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Co-ordinator

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25 March 2019

To: All Members of the Corporate Committee

Dear Member,

Corporate Committee - Tuesday, 26th March, 2019

I attach a copy of the following reports for the above-mentioned meeting which were not available at the time of collation of the agenda:

10. ANNUAL INTERNAL AUDIT PLAN 2019/20 (PAGES 1 - 12)

Yours sincerely

Philip Slawther, Principal Committee Co-ordinator
Principal Committee Co-Ordinator

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Report for: Corporate Committee – 26 March 2019

Title: Updated Annual Internal Audit Plan and Strategy 2019/20

Report

authorised by : Assistant Director of Corporate Governance

Lead Officer: Minesh Jani, Head of Audit and Risk Management

Tel: 020 8489 5973

Email: minesh.jani@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/

Non Key Decision: Non-key decision

1. Describe the issue under consideration

1.1 The Corporate Committee is responsible for reviewing and approving the annual internal audit plan as part of its Terms of Reference.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the Corporate Committee reviews and approves the updated Annual Internal Audit Plan for 2019/20.

4. Reasons for decision

4.1 Local authorities are required by law to maintain an internal audit function. In addition, The Accounts and Audit Regulations 2015 reinforce the statutory requirement and re-state the need for the Council to maintain an adequate and effective system of internal audit.

4.2 The annual internal audit plan is a key element in delivering the Council's statutory requirements. The Corporate Committee is responsible for ensuring that this is in place and approving the Council's Annual Internal Audit Plan.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The methodology for developing the Internal Audit Plan focuses upon the quantification of the risks associated with achieving corporate and directorate objectives. At Haringey, the Internal Audit service is delivered by Mazars, who undertake the majority of the internal audit work in accordance with the contract in place, including IT and procurement audit.

- 6.2 The in-house corporate anti-fraud team is responsible for investigations into allegations of financial irregularity, pro-active and reactive corporate anti-fraud work, provision of advice on risk and controls and some grant certification work.
- 6.3 Appendix A contains the proposed annual audit plan for 2019/20, which is risk based and has been derived following consideration of: the Borough Plan and related Priorities; organisational changes; risk registers; corporate programmes and projects; the Annual Audit and Inspection Letter; changes to legislation; and fraud investigation work completed in 2018/19.
- 6.4 This approach reflects current best practice requirements for internal audit and ensures that, over the life of the contract, the Council's key financial and non-financial systems and services will be appropriately reviewed according to risk. This approach also ensures that the Council operates a fully integrated internal audit and risk management process.
- 6.5 Appendix A also includes the audit strategy, which was used to deliver the Council's internal audit plan. The strategy complies with the statutory 2017 UK Public Sector Internal Audit Standards (PSIAS), which provide a consistent framework for internal audit services across the UK public sector.

7. Contribution to strategic outcomes

- 7.1 Internal audit is an important element of the Council's assurance processes. The internal audit and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Priority areas. The annual audit plan is a key element in ensuring the Council complies with its statutory responsibilities.

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 which will be completed by Mazars to undertake the annual audit plan in 2019/20 is part of the contract, which was re-let following Cabinet approval in January 2018 in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budgets, which are monitored on a monthly basis.

The presentation of the attached draft annual internal audit plan for approval by this Committee meets the Council's statutory requirement under the 2015 Accounts and Audit Regulations.

8.2 Legal

The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and in noting that the plan and strategy follow best practice and industry standards respectively, confirms that there are no direct implications arising out of the report.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

As contracted providers of Haringey Council, the internal audit contractor is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010. Ensuring that the Council has effective internal audit and assurance arrangements in place will also assist the Council to use its available resources more effectively.

9. Use of Appendices

Appendix A – Annual Internal Audit Plan and Strategy 2019/20.

