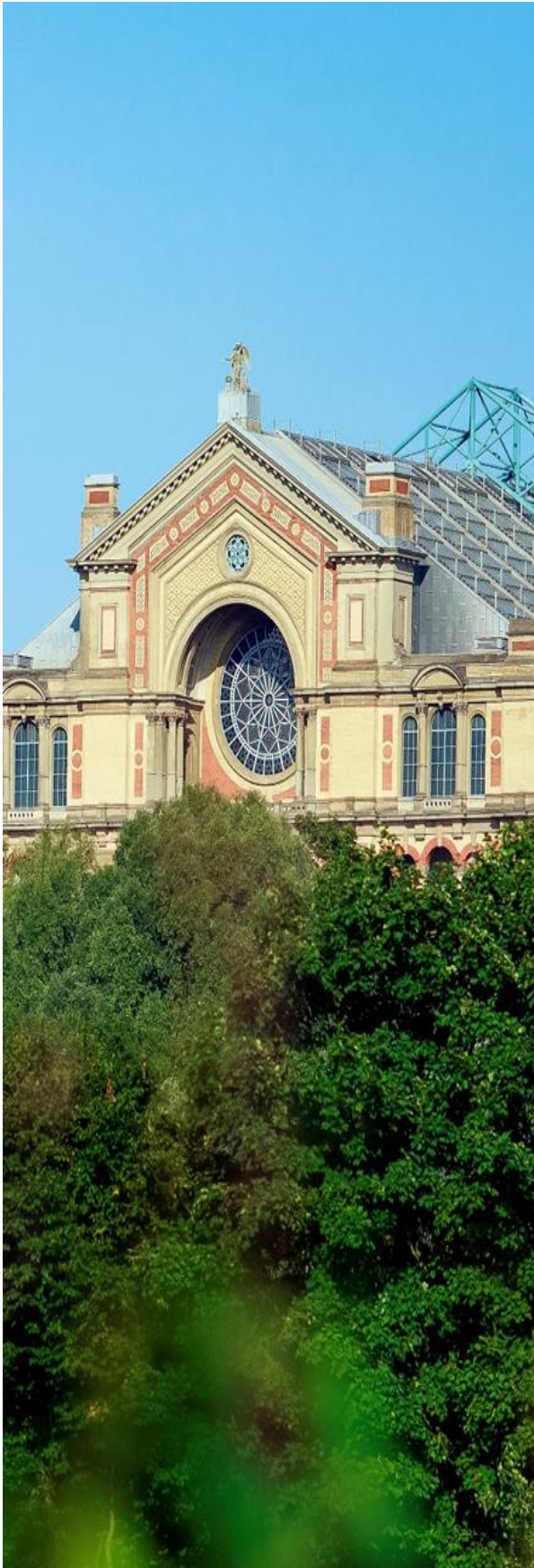


APPENDIX A - Annual Internal Audit Report 2020/21 (Including Head of Internal Audit Opinion)



Contents

Introduction	2
Executive Summary	3
Internal Audit Coverage and Outputs	6
Annual Internal Audit Report & Opinion Statement 2020/21	9
Analysis of Internal Audit Work	12
Quality Assurance and Improvement Plan	13

Appendices

Appendix B - Outcomes from outsourced audit work 2020/21	
Appendix C - Anti-Fraud work 2020/21	

