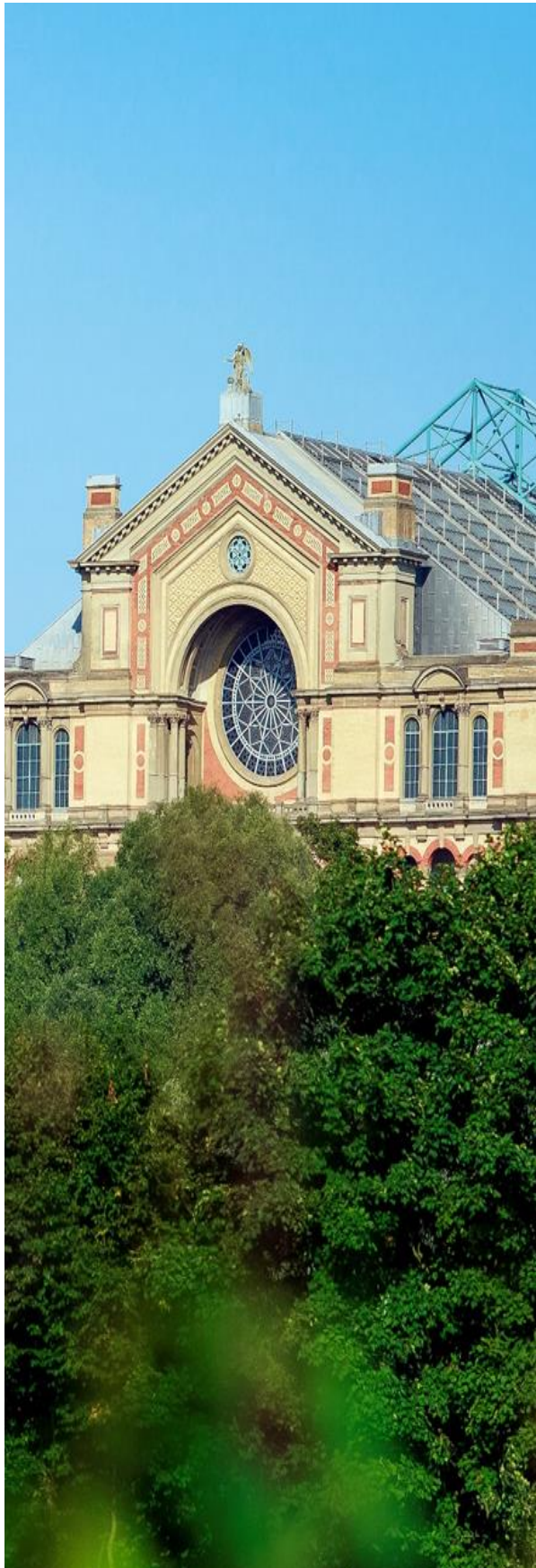


APPENDIX A - Annual Internal Audit Report 2021/22 (Including Head of Internal Audit Opinion)



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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 2021/22, 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 (EQA) at least once every five years. Haringey's audit was externally assessed earlier in 2022 which confirmed that the Council's Audit Service **fully complied** with the required standards. The EQA considered annual self-assessments undertaken and the service's Quality Assurance and Improvement Plan (QAIP). Mazars were last independently audited in 2019 to confirm the robustness of their methodology and compliance with standards. A full report will be presented to Members regarding the EQA and compliance with PSIAS as that is a requirement of the standards.
- 1.4 Internal Audit services for Haringey Council, excluding the investigation of allegations of fraud and corruption and some other special review or investigations, 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, this and challenges in recruitment in the private sector audit firms has impacted delivery of the audit plan. For 2021/22 this has been in part managed by some additional in-house resource being procured to provide more resilience to the service though Covid-19 has impacted on the delivery of the 2021/22 audit plan.

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 issues 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 Appendix D. The work completed by Mazars is detailed at Appendix B and C.
- 2.4 An additional Appendix E to this Annual Report is included for 2021/22 for audits previously undertaken by the Council's Arm's Length Management Organisation, Homes for Haringey, with its services being delivered by the Council from 1 June 2022. Although Internal Audit have provided Audit Services to Homes for Haringey and have significant understanding of the operational risks for the returning services, additional audit focus will be given to these risk areas in the next two years to ensure governance and control arrangements have embedded in.

