



Report for:	Corporate Committee 24 September 2015	Item number	
Title:	Internal Audit Progress Report – 2015/16 Quarter 1		
Report authorised by :	Assistant Director of Corporate Governance		
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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 2015/16 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 first quarter, 2015/16.

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 30 June 2015 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 and extended to 31 March 2016, 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 2015/16 as part of the ongoing tenancy fraud project will be realised as properties are recovered and returned to the Council's portfolio. The Cabinet Office estimates 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 £102k 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	1st Quarter	Year to date	Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	60%	8%	95%
2	Priority 1 recommendations implemented at follow up	100%	100%	95%
4	Tenancy fraud – properties recovered	7	7	30
5	Right to Buy – fraudulent applications prevented	34	34	75

13. Internal Audit work – Mazars

13.1 The activity of Mazars for the first quarter of 2015/16 to date is detailed at Appendix A. Mazars planned to deliver 100 days of the annual audit plan (788 days) during the quarter and actually delivered 60 days audit work during the quarter. Overall, the delivery was below the target as a result of completing the 2014/15 audit plan. However, this position is expected to improve as the 2014/15 plan is completed. 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. 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 57 recommendations and found that 50 have been implemented; six are no longer applicable; and one is in progress. No Priority 1 recommendations remain outstanding. Overall, a compliance rate of 88% 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 first quarter 2015/16 relating to Council employees.

Within the first quarter, seven new cases relating to permanent and temporary employees were referred to the Fraud Team. Three cases were completed during the quarter involving two permanent Council employees and one agency member of staff; all staff resigned prior to the conclusion of the investigation, or the planned disciplinary process. 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.

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. During the first quarter, four whistle blowing referrals were made: two related to employees of contractors, not council employees, and these were referred to the relevant organisations for further investigation; the remaining two referrals were not related to financial issues and were referred to the relevant Assistant Directors for their investigation. No investigations were required by the Fraud Team into any of the whistle blowing referrals in the first quarter.

14.2 Tenancy Fraud – council properties

The Fraud Team works with Homes for Haringey (HfH) to target and investigate housing and tenancy fraud. The Audit Commission (now Cabinet Office) estimated that each fraudulent tenancy costs councils an estimated £18k in temporary accommodation and other associated costs.



It has been agreed with HfH that the seconded officer, who was funded by the DCLG tenancy fraud grant up to May 2015, will remain with the Fraud Team until 31 October 2015. HfH will fund the secondment for this period; and objectives have been agreed with the HfH Executive Director and Head of Service which will be reviewed on a quarterly basis, with a decision on whether to extend the secondment further to be made on 6 October 2015. HfH are broadly supportive of the secondment; and the recovery of 39 properties in 2014/15 with a value of over £700k in avoided Temporary Accommodation costs demonstrates the value of an ongoing tenancy fraud resource. To date, 7 properties with a value of £126k have been recovered in 2015/16.

Table 2 Tenancy Fraud – Quarter 1

Brought forward 2014/15		61
Referrals received from:		
Tenancy Management Officer	12	
Fraudcall (telephone reporting)	1	
Public	0	
Joint investigation with HB Fraud	0	
Other Local Authority	0	
Members	0	
Other Haringey Service	5	
		18
Sub-Total		79
Outcomes 2015/16		
Properties Recovered	7	
Succession of Tenancy refused	0	
Total recovered/refused	7	
No Fraud identified	7	14
Ongoing Investigations c/f		65

65 ongoing investigations

14 of the 65 ongoing investigation cases (21.5%) are showing the status 'Unauthorised Account' on the Housing database. This represents those cases where the Fraud Team has investigated and 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. Either a Notice to Quit (NTQ), court hearing, eviction date, or offer of a smaller property is in progress for these 14 properties. These cases will be added to the 'properties recovered' numbers when keys are returned.

14.4 Right-to-buy (RTB) applications

To date, over 100 applications have been referred to the Fraud Team in 2015/16; and the team currently has approximately 255 ongoing applications under investigation. The team reviews every RTB application to ensure that any



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property where potential benefit or succession fraud is indicated can be investigated further.

In 2015/16, 9 applications have been cleared for progression; 34 applications have been withdrawn or refused either following the applicants' interview with the Fraud Team, further investigations and/or the requirement to complete money laundering processes; and 255 applications are currently under investigation. Overall, the 34 cases represents over £3.4m in RTB discounts and means the properties are retained for social housing use.

We are working with housing services, banks and financial institutions to identify potential fraudulent applications and work will continue during 2015/16.

14.5 Housing Benefit Fraud Investigation

During the first quarter 2015/16, responsibility for Housing Benefit investigations transferred to the Department for Work and Pension's (DWP) Single Fraud Investigation Service (SFIS). The Fraud Team completed as many outstanding benefit fraud investigations as possible prior to SFIS and handed over 26 ongoing cases for the DWP to conclude as the Council no longer has any powers to investigate, or prosecute, benefit fraud. However, the Fraud Team will continue to work with the DWP on cases where multiple frauds are identified e.g. benefit, housing, Right to Buy, to ensure one prosecution case is prepared wherever possible.

Prior to cases being handed over to SFIS, the Fraud Team completed investigations on two benefit fraud cases and submitted these for prosecution at crown court via Legal Services and the DWP.

Two cases were successfully prosecuted in court. The total overpayment value of the cases concluded is £30k, but no monies have been recovered to date, with most recovery processes instigated via ongoing benefit entitlement.