

Report for: Corporate Committee – 28 March 2023

Item number: 9

Title: Internal Audit Progress Report 2022/23 – Quarter 3

Report authorised by: Director of Finance

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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 2022 and focuses on progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised. The Council's internal audit work is delivered by the external provider (Mazars).
- 1.2 Members requested an update on the implementation of priority 1 audit recommendations.

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 and enclosed at Appendices A and B have 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 2024, 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.

8.2 Legal

The Head of Legal and 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 1 – 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	Year-end Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	27%	52%	95%
2	Priority 1 recommendations implemented at follow up	100%	100%	95%

12. Internal Audit work – Mazars

12.1 The activity of Mazars for the third quarter of 2022/23 is detailed at Appendix 1. Mazars planned to have delivered 440 days of the annual audit plan (734 days) by the end of the quarter (to 31 December 2022). In quarter 3 Mazars delivered 174 days bringing the year-to-date total to 386.5 days. 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 by Quarters 3, though the work planned for quarter 3 was progressed. We have agreed a target of 95% with Mazars to be delivered by the end of quarter 4. There are some audits that are scheduled to start in March that will be completed in April.

12.2 Members of the Corporate Committee receive detailed summaries of all projects for which a final report has been issued to allow for any concerns which members may have to be considered in a timely manner. Appendix 1 provides a list of all final reports which have been issued during the quarter.

12.3 Significant issues arising in Quarter 3

There was one report finalised assigned “Nil” assurance and six reports issued that were assigned “Limited” assurance in this quarter.

Commercial Property

The Council manages 944 commercial properties with the Strategic Property Unit (SPU) being responsible for the management of statutory property

compliance, management of rental income, repairs and maintenance, and the management of void commercial properties. The team is led by the Director of Placemaking & Housing, who oversees the Assistant Director of Capital Projects & Property who in turn is supported by the Head of Service. The Commercial Property Manager and the Asset Manager are responsible for managing the day-to-day operations. The annual rental income from commercial property is £8.9m.

During the audit, it was noted there were issues with the control environment for Commercial Property. Our findings highlight significant failings in all aspects of the management and control of the Council's Commercial Property. Consequently, Internal Audit has raised 32 recommendations (15 priority 1, 10 priority 2 and seven priority 3), and recommended an urgent need for a fundamental change in the operations of Commercial Property. The key issues noted were: -

- A lack of approved Policies & Procedures related to Commercial Property Management;
- Failure to comply with Lease obligations including statutory obligations resulting from lack of site visits on void and occupancy properties;
- No meaningful reporting arrangements over commercial property activity including operational and strategic KPIs and performance arrangements;
- No central repository to store prime records such as building compliance documents, leases, inspection records etc;
- Failures in H&S property compliance identified;
- Data on SAP is not accurate and up to date; and
- Significant number of rent reviews and lease renewals are considerably overdue.

Delivery of the Haringey Climate Change Action Plan

Environmental sustainability has become an increasing area of interest within the UK, with the UK Government announcing a target of net zero greenhouse emissions by 2050. Haringey Council (the Council) publicly declared a climate emergency in March 2019.

Following consultation, the Council's Climate Change Action Plan (CCAP) was produced, with the aim of the Council becoming a net-zero council by 2027 and achieving a net-zero borough by 2041. The CCAP sets out the three key strategic deliverables required for the Council to meet its target: first stage delivery focussed on buildings and transport emissions, second stage delivery with a focus on corporate operations, and a third stage delivery which focuses on energy and energy supplies within the borough. Following its launch, the CCAP has undergone a process of public engagement to increase the awareness of the issues around climate change, highlight the level of work

required to deliver this ambition, gather the views of the community on the Action Plan, and help prioritise actions. The CCAP was adopted in the Cabinet meeting dated 9 March 2021.

The CCAP is very important to the Council. The Council oversees a borough with a population of 255,000, and a young-leaning demographic with 25% of residents aged between 0 and 19 – as such focus and interest from the community is likely to continue to strengthen over time. Given the collaborative nature of the CCAP, and that residents must cooperate for the Council to achieve their goals, this high level of engagement is an asset.

Six recommendations were raised (two priority 1 and four priority 2) and this area marginally assigned “Limited” assurance. The key issues raised were: -

- Regular monitoring of the Council’s progress against the Climate Change Action Plan does not occur;
- There is a lack of ownership of Climate Change Action Plan actions;
- The Climate Change Action Plan uses deadlines inconsistently and ineffectively;
- The Carbon Management Team is responsible for over 70% of the actions in the CCAP and may not have the resources to deliver all assigned actions;
- The Climate Change and Sustainability Officer Group meetings are not attended regularly by key department heads; and
- The Climate Change Action Plan does not demonstrate consideration of the costs and resource requirements for individual actions within the plan.

