

Report for: Corporate Committee – 26 March 2019

Title: Internal Audit Progress Report 2018/19 – Quarter 3

Report authorised by : Assistant Director of Corporate Governance

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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 2018 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 to 31 March 2023, 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 reactive fraud investigation team is a key element of the Council's system of Governance.

8.2 Legal

The Assistant Director of Corporate Governance has been consulted in the preparation of this report and advises that there are no direct legal implications arising from 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 – Mazars Progress report – Internal audit

10. Local Government (Access to Information) Act 1985

- 10.1 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 – Performance Indicators

Ref.	Performance Indicator	3rd Quarter	Year to date	Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	60%	62%	95%
2	Priority 1 recommendations implemented at follow up	N/A	N/A	95%

12. Internal Audit work – Mazars

- 12.1 The activity of Mazars for the third quarter of 2018/19 is detailed at Appendix A. Mazars planned to deliver 437 days of the annual audit plan (727 days) during the quarter and delivered 453 days audit work during the quarter, which was slightly more than planned. The audit plan for quarter 4 includes the audit of the Council's key financial systems which makes up 15% of the audit plan and is planned for quarter 4.

- 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. Detailed summaries of reports with a limited assurance are included in Appendix A for information.

12.3 Significant issues arising in Quarter 3 Grievance Management

The ACAS Code of Practice defines grievance as distresses, complaints or difficulties that employees raise with their employer. These include working relationships or general treatment at work and working hours. The grievance procedure provides employees with a course of action should they have a complaint (which they are unable to resolve through regular communication with their line manager), and to provide points of contact and timescales to resolve issues of concern.

The audit highlighted a number of weaknesses in the control environment. The audit noted the Grievance procedures were last formally reviewed in 2012. It is good practice for procedures to be reviewed regularly; the service is carrying out its review and will report this to the Staffing and Remunerations Committee. The audit also highlighted weaknesses in the training Investigation Officers and the reporting of grievances to senior management.

Homelessness Reduction

Haringey Council has a statutory responsibility to manage homelessness within the borough which includes to reduce the number of homelessness households

residing in temporary accommodation. As part of this responsibility, Homes for Haringey is responsible for managing Haringey's council housing demand. The Homelessness Reduction Act came into effect April 2018 and guidance was issued by government in December 2017. As a result of the implementation of the new act, there are a number of key aspects that will modify homelessness prevention.

The audit noted that arrangements had yet to be made to develop guidance around "Duty to Refer" that can be disseminated with Council stakeholders. The government plans to issue its own guidance which the service will adapt locally. This impacted upon the service developing local pathways with local partners and a delivery plan for implementing new procedures. The audit also noted the need to set up strategic performance indicators to allow effective monitoring of the service including assessing the performance of the Council's ALMO.

Facilities – Contract Management

In November 2015, the Council's Facilities Management function was outsourced to Amey Community Ltd under a 5-year contract. This was as an additional service modelled on a total facilities management contract with Westminster, Hammersmith and Fulham and Kensington and Chelsea Councils. Under the contract, Amey Community Ltd provide planned maintenance services to 60 Council Buildings and a helpdesk service for the Council's operational and commercial estate. In addition, the Amey provides security, reception and more recently cleaning services. For these services, the contractor receives a monthly fixed fee of £260,000 (excluding cleaning and additional works).

The audit highlighted areas where improvements can be made to the contract management of the facilities management contract. The main points raised included the need to make sure appropriate risk assessments were carried out to determine the criticality of the service and of staff working in council buildings. The audit also highlighted instances where the contract deliverables were not being monitored, for example ensuring annual satisfactions are carried out and that performance information is received and checked.