

## Annual Report on Internal Audit Activity 2014/15

### 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 2014/15 a total of 91 projects, including schools, formed the annual audit plan which was approved by the Corporate Committee on 26 March 2014. Resources to complete follow up work are also included in the annual audit plan, including formal follow up reports for schools. The results of the follow up reviews were reported separately to the Corporate Committee throughout 2014/15, although no individual reports were issued for the majority of this work.
- 1.4 In addition, requests for additional audit work were made during 2014/15 and a further 5 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 2015, 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 2015.





1.5 Two projects (20 days) were deferred to 2015/16 as a result of changes to timescales for system implementation. These will be completed and reported during 2015/16. A summary of the outputs of the remaining project work completed by 31 March 2015 against the planned work is shown at Table 2 below.

**Table 2 – Planned project work vs. completion rates at 31 March 2015**

	Number of projects planned	Number of final reports issued	Number of draft reports issued	Work in Progress	% draft/ final complete
Key systems	11	8	3	0	100%
Other systems	34	9	7	18	47%
Schools	13	11	2	0	100%
Schools – follow up	19	19	0	0	100%
Additional work	5	4	1	0	100%
<b>Total</b>	<b>82</b>	<b>51</b>	<b>13</b>	<b>18</b>	<b>78%</b>

1.6 The following table indicates the audits completed and relevant levels of assurance during 2014/15. Eighteen 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 
2012/13	3	49	18	1
2013/14	0	64	17	1
2014/15	1	38	15	0

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 2014/15**

2.1 In 2014/15, Audit and Risk Management had a net budget of £650k for counter-fraud activities, with 13 (12.5 FTE) staff covering benefits investigation and corporate fraud investigations. Investigation staff are all professionally accredited; this is via a number of institutions including: Chartered Institute of Public Finance and Accountancy (CIPFA); Chartered Institute of Housing (CIH); and Professionalism in Security (PINS).

2.2 In 2014/15, a total of 1,623 days was spent undertaking investigations and prosecutions of fraud. The fraud team investigated a total of 1,022 cases and a summary of the areas covered is included at Table 5.

**Table 5 – Investigations undertaken**

Investigation area	Number of investigations
Housing benefits	493
Right to Buy applications	252
Tenancy fraud	138
Employee fraud cases	13
Council Tax – single person discount	66
NNDR – exemptions/discounts	60
<b>Total</b>	<b>1,022</b>

2.3 Counter-fraud outcomes. In 2014/15, the target for the counter-fraud work was to contribute £10m worth of savings, or avoided expenditure, to assist the Council in improving its frontline services. The counter-fraud team exceeded this target by over £3m and a summary of the outcomes achieved is at Table 6.

**Table 6 - Counter-fraud work outcomes in 2014/15:**

Counter-fraud Activity	Number	Unit value £000s	Total £000s
<b>Corporate Investigations</b>			
Council Tenancies recovered	22	18*	396
Council Tenancies recovered - amnesty	6	18*	108
Council tenancies: Refusal of Succession/ Grant of tenancy	11	18*	198
Registered Provider tenancies recovered	4	18*	72
Council Tax – single person discount	15	0.25	4
Employee-related investigations	13	N/A	3
<b>Sub-total</b>			<b>781</b>
<b>Housing Benefit Related Investigations</b>			
Successful prosecutions completed (further 4 cases awaiting court)	30	N/A	450
Right to Buy investigations	118	100**	11,800
<b>Sub-total</b>			<b>12,250</b>
<b>Total</b>			<b>13,031</b>

\* Audit Commission unit value of annual Temporary Accommodation costs

\*\* RTB Actual discount value

2.4 During 2014/15, 13 investigations were completed involving council employees. The allegations covered a number of issues including working whilst off sick, no right to work and benefit fraud. Table 7 summarises the investigations completed by service area.

**Table 7 – Investigations by service area**

<b>Service area</b>	<b>Investigations 2014/15</b>
Environmental Services & Community Safety	5
Children's Service	2
Housing Services	4
Corporate Property & Major Projects	1
Regeneration, Planning & Development	1
<b>Total</b>	<b>13</b>

2.5 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 2014/15**

3.1 The counter-fraud work undertaken in 2014/15 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 retained the two staff from other Council services on a secondment basis during 2014/15 to support the tenancy fraud work.

3.2 Although the Prevention of Social Housing Fraud (Power to Require Information) Regulations provided the opportunity to request information from organisations, the fraud team did not use these powers in 2014/15. This was because most investigations involving tenancy fraud were also linked to benefit and other fraud, so the team were able to use other regulations to obtain the required information. The Prevention of Social Housing Fraud regulations will be brought into use in 2015/16 by the fraud team as the responsibility for benefit fraud investigation transfers to the Department for Work and Pensions.

3.3 As a result of the work completed in 2014/15, 39 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 17 properties are awaiting possession via court proceedings. In addition, 4 Registered Providers' properties were also recovered.

3.4 The counter-fraud service successfully prosecuted 30 cases of Housing Benefit fraud in 2014/15 relating to £450k of overpaid benefits, with a further six cases awaiting court dates. The courts handed down custodial sentences in a number

of cases and the team was also successful in obtaining guilty pleas from other defendants, thus avoiding the need for a trial.

3.5 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 2014/15, 118 applications were refused, worth over £11million and the teams will continue to work together to ensure benefit and right to buy processes are applied correctly.

3.6 The team started to review the potential data matches for the Audit Commission's 2015 National Fraud Initiative exercise. The team will focus on reviewing the 'recommended' matches which indicate a higher likelihood of fraud.

#### **4. Looking Forward**

4.1 The Council approved the Corporate Plan for 2015-18 in February 2015, which confirmed five priorities with clear outcomes and performance targets attached to each priority. As services determine how they will deliver their responsibilities in the Corporate Plan, there are risks that management and control processes will be reduced, avoided, or stopped which increase the opportunity for losses and fraud.

4.2 In order to provide assurance to managers, the internal audit plan for 2015/16 has been aligned to the key priority risk areas and the counter-fraud team has planned its work to focus on high fraud risk areas to ensure that risks are being managed appropriately in service areas, including tenancy fraud, Right to Buy, Direct Payments, No Recourse to Public Funds and mis-use of Blue Badges.

4.3 The internal audit work will also work with managers in 2015/16 to pro-actively to test key controls on a regular basis in key risk areas e.g. payroll and accounts payable. This will provide regular ongoing assurance to managers throughout the year, rather than just at the year end, also assist in preventing and avoiding losses and fraud and assist in putting suitable controls in place where appropriate.

4.4 The Head of Audit and Risk Management is a member of the Statutory Officers Group, chaired by the Chief Executive, which focuses 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.