Introduction

1. Role of Internal Audit

- 1.1 The requirement for an internal audit function is detailed within the Accounts and Audit (England) Regulations (amended) 2015, which states that a relevant body must: *'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'*
- 1.2 The mandatory UK Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual opinion, which is based upon the internal audit work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control. This is achieved through a risk based internal audit plan. For 2020/21, the internal audit plan was agreed with management and endorsed by the Corporate Committee at the start of the financial year. The internal audit plan provides a reasonable level of assurance over the system and internal controls operating in the Council and the level of assurance should not be regarded as absolute.
- 1.3 Under the PSIAS, internal audit is required to have an external quality assessment at least once every five years. Haringey's audit was externally assessed in the financial year 2014/15, which confirmed that the Council complied with the required standards; annual self-assessments undertaken since this have ensured continuing compliance with PSIAS and a Quality Assurance and Improvement Plan (QAIP) was in place for 2020/21. Mazars were last independently audited in 2019 to confirm the robustness of their methodology and compliance with standards. We plan to have another external assessment in 2021, to independently confirm compliance with the standards. Covid-19 delayed the start of audits to quarter 2, consequently the first quarter was used as an opportunity to consider service developments and introducing additional qualified audit resource in house which became available following a restructure. The change was the creation of a multi-skilled Deputy post providing more capacity to oversee the quality of the outsourced provider's work and additional resilience in meeting the needs of the council. As a result of these changes less work was commissioned via Mazars and more undertaken in house. This is outlined in the report.
- 1.4 Internal Audit services for Haringey Council, excluding the investigation of allegations of fraud and corruption, is provided by Mazars LLP (Mazars) as part of the framework contract awarded to the London Borough of Croydon. The contract was retendered in 2017 and now runs until 2024 with a further option to extend for 2 years.
- 1.5 Covid-19 had a significant impact on the delivery of the 2020/21 audit plan. The risk based systems audits contained in the plan, approved in March 2020 were put on hold as Council services enacted their business continuity plans and the organisation responded to the pandemic. The plan was refreshed in light of the changes to the risk environment and re approved in July 2020 by the Corporate

Committee. The Head and Deputy Head of Audit and Risk provided support to management with regards risk and control issues and sought assurances in real time. Updates on the impact of COVID-19 to the audit service have been provided quarterly to Corporate Committee members during 2020/21. Work on the audit plan re-commenced in quarter two with fieldwork for audits by Mazars being undertaken virtually from quarter three onwards.

2. Internal Audit Approach

- 2.1 To assist the Council in meeting the relevant audit standards and achieving its objectives, internal audit provides a combination of assurance and advisory activities. Assurance work involves assessing how well the systems and processes are designed and working; advisory activities are available to help improve systems and processes where required.
- 2.2 Despite the challenges highlighted above, a full range of internal audit services has been provided during the year and has been considered when forming the annual opinion. The approach to each audit review is determined by the Head of Audit and Risk Management, in discussion with Mazars and service management and will depend on; the level of assurance required; the significance of the area under review; and risks identified.
- 2.3 A report is issued for every assurance project in the annual audit plan, which provides an overall audit opinion according to the level of risk of the findings. In addition, each recommendation is given a priority rating, to assist service management in prioritising their work to address agreed recommendations. The overall classification relates to the findings at the time of the audit work. Internal Audit undertake formal follow up work to ensure recommendations are implemented. The work completed by in house resources in the Audit and Risk Service is detailed in this document and at Appendix C. The work completed by Mazars is detailed at Appendix B.

Executive Summary

3. Internal Audit Opinion

- 3.1 The Head of Audit and Risk Management is responsible for delivering an annual audit opinion and report that can be used by the Council to help inform its statutory Annual Governance Statement. The annual audit opinion provides a conclusion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 3.2 Internal audit work, using a risk-based approach, included reviews of those systems, projects, and establishments to discharge the Chief Financial Officer's responsibilities under s151 of the Local Government Act 1972; the 2017 UK Public Sector Internal Audit Standards; and the 2015 Accounts and Audit (England) Regulations.