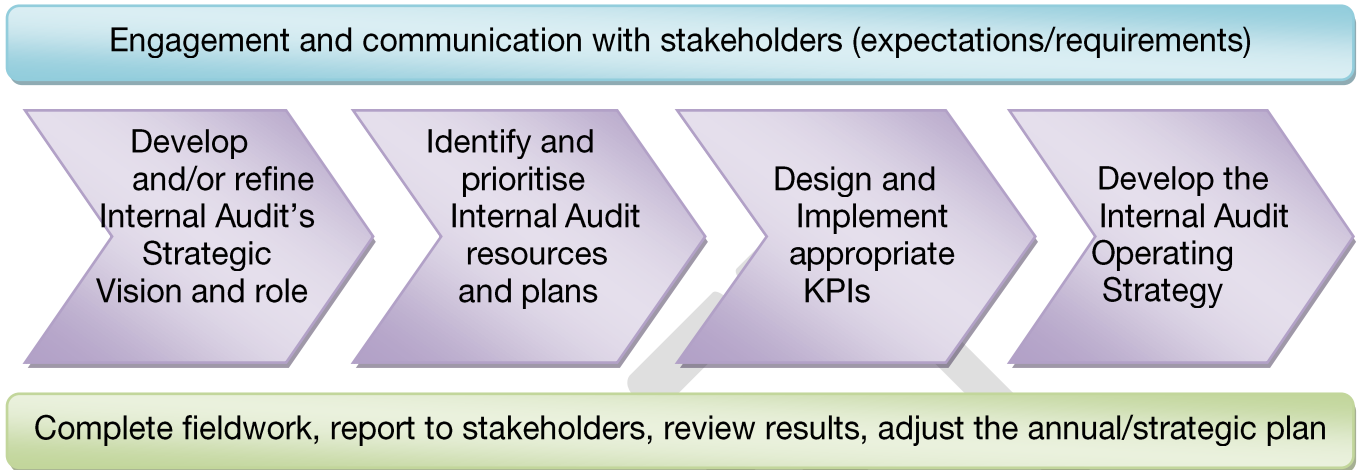
10. Local Government (Access to Information) Act 1985

Not applicable.

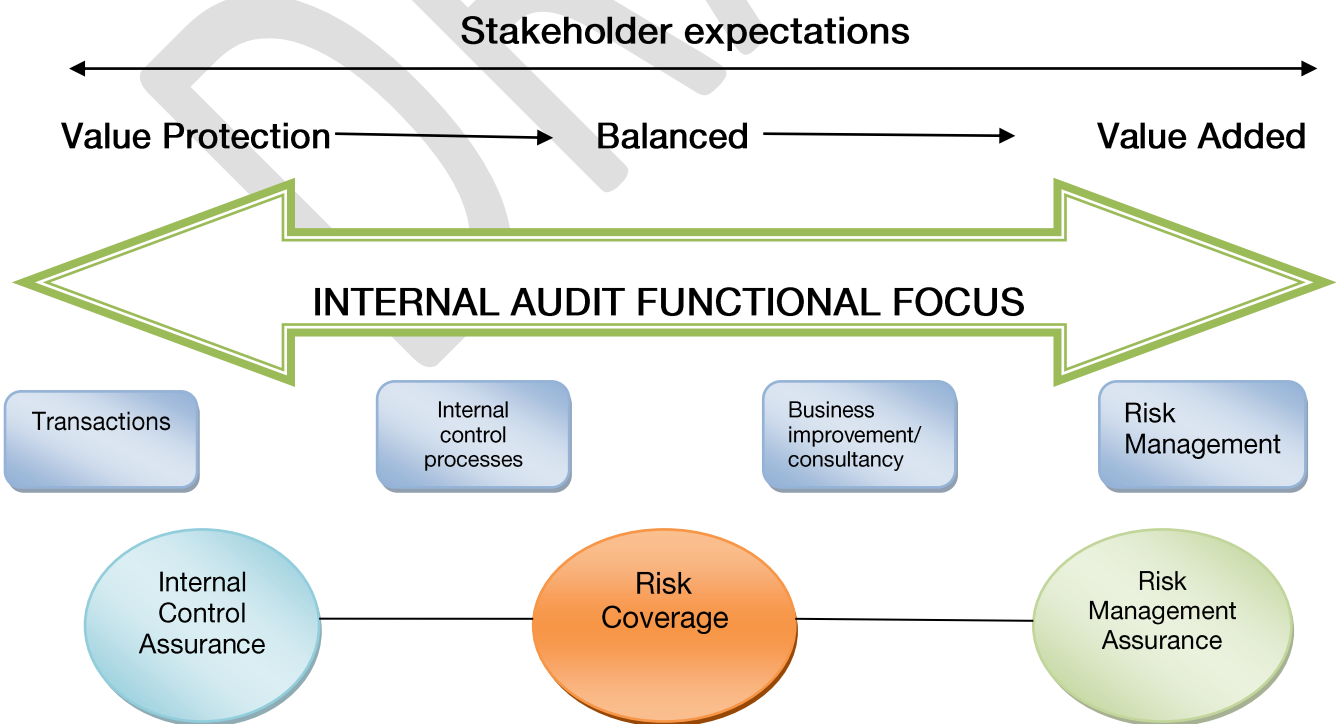
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Internal Audit Strategy – Introduction

