

**Internal Audit
Quarter 3 Internal Audit Report
2016/17
London Borough of Haringey**

Mazars Public Sector Internal Audit Ltd.
December 2016

Contents

	Page
Executive Summary	1
Audit Progress and Detailed Summaries	3
Statement of Responsibility	11

Executive Summary

Introduction

This is our third quarter report to the Corporate Committee for the 2016/17 financial year including details of all reports which are now at final stage. The report provides information on those areas which have achieved full or substantial assurance and gives an indication of the direction of travel for key systems work which will provide Members with information on how risks are being managed over time. The format of this report is also designed to highlight the key risks facing individual departments and the Council which have been identified during the course of our internal audits. A more detailed summary of the limited assurance audit findings is included for information. The report draws together the summary information which is provided on a monthly basis to Members of the Corporate Committee. Members of the Committee will also be provided with full copies of our audit reports upon request.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports.

The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

As a reminder, our recommendations are prioritised according to the following categories:

- Priority 1* - major issues for the attention of senior management
- Priority 2* - other recommendations for local management action
- Priority 3* - minor matters and/or best practice recommendations

Key Highlights/Summary of Quarter 3 2016/17:

2015/16 Internal Audits finalised in the quarter:

- Brokerage
- Planning Services
- Pension Administration
- St Ignatius Primary School
- Earlham Primary School

INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2016/17

APPENDIX A

2015/16 Internal Audits drafts issued in the quarter:

- Scheme of Delegation

2016/17 Internal audits finalised in the quarter


- SEN Transport
- OHMS Application Review
- Use of Waivers
- Teacher Pensions
- Northumberland Park School
- Fortismere School
- Seven Sisters Primary School
- St Aiden's Primary School
- St Michael's Primary School
- Vale Special School

2016/17 Drafts issued in the quarter

- Transitions – Children's to Adult Services
- Highway Repairs Contract
- Highgate Wood Secondary School
- St John Vianney RC Primary School
- Lordship Lane Primary School
- Weston Park Primary School
- Blanche Neville Special School
- Riverside Special School
- Pembury Nursery School

Audit Progress and Detailed Summaries

The following table sets out the audits finalised in Quarter 3 of 2016/17 financial year and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee. Detailed summaries of all audits which do not receive ‘Full’ or ‘Substantial’ assurance ratings are also provided for Members’ information.

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
2015/16							
Brokerage	March 16	Nov 16	Substantial	N/A	0	3	2
Planning Services	April 16	Oct 16	Substantial	N/A	0	2	0
Pension Administration	May 16	Dec 16	Substantial	N/A	0	3	0
2016/17							
SEN Transport	June 16	Nov 16	Substantial		0	1	0
OHMS Application review	Oct 16	Nov 16	Substantial	N/A	1	2	3
Use of Waivers	July 16	Nov 16	Limited	N/A	0	6	3

As part of the 2015/16 and 2016/17 Internal Audit Plan we have visited the following schools, completed a probity audit and during Quarter 3 issued a final report.

School	Date of Audit	Date of Final Report	Assurance Level	Number of Recommendations (Priority)		
				1	2	3
2015/16						
St Ignatius Primary School	May 16	Oct 16	Limited	0	9	6
Earlham Primary School	March 16	Oct 16	Limited	2	2	1
2016/17						
Northumberland Park Community School	May 16	Oct 16	Substantial	0	6	3
Fortismere Secondary School	July 16	Oct 16	Substantial	0	1	3
Seven Sisters Primary School	June 16	Oct 16	Limited	2	12	2
St Aiden's Primary School	June 16	Nov 16	Limited	0	7	3
St Michael's Primary School	May 16	Dec 16	Limited	2	6	2
Vale Special School	Sept 16	Dec 16	Limited	1	8	1