- 3.3 In providing the annual audit opinion, reasonable but not absolute assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance given, I have taken account of:
- reports on all internal audit work completed, including any advisory work and briefings to management;
 - results of follow up exercises undertaken;
 - any reviews completed by external review bodies;
 - the resources available to deliver the internal audit plan; and
 - compliance with 2017 UK PSIAS.
- 3.4 I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Council's internal control environment.
- 3.5 I have considered the work completed by both Mazars and the in-house team, including that of the anti-fraud investigation team for 2020/21. This includes reviews of internal audit reports, fraud investigations and briefings to management. In my opinion, with the exception of those areas where 'limited' or 'nil' assurance reports have been issued, the controls in place in those areas reviewed are adequate and effective.
- 3.6 Where weaknesses in controls have been identified, internal audit has worked with management to agree appropriate actions and timescales to improve controls. Internal Audit will undertake follow up reviews or further audit work to confirm their implementation.
- 3.7 For 2020/21, I have also considered the Council's response to the COVID-19 pandemic and how Management adapted their control environment to ensure governance is not compromised and risks continue to be managed. I worked closely with Senior Officers to monitor this throughout the year and have taken assurance from this work to inform the opinion.
- 3.8 It is my opinion that overall internal audit can provide **Adequate Assurance** that the system of internal control that has been in place at the Council for the year ended 31st March 2021 and accords with proper practice, except for the significant internal control issues referred to in this report. This means that there is generally a sound control framework in place, but there are some specific gaps in the control framework which need to be addressed.
- 3.9 Outcomes of the 2020/21 audit plan contained within this report indicate that areas where assurances were not adequate were: Declarations of Interest; Arrangements for Letting Contracts; Contract Management; Purchase Cards; Management of Cyber Risks; Contract Waivers; Brokerage; IT Disaster Recovery; Property Acquisition and Disposal; Health & Safety and Safeguarding. In addition specific advisory work has focused on areas such as: Property Governance, Data Protection and COVID-19 Business Grants.

3.10 Analysis of recommendations raised in service focus reviews shows that a significant proportion of recommendations raised relate to organisation controls around record keeping and audit trails, supervision and management information and the need to ensure strategies, policies and procedures are up to date. In addition, the decentralised operations of some corporate systems such as procurement reduce the oversight and compliance of internal controls in the area. As part of producing this annual report, the recommendations falling due in year were followed up and results were generally satisfactory, with COVID-19 impacting on implementation of some recommendations.

3.11 Further actions to enhance the governance framework, as outlined within the 2019/20 Annual Governance Statement, where controls were not fully implemented to address the issue in 2019/20 included: The safety of two buildings on Broadwater Farm; Schools Finance and Governance and Ofsted Inspection. Some minor governance actions were noted as part of the annual review and these along with the new significant issues were tracked in 2020/21. No new governance issues have been raised from audit work as the organisation prepares its 2020/21 statement although many of the existing governance issues continued into 2021/22. Our annual report on schools highlights a significant improvement in the assurances obtained from the audits of schools, consequently, the action relating to school audits in the annual governance statement has been closed. Further explanation is provided below.

3.12 I reported last year that the control environment in Haringey's schools required improvement. I am pleased to see another year where we have noted improvement in the assurances provided to schools. No schools in 2020/21 were assigned a "nil" assurance. The two schools from 2019/20 that received "nil" assurance were revisited in 2020/21 and both demonstrated improvement. These schools were assigned "Limited" assurance and follow ups have been diarised for quarter 2, 2021/22 to ensure they continue to implement recommendations to manage risk. A programme of follow up for all 2019/20 audits was also completed in 2020/21 and outcomes were positive. Work continues to be undertaken to work closely with other back-office teams supporting schools, the HEP and in conjunction with the School's Forum and Children's Services to assist schools and reduce the potential risks. More information is provided in the Annual Schools Report. A summary of outcomes for 2020/21 is as follows:

- 15 out of 17 schools completed received "adequate" or above assurance rating;
- No schools received a nil rating;
- All schools showed improvements or maintained performance;
- Two schools were deferred to 2021/22 due to Covid-19 and will be audited early in the year.

4. Internal Audit Coverage and Output

4.1 The 2020/21 audit plan was informed by internal audit's own assessment of the Council's key risk areas and discussions with Priority Owners and senior management to ensure that audit resources were aligned to agreed areas of risk. A small contingency was included in the audit plan to ensure any emerging risks during the year could be adequately reviewed.

4.2 The revised plan for 2020/21 included 44 audit projects and 19 schools audits and was approved by the Corporate Committee on 30 July 2020. Table 1 below provides the outcome of changes to the plan, details those not undertaken and those added to the plan in year. Overall a total of 63 assignments were included in the revised audit plan, with a contingency provision still available for additional work. A total of 66 assignments were completed to inform the Head of Internal Audit opinion. The outcome of this work, completed by Mazars, and the definitions of assurance levels are detailed in Appendix B.