Haringey’s internal audit function is driven by an appropriate strategy, rather than as a tactical response to operational issues, to minimise the risks that key strategic issues could be overlooked. Haringey’s framework has been developed to cover both strategic and tactical considerations and ensures that internal audit resources are used to provide the appropriate assurances for the organisation at any one time, as follows:



To create an effective internal audit function, internal audit’s key stakeholders will determine how the audit function delivers the desired value by focusing on e.g. risk management and control assurance; assessment of internal control effectiveness and efficiency; regulatory and corporate compliance assurance; developing awareness of risk and control across the organisation. Internal audit’s resources and plans are then aligned to the Council’s key business risks and operational and financial priorities as follows:



Internal Audit Objectives

Haringey's approach is designed to enable internal audit's remit to evolve and develop as the organisation's needs change over time. As stakeholder needs evolve, internal audit can focus on creating value through assisting with improvements in operational processes. As Haringey's risk appetite changes, internal audit's strategy and functional focus can move from internal control, to risk management, assurance.

The internal audit strategy sets out how the Council's Internal Audit service will be delivered, in accordance with the Internal Audit Charter. Internal Audit will provide independent and objective assurance to the Council, its members, the Chief Executive and Senior Leadership Team and to the Chief Financial Officer to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs. It is the Council's intention to provide a best practice, cost efficient internal audit service which fulfils the requirements of the statutory 2017 UK Public Sector Internal Audit Standards (PSIAS).

Internal Audit's Remit

Internal Audit will:

- Provide management and members with an independent, objective assurance and advisory activity designed to add value and improve the Council's operations;
- Assist the Corporate Committee to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;
- Work closely with other assurance providers to share information and provide a value for money assurance service; and
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice.

Service Delivery 2019/20

The internal audit service will be delivered by a 'mixed economy' of externally procured services under the direction of the Council's Head of Audit and Risk Management, supported by an in-house Corporate Anti-Fraud Team.

The resources to deliver the internal audit and counter-fraud function have been assessed as adequate to fulfil the requirements of the PSIAS and ensure that the key risks of the Council are subject to an appropriate level of independent audit review.

Internal Audit Planning

Audit planning will be undertaken on an annual basis and audit coverage will be based on the following:

- Discussions with the Council's senior management, statutory officers and Priority Owners;
- The Council's Risk Registers and Borough Plan;
- Outputs from other assurance providers; and
- Requirements as agreed with the council's external auditors.