Audit area	Scope	Status/key findings	Assurance
Procurement			
<p>Use of Waivers</p>	<p>Audit work was undertaken to cover the following areas:</p> <ul style="list-style-type: none"> • Policies and Procedures • Bona Fide Waivers • Waivers raised in all appropriate cases • Contracts waived at full cost • Waivers appropriately authorised and reported • Corrective Action taken on identified non compliance 	<p>Weaknesses in the system of internal controls are such as to put the client’s objectives at risk and /or the level of non-compliance puts the client’s objectives at risk. The key findings are as follows:</p> <ul style="list-style-type: none"> • The Contract Procedure Rules of the Borough were obtained during the audit and it was noted that they provide rules that should be followed when waivers are utilised under section 10 of the rules. However, upon review of the contract procedure rules, we noted that the date of next review and the name of the person approving the rules were not recorded on the document. • It was noted that waivers were approved by the respective departments and therefore forward to the procurement to be recorded on the central register. It was confirmed that the Contract Procedure Rules do not make a provision for procurement to review the waiver requests before approval by the respective Operational Directors. • Approved waivers are recorded on the central register managed by the Compliance Officer in Corporate Procurement. A sample of 20 waivers recorded on the register was obtained and one waiver approval under the construction category could not be provided for review when requested. • Of the 19 waiver approvals provided, it was revealed that two of the waivers were not approved by the Director in line with the Contract Procedure Rules for waivers. Instead the approvals were by the Head of Supply Management within the IT category. • The Contract Procedure Rules requires that waivers sought for the second time in relation to the same individual contract must be approved by the Cabinet. However, we noted that two contracts had been waived more than once according to the waiver register, with no evidence in place to indicate that the waivers were approved by the Cabinet. • We also noted one instance whereby the waiver approval was sought retrospectively, after the contract was already awarded due various reasons cited as urgent need, existing relationship with the 	<p>Limited</p>

Audit area	Scope	Status/key findings	Assurance
		<p>suppliers, end user preferences, etc.</p> <ul style="list-style-type: none"> • Of the 19 waivers reviewed, we observed nine approved waivers which were not challenged although the reasons provided for the waivers were either not in line with the Contract Procedure Rules or were not adequately substantiated. • The Contract Procedure rules require that waivers are raised and approved at full cost. Upon review of the sample selected, it was confirmed that all the waivers approved were at full cost of the contracts. • There are four procurement categories in place which are suppliers and services, information technology, construction and care. Upon review of the central waiver registers, we noted that the entire register had no IT category related waivers. A further follow up with the IT category management revealed that a separate waiver register was kept for IT related waivers. • Review of the central waiver register, revealed that certain key information was not recorded <p>As a result of our audit work we have raised six Priority 2 and three Priority 3 recommendations, which should assist in improving the control environment.</p> <p>The Priority 2 recommendations are as follows: The Contract Procedures Rules should include a requirement that contract waiver requests should be subjected to procurement review and support/approval before approval by the Director/Cabinet. The introduction of the new sourcing solution and contract management solution will have waivers and awards work-flowed to include procurement. Procurement code of practice will be updated to include this requirement (code of practice already referenced in CSO's) Deadline Already Implemented.</p> <p>The contract procedure rules should make provisions for disciplinary actions to be taken on non-compliance with the rules. The compliance strategy references consequential options for non compliance of procurement code of practice and CSO's etc.</p>	

Audit area	Scope	Status/key findings	Assurance
		<p>We can reference the compliance strategy in the code of practice, this embeds into CSO's. Deadline January 2017</p> <p>Departments should record supporting evidence of why a waiver is required on the waiver form. This should be retained for inspection and further reference. This will be monitored by the Compliance Manager going forward and non compliance will be managed in line with the compliance strategy. Deadline Already Implemented.</p> <p>All IT Contract Waivers should be forwarded to Procurement for recording and retention. The retention and documenting of waivers should be part of the procurement support via the SSC. Head of Procurement will liaise with SSC to put this process in place, aligning to the implementation of new technologies. Deadline January 2017.</p> <p>Contract waivers request should be approved by the respective Director or the Cabinet respectively, in line with the CPR. Disciplinary actions should be considered on deviations from the CPR. Compliance Manager will investigate and take appropriate action. Deadline Already Implemented</p> <p>Contract waivers request should be approved by the respective Director or the Cabinet respectively, in line with the CPR. Disciplinary actions should be considered on deviations from the CPR. Compliance Manager will investigate and take appropriate action. Deadline Already Implemented</p>	