4.3 Internal Audit Plan– Summary of Outcomes

4.4 It was recognised at the start of the financial year the audit plan needed to be flexible to deal with changes in risks and assurance needs during the year. The decision to cancel a planned audit was taken by the Head of Internal Audit in consultation with key stakeholders. Table 1 below contains an outline of all changes to the plan and Table 2 provides a summary of the changes.

4.5 Audits from the original plan, not included below, have been completed as planned (by Mazars) and new audits allocated to Mazars are shown at Appendix B.

4.6 Table 1 – Changes to Plan

Audit Area / Title	Status
Corporate/Cross Cutting Risk Audits	
Emergency Payments - Probity Audit	Cancelled Risk Based Advisory work (in-house).
Scheme of delegation / authorisation	Cancelled Risk Based Advisory work (in-house).
Business Continuity Planning	Deferred to 2021/22 due to Covid-19. In house advisory work and involvement in Council response from risk management perspective.

Audit Area / Title	Status
Priority 2 People (Children's Services)	
Children's Commissioning – Early Years	Advisory work by Mazars In-house work added to plan.
Special Education Needs (Including EHCP)	Cancelled as 2019/20 audit actions delayed and changes to service. Follow up completed and work planned but now included in 2021/22 plan.
Foster Care Payments	Cancelled as other management process review not finished.
NEW – Adaptations (Children's)	The planned audit was expanded to include an assurance for Children's services.
Priority 2 People (Adults and Health)	
Homecare - Transition to the London Living Wage	Cancelled. New contracts will be let in 2021/22. Some advisory work in house.
Priority 3 Environment and Neighbourhood	
Waste Recycling Management	Cancelled. Management assurance was better provided by business analyst than audit.
Priority 4 Housing, Regeneration and Planning	
Client Monitoring of Homes for Haringey	Advisory and Risk Management Work – in-house.
Health and Safety	Planning (extended scope due to COVID-19).
Priority 5 Customers, Transformation and Resources	
FOBO and the Digital Strategy	Cancelled as programme redefined. In house advisory work on new programmes.
Arrangements for maximising Business Rates	In house project as part of 'post event' central government grants work.

Audit Area / Title	Status
Corporate IT Audits	
IT Change Management follow up	Added to plan.
Contract and Procurement Audit	
Procurement - Arrangement made under Policy Procurement Note	In house review.
Risk Based Audits of Key Financial Systems	
Teachers' Pensions contributions	Cancelled – external audit do not require this assurance.
Delivery of Financial Savings - two projects	Reassigned in house review.
School Audits Risk Based Programme	
Fortismere Secondary	Deferred to 2021/22
Bruce Grove Primary	Deferred to 2021/22
Contingency / Unplanned Work	
Grants Project Advice	Advisory
Grants Project Assurance	Internal and Central Government Assurance
Fairer Education Fund	Advisory
Payroll Control Issues	Advisory following fraud
Data Protection Issues	Advisory following data breach
Management of Safeguarding	Advisory as part of a whistle-blower
London Energy Project	Advisory as part of a whistle-blower
IR35	Advisory – management concerns
HAYS invoicing	Advisory – management concerns
Direct Payments	Advisory – management concerns
Early Years	Advisory – complaint
CCTV	Advisory - complaint

4.7 Table 2 – Summary of changes to the audit plan.

Plan / Change	Number
Number of audit projects as per the original plan (+)	44
Number of planned schools Audits (+)	19
Total number of assignments (=)	63
Projects added to the plan in year (+)	15

Cancelled audits (-)	4
Audit replaced with other advisory work (+ -)	7
Audits deferred to 2021/22 (-)	2
Number of Schools deferred to 2021/22 (-)	2
Total number of assignments (=)	70
of which Audit / Advisory Assignments	53
and Schools	17
Number completed by Mazars (see app B)	46
of which Audit assignments totalled	27
Schools totalled	17
Advisory totalled	2

- 4.8 Most of the audit work was geared towards providing assurance to management on the adequacy and effectiveness of the Council's internal control environment. This work provided an outcome report with an assurance rating. Other work provided advice and support to management to improve efficiency, or the effectiveness of systems, services or functions; in these cases an outcome report or assurance rating is not provided.
- 4.9 Due to the delayed start to the plan, work on 2020/21 audits have continued into quarter one 2021/22. This has delayed our start to the 2021/22 audit plan though it is anticipated the audit work will be delivered by March 2022.
- 4.10 I do not consider the exceptions outlined above to have an adverse impact on providing my overall opinion for 2020/21. All audits had commenced but were not complete at the end of the year. COVID-19 impacted on efficient completion of the work, so all were deferred for completion in 2021/22. An analysis of the audit outcomes is included later in the report.