The annual Internal Audit Plan is composed of the following:

- **Borough Plan/Priority and Business Area Risk Based Audits:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they operating correctly. The selection of work in this category is driven by internal audit's and senior managers' risk assessment and may also include work in areas where the Council services are delivered in partnership with or by other organisations.
- **Key Financial Systems:** Audits of the Council's key financial systems on a continuous basis.
- **Probity Audit (schools/other establishments):** Audit of a single establishment. Compliance with legislation, regulation, policies, procedures or best practice is confirmed.
- **Computer Audit:** The review of ICT infrastructure and associated systems, software and hardware.
- **Contract and Procurement Audit:** Audits of the Council's procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Counter-Fraud and Ad-Hoc Work:** The in-house Corporate Anti-Fraud Team undertakes a programme of pro-active and reactive counter-fraud investigations. A contingency of audit days are also included in the annual audit plan to cover any additional work due to changes or issues arising in-year.

Follow-up

Internal Audit will evaluate the Council's progress in implementing audit recommendations against agreed targets for implementation. Progress will be reported to management and to the Corporate Committee on a quarterly basis. Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management.

Reporting

Internal audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work and at the follow up stage. Summary reports are also provided to the Corporate Committee on a monthly basis and high level reports provided on a quarterly basis. This includes the Head of Internal Audit's annual report which contributes to the assurances underpinning the statutory Annual Governance Statement of the Council.

Internal Audit Plan 2019/20

The annual internal audit plan has been discussed and agreed with the Senior Leadership Team; Priority Owners; and nominated clients. The plan and strategy are submitted to the Corporate Committee for final approval and any significant changes to the annual internal audit plan and/or the internal audit strategy will be reported during the year to the Corporate Committee for formal approval.

The table below sets out the internal audit work to be completed by the external contractor. The total number of days to be delivered excludes audit work that will be completed as part of the corporate anti-fraud team's work.

The work planned aims to provide coverage across the value protection and value added requirements of the Council. The internal audit service has focused its annual plan to align it with the identified key risks within the Borough Plan in order to provide assurance across the Priority areas. Assurance on Priority 5 key risk areas will be provided in part via internal audit's annual audit plan delivered via Homes for Haringey and the counter-fraud work plan.

Audit Area	Client	Quarter	Days
Corporate/Cross Cutting Risk Audits			
Review of Corporate Programme and Transformation Arrangements	Director of Customers, Transformation & Resources	1	15
Management of Contracts	Director of Environment & Neighbourhoods	1	12
SAP - Development and Advice	Director of Customers, Transformation & Resources / Director of Finance	2	10
Transformation Programmes - Review risks, systems and processes (FOBO)	Director of Customers, Transformation & Resources	1	20
Financial Assessment of Clients	Director of Finance	2	15
Review of the Financial Compliance Function	AD for Corporate Resources	1	10
Sub-total – Corporate Risk Audits			82
Borough Plan – Priority Risk Audits			
Priority 2 People – a Haringey where strong families, strong networks and strong communities nurture all residents to live well and achieve their potential			
SEND (including payments for Respite)	Director of Children's Services	3	15
Supporting Care leavers (UCAS)	Director of Children's Services	4	10
Early years Commissioning	Director of Children's Services	2	15
Transport Service	Director of Children's Services	4	10
Sub-total Priority 2.1			50

