

Report for: Corporate Committee – 9 September 2019

Item number:

Title: Internal Audit Progress Report 2019/20 – Quarter 1

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 30 June 2019 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 reaction fraud investigation team is a key element of the Council's system of Governance.

Members attention is drawn to paragraph 12.3 and the issues arising from the SAP Application Review which only received a limited assurance rating. The system resilience and recovery weaknesses highlighted in the audit report pose a risk of significant data loss occurring in the event of a system failure or disaster. These control weaknesses are being addressed by service management in conjunction with HCL.

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	1 st Quarter	Year to date	Year end Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	16%	15%	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 first quarter of 2018/19 is detailed at Appendix A. Mazars planned to deliver 117 days of the annual audit plan (733 days) during the quarter and delivered 112 days audit work during the quarter. This is similar to the number of days delivered in the first quarter last year. Factors such as the need to undertake some schools and key finance systems audits in the year mean a lower proportion of work is started in Quarter 1. We have agreed a target of 40% with Mazars to be delivered by the end of quarter 2.

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 any reports with a limited assurance are included in Appendix A for information.

12.3 Significant issues arising in Quarter 1 SAP Application Review

The SAP application supports key Council functions including Finance, Human Resources and Payroll, and Procurement. The modules in use are the Enterprise Resource Planning ('ERP'), Supplier Relationship Management ('SRM') and Business Information Warehouse ('BW'). There are approximately 740 SAP user accounts. The SAP system is externally hosted and managed by a 3rd party, Axon Solutions Limited, (trading as HCL Axon). The contract for this service was awarded in 2013 for a period of 6 years at a cost of approximately £6 million, with an option to extend for a further two periods of 2 years. Depending on the Cabinet decision taken in October either the first of these

additional 2 year periods will be taken up or a new supplier will be chosen. Sungard host the SAP system for HCL Axon.

Given the key role SAP plays in supporting the Council, internal audit found deficiencies in systems resilience plans, inter alia, and the various changes in Council structure over recent years has also led to a formal system owner not being designated so no-one is clearly responsible for the issues we identified. The business is working to identify a system owner, document roles and responsibilities and working with HCL to rectify the weaknesses in systems resilience. Internal audit will check on progress on these matter later in the year.