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 was carried out using a risk-based approach and 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 fundamental 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, control failure investigations and briefings to management;
 - results of follow up exercises undertaken;
 - any reviews completed by external review bodies;
 - Risk Management workshops undertaken to support management to better manage either existing or emerging risk areas;
 - 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 2021/22. 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 undertake follow up reviews or further audit work to confirm their implementation.
- 3.7 For 2021/22, I have also considered the Council's continued response to the COVID-19 pandemic and also other significant challenges that have followed around the Local Welfare Assistance Programme and cost of living crisis. I worked closely with Senior Officers to monitor these corporate workstreams throughout the year and have taken assurance from the outcomes of 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 2022 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 2021/22 audit plan contained within this report indicate that areas where assurances were not adequate were: Mental Health Assessments; Elective Home Education; Deprivation of Liberty; Payroll, Recruitment of Temporary Agency Workers, New River Leisure Centre, Building Compliance (Corporate and Schools), Compliance with the ICO Accountability Framework, Cyber Security, Council Tax, Use and Control CCTV, Building Compliance and Contract Management. Contracts and Procurement was an area of concern in 2020/21 and we continue to monitor the progress to address control weaknesses, it is noted most of this is dependent on changes to operating model and technology in the Council and these projects remain in progress at the end of 2022. Significant work was completed in Property Services in 2021/22 following limited assurance opinions and management concerns in 2020/21. It is noted the Acquisitions and Disposals was given an adequate assurance following new governance being implemented by management and these controls embedding to help manage the high inherent risks. A Limited Assurance has been given with regards Commercial Property work completed by the in-house team, we will monitor and formally follow up the progress to address control weaknesses in this area in 2022/23.

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 satisfactory. Our QAIP in 2020/21 had actions to improve our follow up regime and these efforts have had positive results with far greater implementation rates than in previous years. This is not consistent across the whole council yet, so remains an area of focus in 2022/23. The results of follow up activity completed by both in house and Mazars resources are summarised in Appendix B.

3.11 Actions to enhance the governance framework, as outlined within the 2020/21 Annual Governance Statement included: COVID-19; Acquisitions and Disposal of Property; The safety of two buildings on Broadwater Farm; Ofsted Inspection and the Information Governance framework. Progress to address these has been recognised as part of the process to develop the 2021/22 Annual Governance Statement with the Broadwater Farm issue being closed off. For 2021/22 a new governance issue relating to the insourcing of Homes for Haringey and Health and Safety has been raised.

3.12 I reported in 2019/20 that the control environment in Haringey's schools required improvement. I am pleased to acknowledge since then where we have noted improvement in the assurances provided to schools. No schools in 2021/22 were assigned a "nil" assurance. A programme of follow up for all 2020/21 audits was also completed in 2021/22 by Mazars and outcomes were positive. Some additional follow up work was completed by the in-house team at year end to ensure that all, except one, school had moved into the Adequate Assurance rating level, and it is noted that this audit had been completed late in the year and the recommendations were not yet due, follow up work will be completed promptly in 2022/23. We continue 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 with robust control and risk management. Appendix C provides a summary relating to the schools audit plan, information has also been provided to Senior Management and the Schools Forum. A summary of outcomes for 2021/22 is as follows:

- 13 out of 16 schools completed received "adequate" or above assurance rating;
- 5 schools received the top rating of Substantial Assurance, the highest number ever.
- No schools received a nil rating;
- All schools showed improvements or maintained performance, except for one;
- Two schools that received Limited Assurance in year, including the one school whose assurance has deteriorated, were followed up at year end and had moved into the Adequate Assurance rating. One school audit was late in the year and will be followed up promptly when their recommendations fall due as part of the 2022/23 audit plan;

- Commons themes arising include: Governors DBS evidence, Contract and Procurement non-compliance and lack of evidence of segregation of duties.