Audit Area	Client	Quarter	Days
Priority 2 People – a Haringey where strong families, strong networks and strong communities nurture all residents to live well and achieve their potential			
Brokerage (Commissioning) Service	Director of Adult and Health	1	20
Management of Personal Budgets and Direct Payments	Director of Adult and Health	2	15
Review of Care Plan reviews (including Learning Disability and Mental Health Service)	Director of Adult and Health	3	10
Demand Management	Director of Adult and Health	3	10
Reablement Service	Director of Adult and Health	4	10
Sub-total Priority 2.2			65
Priority 3 Place – A place with strong, resilient and connected communities where people can lead active and healthy lives in an environment that is safe, clean and green.			
Review of Parking Operations (PCN and Pay and Display)	Director of Environment & Neighbourhoods	3	15
Management of Parks and Open Spaces	Director of Environment & Neighbourhoods	2	10
Community Safety - use of MOPAC funding	Director of Environment & Neighbourhoods	1	10
Fusion - Fees and Charges	Director of Environment & Neighbourhoods	1	10
Sub-total Priority 3			45
Priority 4 Economy – A growing economy which provides opportunities for all our residents and supports our businesses to thrive.			
Management of Commercial property portfolio including renewals	Director of Housing, Regeneration & Planning	1	10
Delivery of Capital Schemes	Director of Housing, Regeneration & Planning	1	10
New Council Housing Delivery Programme	Director of Housing, Regeneration & Planning	2	10
Disposal of Asset	Director of Housing, Regeneration & Planning	3	10
Sub-total Priority 4			40

Audit Area	Client	Quarter	Days
Priority 5 Your Council – The way the Council works			
Corporate IT Audits			
IT Governance and Control Framework	AD for Corporate Resources	4	15
Network and Internet Controls	AD for Corporate Resources	3	10
Threat Management	AD for Corporate Resources	2	10
Disaster Recovery	AD for Corporate Resources	4	8
Change Management	AD for Corporate Resources	3	10
Application reviews	AD for Corporate Resources	2	15
Sub-total – Corporate IT Audits			68
Contract and Procurement Audit			
Contract management - Highways	Director of Environment & Neighbourhoods	3	10
Contract management - Refuse collection	Director of Environment & Neighbourhoods	1	10
Contract Administration	Director of Environment & Neighbourhoods	3	10
Sub-total – Contract Audits			30
Key Financial Systems			
Key Financial Controls - Bankline	Director of Finance	3	5
Housing Benefit Overpayments	AD for Corporate Resources	2	10
Budget Monitoring & Control	Director of Finance	4	10
Teachers' Pensions contributions	Director of Finance	3	5
Treasury Management	Director of Finance	4	5
Accounting & General Ledger	Director of Finance	3	10
Pension Fund Administration	Director of Finance	4	7
Accounts Receivable (Sundry Debtors)	AD for Corporate Resources	3	12
Accounts Payable (Creditors)	AD for Corporate Resources	3	12
Housing Benefits	AD for Corporate Resources	4	15
Council Tax	AD for Corporate Resources	3	10
NNDR	AD for Corporate Resources	3	7
Payroll	AD for Corporate Resources	4	10
Sub-total – Key Financial Systems			118

London Borough of Haringey - Internal Audit Strategy and Annual Audit Plan

Audit Area	Client	Quarter	Days
School Audits Risk Based Programme			
Gladesmore Secondary	School Head Teachers	1	6
Highgate Wood Secondary	School Head Teachers	1	6
Coleridge Primary	School Head Teachers	1	5
Lee Valley Primary	School Head Teachers	1	5
Lordship Lane Primary	School Head Teachers	1	5
Muswell Hill Primary	School Head Teachers	1	5
Seven Sisters Primary	School Head Teachers	1	5
St Aidan's Primary	School Head Teachers	2	5
St John Vianney Primary	School Head Teachers	2	5
St Mary's RC Primary	School Head Teachers	2	5
St Michaels CE Primary	School Head Teachers	2	5
Tetherdown Primary	School Head Teachers	1	5
Weston Park Primary	School Head Teachers	1	5
St Gilda's Junior	School Head Teachers	3	5
Belmont Infants	School Head Teachers	3	5
Pembury Nursery	School Head Teachers	3	5
The Vale Special	School Head Teachers	3	5
The Brook at Broadwater Special	School Head Teachers	3	5
Blanche Neville Special	School Head Teachers	3	5
Follow up of 2017/18 school audits	School Head Teachers		15
Sub-total – School Audits			113
Follow up of Audit Recommendations			20
Admin and Management			35
Risk Management			20
Contingency			30
Total			715

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