Follow Up Table – 2014/15 Audit Work

AUDIT AREA	Assurance Level	Recommendations												Priority 1 Recs. Outstanding
		Category				Implemented								
	1	2	3	Total	1	2	3	Total	N/A	Not Imp.	In Progress	Not due		
Key Financial Systems														
Strategic Financial Management and Budgetary Control	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0
Cash Receipting	Substantial	0	1	1	2	0	1	1	2	0	0	0	0	0
Accounting & General Ledger	Substantial	0	2	0	2	0	2	0	2	0	0	0	0	0
Accounts Payable	Limited	3	5	0	8	3	4	0	7	1	0	0	0	0
Accounts Receivable	Substantial	0	2	2	4	0	2	2	4	0	0	0	0	0
Housing Benefits	Substantial	0	2	1	3	0	2	1	3	0	0	0	0	0
Payroll	Substantial	0	2	2	4	0	2	2	4	0	0	0	0	0
Contract & Procurement														
IT Services – Disposal of IT Assets	Substantial	0	4	0	4	0	4	0	4	0	0	0	0	0
BSF ICT Managed Services Contract	Substantial	0	0	1	1	0	0	0	0	1	0	0	0	0
Off Site Storage Contract	Limited	1	6	0	7	1	5	0	6	0	1	0	0	0
E U Public Contract Compliance	Substantial	0	1	1	2	0	0	1	1	1	0	0	0	0
Procurement Strategy	Substantial	1	5	0	6	1	2	0	2	3	0	0	0	0
Scheme of Delegation and Contract Standing orders		0	4	0	4	0	3	0	3	0	0	1	0	0
Corporate IT Audits														
Website Management	Substantial	0	0	3	3	0	0	3	3	0	0	0	0	0
ICT Strategy & Governance	Substantial	0	1	1	2	0	1	1	2	0	0	0	0	0
Comino Document Management System	Substantial	1	2	2	5	1	2	2	5	0	0	0	0	0
ePay Application	Substantial	0	1	3	4	0	1	3	4	0	0	0	0	0
M3PP Environmental Enforcement Application	Substantial	0	6	7	13	0	6	7	13	0	0	0	0	0
Environmental Services & Community Safety														
Highways Income	Limited	2	0	1	3	2	0	1	3	0	0	0	0	0

INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2016/17

APPENDIX A

AUDIT AREA	Assurance Level	Recommendations												Priority 1 Recs. Outstanding
		Category				Implemented								
	1	2	3	Total	1	2	3	Total	N/A	Not Imp.	In Progress	Not due		
Environmental Services - Enforcement	Substantial	0	1	1	2	0	0	1	1	0	1	0	0	0
Children's Services														
Children in Care	Limited	2	2	1	5	2	2	1	5	0	0	0	0	0
Adult Services														
Safeguarding Adults Board	Substantial	0	3	3	6	0	3	3	6	0	0	0	0	0
Private Sector Leasing		0	0	3	3	0	0	0	0	3	0	0	0	0
Corporate Risks														
Data Quality & Performance Indicators	Substantial	0	2	0	2	0	2	0	0	0	0	0	0	0
Ad hoc Work														
Pendarren Outdoor Education Centre	Limited	6	4	1	11	6	4	1	0	0	0	0	0	0
Free School Meals		0	3	0	3	0	3	0	3	0	0	0	0	0
Total		16	60	34	110	16	49	30	95	9	2	1	0	0

Implemented – officers has indicated through self-certification the progress of recommendations. We have verified a sample of responses.

N/A – the recommendation is no longer applicable due to changes in the system, or alternative action has been taken to address the risk.

Not implemented – the recommendation has not been addressed, alternative action has not been taken.

In Progress – officers have started implementation of recommendations

Detailed Progress Report – Outstanding Recommendations 2014/15

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
Off Site Storage Contract				
1	Team Managers across the Council should be formally reminded of the requirement to maintain a register of documents, detailing documents in storage, accountability, date sent to storage, destruction dates, and documents retrieved. The register should be kept up-to-date.	2	September 2014	Not Implemented Each individual Business Unit has a responsibility to adhere to keeping their own records and managing their finances. The FM Soft Services Manager will look to produce a set of reminders communications to be published on the intranet and will investigate how Stor-A-File can produce reports for the individual Budget Holders. There are currently 100+ BU on the system.
Scheme of Delegation and Contract Standing Orders				
2	The Financial Schemes of Delegation displayed on the intranet should be reviewed and updated to reflect the current management structure of the Council. Corporate Finance should seek to obtain notice from SAP HR of changes to staff with financial powers, such that the Directorate Schemes of Delegation can be amended.	2	August 2015	In progress This forms part of the finance department restructure. There is a stream of work being undertaken across the Shared Service Centre around starters & leavers that will address updating the scheme of delegation to be completed by January 2017.
Environmental Services – Enforcement				
3	The Enforcement Strategy should be reviewed and updated to reflect the priorities of the current Corporate Plan and to provide a transparent link to Corporate objectives. The updated Strategy should be made available on the Council's intranet. Management should also ensure that the document is reviewed and updated in a timely manner, when due.	2	November 2015	Not Implemented In light of proposals to join up current noise/ASB and street enforcement functions. The Enforcement Strategy will now be incorporated into an overall Enforcement Policy. The Enforcement Policy will reflect current Corporate Plan priorities linked to Corporate objectives. It is anticipated that a draft Enforcement Policy will be ready for consultation by December 2016 and published by April 2017.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

December 2016

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