4. Internal Audit Coverage and Output

4.1 The 2021/22 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 approved plan for 2021/22 included 44 audit projects and 15 schools audits, was approved by the Corporate Committee on 10 March 2022. 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 59 assignments were included in the original audit plan, with a contingency provision still available for additional work. A total of 56 assignments were completed to inform the Head of Internal Audit opinion. The outcome of the 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 Due to the amount of 2021/22 audit work still underway when the 2022/23 plan was formulated for approval it was recognised that 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. Changes to the plan were reported to Members in year however Table 1 below contains an outline of all changes to the plan and Table 2 provides a summary of the changes.

4.5 Table 1 – Changes to Plan

Audit Area / Title	Status
Corporate/Cross Cutting Risk Audits	
Business Continuity Planning	Deferred to 2022/23
Arrangements for Strategic and Directorate Planning	Changed to Advisory
Performance Management	Changed to Advisory
Digital Together Programme	Risk Workshops completed
Hospitality and Gifts	Changed to Advisory
ICO Accountability Framework	Added to Plan (Mazars)
Priority 2 People (Children's Services)	
Residential Placements	Deferred to 2022/23
Child Protection Cases	Deferred to 2022/23

Audit Area / Title	Status
Early Help Care Plans	Removed. Alternative assurance available following Joint Area SEND inspection July 21 (Ofsted and CQC). Please note, this area will be reviewed as part of the 2022/23 internal audit plan, so it's classified as deferred.
Elective Home Education	Added to Plan (Mazars).
Mosaic access risks	Added to Plan (In House).
Mosaic task and finish group	Changed to Follow Up
Priority 2 People (Adults and Health)	
Joint Management Arrangements	Risk Work completed.
Transition London Living Wage	Risk level reduced following assurances from the service. Removed.
Appointee ships and Deputyships	Added to Plan (Mazars)
Priority 3 Environment and Neighbourhood	
New Parking System	Deferred to 2022/23
Control and Monitoring of Purchasing Cycle	Removed pending control improvements.
Management and Inspection of Tress	Deferred to 2022/23
Opportunity Investment Fund	Added to plan (in house)
Priority 4 Housing, Regeneration and Planning	
Application review – Tech Forge	Deferred to 2022/23
Commercial Land and Property	Added to Plan (in house)
Station Road	Added to Plan (in house)
Priority 5 Customers, Transformation and Resources	
Local Welfare Assistance	Advisory Work (in house)
Debt Strategy	Advisory Work (in house)
Corporate IT Audits	
Disaster Recovery	Changed to a follow up
IT Procurement Controls	Deferred to 2022/23
Test Phishing Exercise (Cyber)	Added into Cyber audit scope and reported (Mazars)
Infrastructure Resilience	Follow up added to plan (Mazars)

Audit Area / Title	Status
ISO 27001 assurance	Added to plan (in house)
Contract and Procurement Audit	
Management and Control of Contract Register	Removed. Pending control improvements. Will be provision to audit in 2022/23 so classified as deferred.
Risk Based Audits of Key Financial Systems	
Housing Benefits	Deferred as not completed in time for Annual Report.
Business Rates	Deferred as not completed in time for Annual Report.
Central Government Grants Administration	Removed. Alternative sources of assurance available.
School Audits Risk Based Programme	
Earlham	Deferred to 2022/23
Tiverton	Deferred to 2022/23
Park View	Brought forward from 2022/23 (Mazars)
Bruce Grove	Brought forward from 2022/23 (Mazars)
High Gate Wood	Added as it deferred from 2020/21 (Mazars)

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 (+)	15
Total number of assignments (=)	59
Projects added to the plan in year (+)	11
Projects deferred to 2022/23 (-)	13
Cancelled audits (-)	3
Audit replaced with other advisory/risk work (=)	9
Audits changed to follow ups (=)	2
* Audits areas deferred to 2022/23 (=)	11
* Schools deferred to 2022/23 (=)	2
Total number of assignments (=)	54
of which Audit Assignments (inc Follow Up)	33
Advisory	5
Risk Assignments	2
Schools	16
Number completed by Mazars (see app B)	44
of which Audit assignments totalled	24
Schools totalled	16
Advisory totalled	2
Follow Ups	2

