH websites; posters were displayed in Customer Service Centres, Libraries, housing offices, individual housing blocks, bus shelters and on the backs of local buses. Training for customer service centre and Homes for Haringey staff was provided to ensure that records captured any keys returned.

The amnesty resulted in six properties being recovered, all of which are in the process of being re-let.