5. Annual Internal Audit Report & Opinion Statement 2020/21

Scope of Responsibility

- 5.1 The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. Specifically, the Council has a statutory responsibility for

conducting a review of the effectiveness of the system of internal control on at least an annual basis.

- 5.2 Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The Accounts and Audit Regulations require the Council to review, at least annually, the effectiveness of its system of internal control. Internal audit plays an important role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity and recommendations should strengthen the control environment and ultimately contribute to achieving the organisation's objectives.

The Purpose of the System of Internal Control

- 5.3 The Council's system of internal control is designed to manage risk to a reasonable level rather than to completely eliminate the risk of failure to achieve policies, aims and objectives. Consequently, it can only provide a reasonable, and not absolute, assurance of effectiveness.
- 5.4 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's vision, strategic priorities, policies, aims and objectives. It also is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Annual Opinion Statement on the Effectiveness of the System of Internal Control

- 5.5 The Internal Audit (IA) Plan for 2020/21 was developed primarily to provide Corporate Board and the Corporate Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, including an assessment of the Council's corporate governance arrangements and risk management framework.
- 5.6 The Head of Internal Audit's (HIA) opinion is based primarily on the work carried out by the Council's IA service during 2020/21, as well as a small number of other assurance providers. Where the work of internal audit has identified weaknesses of a systematic nature that impact on the system of internal control, this has been considered in forming the HIA opinion.

Basis of Assurance

- 5.7 All of the IA reviews carried out in 2020/21 have been conducted in accordance with the UK PSIAS, based on the annual assessment carried out by Mazars as part of their annual internal peer review challenge.
- 5.8 In line with the UK PSIAS, the Head of Audit and Risk Management is professionally qualified and suitably experienced. The skills mix within the contractor's team has evolved during the year though every single member of the

IA team is either fully qualified or actively studying for a relevant professional internal audit or accounting qualification. As a result, the 2020/21 IA resources fulfilled the UK PSIAS requirements in terms of the combination of professionally qualified and suitably experienced staff.

Qualifications to the Opinion

5.9 During 2020/21 the Council's IA service:

- had unrestricted access to all areas and systems across the authority;
- received appropriate co-operation from officers and members; and
- had sufficient resources to enable it to provide adequate coverage of the authority's control environment to provide the overall opinion. A benchmarking review of local authorities' internal audit service has revealed Haringey Council has on average fewer internal audit days than other London boroughs. The Head of Audit and Risk Management is continuing to look at how the authority can obtain an adequate level of business assurance. The appointment of the Deputy Head of Audit and Risk Management has increased capacity within internal audit.

Other Assurance Providers

5.10 In formulating the HIA overall opinion on the Council's system of internal control, the Head of Audit and Risk Management has taken into account the work undertaken by other sources of assurance, and their resulting findings and conclusions. These other assurance providers which included:

- Risks identified on the Corporate and Covid Risk Registers;
- The work of Feedback and Information Governance Group;
- The Statutory Functions Board;
- The IT Security Group;
- The work of the Health & Safety Group;
- External Audit Plan and their ISA 260 report.

Significant Internal Control Weaknesses

5.11 Internal audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise during the year.

5.12 There were several significant internal control weaknesses identified by internal audit during 2020/21. The risks identified from the audit work have been raised with management and work is ongoing to strengthen the Council's control environment in relation to the risks identified.

5.13 For the 13 audits assigned limited assurance, it was noted the internal controls had been designed to mitigate risks, though in practice, some of these controls were not operating. Ordinarily, the "second line of defence" alerts management where internal controls are not operating as intended but for a number of audit

areas, the second line of defence was not effective in identifying the weakness in the operation of the control. Examples of internal controls in the second line of defence include developing and reporting robust business cases to inform decision making, quality assurance and monitoring arrangements, performance management and key performance indicators, and supervisory controls.

