

Report for: Corporate Committee – 31 January 2017

Item number: 8

Title: Internal Audit Progress Report 2016/17 – 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: N/A

**Report for Key/
Non Key Decision: Information**

1. Describe the issue under consideration

1.1 This report details the work undertaken by Internal Audit in the quarter ending 31 December 2016 and focuses on progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised – work undertaken by the external provider (Mazars).

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee is recommended to note the audit coverage and follow up work completed.

4. Reasons for decision

4.1 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.

4.2 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 annual audit plan. Where further action is required or recommended, this is highlighted with appropriate recommendations for the Corporate Committee.

5. Alternative options considered

5.1 Not applicable.

6. Background information

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

7. Contribution to strategic outcomes

7.1 The internal audit work makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

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 2018, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget. The maintenance of a strong internal audit function and a proactive and reaction fraud investigation team is a key element of the Council’s system of Governance.

8.2 Legal

The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and confirms that there are no direct legal implications arising out of the report.

8.3 Equality

There are no direct equality implications for the Council’s existing policies, priorities and strategies. However, ensuring that the Council has effective governance arrangements in place and takes appropriate action to improve these where required will assist the Council to use its available resources more effectively. 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.

9. Use of Appendices

Appendix A – Mazars Progress report – Internal audit

10. Local Government (Access to Information) Act 1985

Not applicable.

11. Performance Management Information

11.1 Although there are no national or Best Value Performance Indicators, 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	3 rd Quarter	Year to date	Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	100%	51%	95%
2	Priority 1 recommendations implemented at follow up (2014/15)	100% (16/16)	100% (16/16)	95%

12. Internal Audit work – Mazars

- 12.1 The activity of Mazars for the third quarter of 2016/17 is detailed at Appendix A. Mazars planned to deliver 190 days of the annual audit plan (772 days) during the quarter and delivered 190 days audit work during the quarter. Ongoing monthly contract monitoring reviews ensure that performance levels are kept under review and no issues have been identified to prevent the annual target from being achieved.
- 12.2 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.
- 12.3 **Significant issues arising in Quarter 3.**
School audits. During the quarter, eight school audits were completed and final reports issued. Six out of the eight schools received 'limited' assurance ratings (the remaining two received 'substantial' ratings). This is a deterioration in overall performance compared to the previous year. It should be noted that the 2016/17 school audit programme included all those schools who had either received a 'limited' assurance rating, or who had not implemented recommendations at the time of the follow up audit, as well as a number of schools who were due for audit under the cyclical timetable. Internal audit are liaising with the Assistant Director for Schools and Learning to identify how improvements can be made.
Procurement audits. A second procurement audit (Use of Waivers) has been issued with a 'limited' assurance rating. Internal audit have discussed the findings of the procurement audit work completed in 2016/17 and the identified risks. Further follow up work will be undertaken to ensure recommendations are implemented by the end of the financial year which will assist in improving the control environment.
- 12.4 **Follow up work 2014/15.** Appendix A also includes details of follow up work completed in Quarter 3 for the 2014/15 audit work. Out of a total of 110 recommendations, 95 had been implemented at the time of follow up, nine were no longer applicable and one was in progress, with 5 not implemented, giving a compliance rate of 95%. No high priority recommendations remain outstanding. The outstanding recommendations will be kept under review and further reports provided to the Corporate Committee to ensure all recommendations which remain relevant are fully implemented.