- 4.6 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.
- 4.7 Due to the delayed start to the plan, work on 2021/22 audits have continued into quarter one 2022/23. This has delayed our start to the 2022/23 and some reports remain in progress so have formally deferred into the 2022/23 audit plan.
- 4.8 I do not consider the exceptions outlined above to have an adverse impact on providing my overall opinion for 2021/22. An analysis of the audit outcomes for work completed by Mazars is included in Appendix B & C.
- 4.9 The audit work where formal assurances were provided are noted in table below:

Audit Title	
Hospitality and Gifts	Advisory work as the control environment / governance is not sufficient to audit. New technologies being implemented to address.
Mosaic tasks and finish group Follow Up	Follow Up work gave an adequate level of assurance with regards progress.
Joint Management Arrangements	Risk meetings with Project Managers, multi-agency risk workshops planned as the project evolves.
Digital Together	Risk Workshops with Project Managers.
Mosaic Access	Advisory work – not complete at year end.
Local Welfare Assistance Scheme	Advisory work with positive assurances provided to Management on the governance and control environment.
Debt Strategy	Advisory work with positive assurances provided to Management on the governance and control environment.
Opportunity Investment Fund	Assurance work providing Substantial Assurance.
Commercial Land and Property	Assurance work providing Limited Assurance.
Station Road	Advisory work because of Management and Member concerns.

5. Annual Internal Audit Report & Opinion Statement 2021/22

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 2021/22 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 2021/22, 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 the IA reviews carried out in 2021/22 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 2021/22 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 2021/22 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 considered the work undertaken by other sources of assurance, and their resulting findings and conclusions. These other assurance providers which included:

- Risks identified on the Directorate Risk Registers;
- The work of Feedback and Information Governance Group;
- The Statutory Officer Group
- The IT Security Group;
- The work of the Health & Safety Group;
- Reports from Government Agencies;
- 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 2021/22. 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 12 audits assigned limited or nil assurance by Mazars, 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 2021/22.

6. Analysis of audit work

6.1 A review of the work of internal audit is summarised in the table below. Please see Appendix B, C and 4.9 above for more information.

6.2 Table 3 analysis of audit outcomes

Assurance Level	2021/22 Reports	2020/21 Reports	2019/20 Reports
Substantial	9 (13.5%)	9 (12.5%)	5 (7%)
Adequate	17 (25.5%)	22 (31%)	28 (42%)
Limited	15 (22%)	13 (18%)	12(18%)
Nil/No	1 (1.5%)	0 (0%)	2 (3%)
Advisory / Risk Work	9 (13.5%)	22 (30.5%)	18 (26%)
Follow Up	3 (4.5%)	-	-
Deferred*	13 (19.5%)	4 (5.5%)	3 (4%)
Total	67	70	68

6.3 Recommendations raised in 2021/22 and Follow Up of 2020/21

6.4 An analysis of the recommendations raised as part of the 2021/22 audits is set out below. The figures are based on 26 assurance reports in 2020/21 and 24 in 2021/22.

6.5 Table 4 - 2020/21 recommendations by priority

Risk	Number of recommendations		Percentage	
	2020/21	2021/22	2020/21	2021/22
Priority 1 – High	14	20	12.5%	16%
Priority 2 – Medium	66	71	59%	57%
Priority 3 - Low	32	33	28.5%	27%
Total	112	124	100%	100%

6.6 All recommendations from 2020/21 were followed up in 2021/22. Directorates maintain their own records of recommendations for monitoring and the enhanced follow regime, implemented as part of our QAIP, has further bedded in during 2021/22. For the detail with regards audit recommendations please see Appendix B. The results of follow up have informed this year’s opinion and 2021/22 audit planning. Our area of focus for 2022/23 will be priority one recommendations as although these are often more complex actions to close, they do pertain to the highest risk findings of our work.

7 Consultancy Audits 2020/21

- 7.1 Over the last year, the number of consultancy work, advice and guidance has been maintained, however since COVID-19 these requests increasingly are for the Head or Deputy Head of Audit to engage in a process design or workstream rather than a defined audit assignment. The trend for continued support and advice is likely to continue into 2022/23. 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. For 2022/23 additional Management capacity has been introduced in Mazars to enable more focus on the Housing Risk Areas and to address delays in delivery noted in 2021/22.

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 The areas for development for Internal Audit on the QAIP for 2022/23 will be presented in a formal report to Senior Management and Members following our recent External Quality Assessment.