5.14 Senior management have agreed to respond to the significant internal control weaknesses identified for internal audits carried out in 2020/21.

6. Analysis of audit work

6.1 A review of the work of internal audit is summarised in the table below, it should be noted that in 2019/20 a new approach to assurance rating was embedded as it was felt that, as indicated by the 2018/19 results, that there was a tendency for reports to be either limited or substantial. The new approach was designed to ensure all four categories were used and the assurance more meaningful. This slightly hinders the year on year comparison, but the 2019/20 and 2020/21 results do provide more detailed assurances to stakeholders.

6.2 Table 3 analysis of audit outcomes

Assurance Level	2020/21 Reports	2019/20 Reports	2018/19 Reports
Substantial /Full	9 (12.5%)	5 (7%)	1 (2%)
Adequate/Substantial	22 (31%)	28 (42%)	27 (45%)
Limited	13 (18%)	11(17%)	16 (26%)
Nil/No	0 (0%)	2 (3%)	0 (0%)
Advisory	22 (30.5%)	18 (26%)	8 (13%)
Finals report to issue	0 (0%)	1 (1%)	7 (12%)
Deferred*	4 (5.5%)	3 (4%)	-
Total	70	68	59

6.3 Recommendations raised in 2020/21 and Follow Up

6.4 An analysis of the recommendations raised as part of the 2020/21 audits is set out below. The figures are based on 46 assurance reports in 2019/20 and 44 in 2020/21.

6.5 Table 4 - 2020/21 recommendations by priority

Risk	Number of recommendations		Percentage	
	2019/20	2020/21	2019/20	2020/21
Priority 1 – High	14	20	5%	10%
Priority 2 – Medium	181	117	62%	60%
Priority 3 - Low	99	59	33%	30%
Total	269	196	100%	100%

6.6 All limited assurance reports from 2019/20 were followed up in 2020/21. Directorates maintain their own records of recommendations for monitoring and the regime has bedded in during 2020/21. Follow Up is an area of development in this year’s QAIP, see more detail below. The results of follow up have informed this year’s opinion and also 2021/22 audit planning.

7 Consultancy Audits 2020/21

7.1 Over the last year, the number of consultancy work, advice and guidance has maintained its upward trajectory. This is reasonable in light of the impact of Covid 19 upon services. The trend for continued support and advice is likely to continue into 2021/22. In 2020/21 the Mazars team reconfigured to provide strengthened specialist input into areas such as: IT, Project Management; Housing and Schools. The Mazars team also have a wide range of other specialist resources that can be called on via our current contract as needed. Due to Covid-19 the Head and Deputy Head have undertaken increased ad hoc advisory work within the council. For 2021/22 it is hoped this activity can be forward looking and proactive and focused on the wider risk management framework.

8 Quality Assurance and Improvement Programme

8.1 The Public Sector Internal Audit Standards’ (PSIAS) set out the need for internal audit to develop a quality assurance and improvement programme (QAIP) which seeks to ensure the internal audit service conforms to the PSIAS and provides a means of maintaining continuous improvement.

8.2 As noted above, 2020/21 presented the service with an opportunity to review and redefine our service offer and our requirements of our outsourced audit partner, the internal audit service has looked to sharpen understanding of key risks by identifying, assessing and reporting on the bases of risk. To that end, the audit planning processes has become more robust, and reporting arrangements have been updated so that the documents are more risk orientated. The changes to the assurance levels made in 2019/20 have bedded in and continue to better reflect the profile of risks for the areas audited. All audit terms of reference and reports in 2020/21 were quality reviewed by the Head or Deputy Head of Audit and Risk,

the additional capacity in the team has enabled this extra oversight and this has driven out value for money in our contractual relationship with Mazars.

- 8.3 The areas for development for Internal Audit on the QAIP for 2021/22 will be to improve the way audit recommendations are followed up and reported and to streamline delivery of audit work for management and member reporting.