Delivery of MTFS Savings

The Council's Medium Term Financial Strategy (MTFS) provides the strategic framework and corporate financial policy document for managing the Council's finances over the medium term and ensuring sound governance and compliance with best practices. The MTFS updated Members on the key financial assumptions for the current year budget position (2022/23) and projections for the years 2023/24 to 2026/27 and identified the key financial risks and planned savings for the Council.

Given the impact of Covid, pre-agreed savings had not been met. Savings that had not been achieved had already been factored into the 2022/23 budget. The savings were rolled over to the base budget for future years. Information on the year-on-year position for savings proposals across the current MTFS period is monitored using MTFS Savings Tracker. The tracker is RAG rated and the audit focused on the ‘Red’ and ‘Amber’ items. At the time of the audit, approximately £4M of undeliverable savings were brought forward from the previous year and a total of £16.5M savings were needed 2022/23. The savings target for 2022-23

was £20.7m. As of period 6, the projected full year savings were £11.3m and the net non-deliverable savings were £9.4m.

While governance arrangements relating to the Medium-Term Financial Strategy savings plan are in place, the audit concluded the Council was significantly behind its objectives with respect to savings, resulting in net non-deliverable savings of £9.6m. The Auditors have provided overall “Limited” assurance as the Council was unlikely to achieve its savings targets (2021/22 net non-delivered savings were £4m).

Payroll

Payroll represents a critical risk in the running of an organisation. An improperly controlled payroll function can result in staff underpayment, leading to employee tribunals, civil actions, or fines, and staff overpayment, leading to avoidable financial loss. It can also heighten the risk of fraud. As such it is expected strong controls are in place over the payroll function.

Amendments to payroll data in relation to starters and leavers begins with the HR Support Services team, who make any required amendments within SAP. The Council does not currently operate a self-serve function.

Seven recommendations were raised in total (two priority 1, four priority 2 and one priority 3). The two priority 1 recommendations related to the following issues: -

- From a sample testing of 20 payments to leavers, two overpayments arose because the Payroll team not being informed in a timely manner; and
- Annual leave is recorded and managed outside of the Payroll HR System, which creates the risk that staff may take annual leave above their entitlement.

Early Years Commissioning

The Department for Education states that local authorities must secure the prescribed amount of free early years provision is available for each child in their area of the prescribed description from prescribed early years providers. In line with the Childcare Act 2006, Local Authorities must, as far as it is practical, include arrangements for sufficient provision of children’s centres to meet local need, this includes the need of the parents, prospective parents, and young children in the authority’s area.

The Early Help Strategy 2021- 2023 demonstrates the Council’s priorities and objective in early years. The Council’s Early Years Strategy has five strategic aims: -

- To work in partnership with our parents and carers to build resilience and enjoy family life;
- To support parents and babies before and after birth to create the conditions where stress is reduced, positive, bonds and attachments can form, and language and communications skills develop so that children are ready for life, enjoyment, and learning;
- To narrow the gap in attainment for different groups of children ensuring there is equitable access to early education and childcare for all children across the borough;
- To ensure all families have a healthy pregnancy and a healthy early year, by improving health and wellbeing and reducing health inequalities for all children; and
- Developing partnership and joined up infrastructure to deliver equitable outcomes and make best use of resources.

The Early Years has an approved Designated School Grants of £19,217,081 which is based on the January 2022 census.

14 recommendations were raised in total (two priority 1, nine priority 2 and three priority 3). The following issues were highlighted: -

- The Early Years business strategy document, was still in draft at the time of the audit;
- Childcare providers were not given a model agreement, which states the free childcare entitlements' terms and conditions;
- The Early Years team had not adapted DfE policies to fit the Council's arrangements, and they do not have a documented standard operating procedure document;
- There was no repository for policies and standard operating procedures;
- The Early Years' Service did not have a process to verify actual hours submitted by providers;
- New providers' bank details were not verified to ensure that the name on the bank statement matches the provider's business name that is on record and held by Ofsted;
- Budget monitoring was not held every month with the School Finance team; and
- The service did not have a repository for childcare providers records.

Management and Control of Anti-Social Behaviour

The Anti-Social Behaviour, Crime and Policing Act 2014 (the Act) introduced simpler and more effective powers to tackle anti-social behaviour (ASB). The Act provided changes to how local authorities respond to ASB, namely the introduction of case reviews, where victims have the right to request a review into how local agencies have responded to previous ASB complaints (Community Trigger). The Home Office published Anti-social behaviour

principles in October 2022 which sought to describe a consistent approach to understanding and addressing ASB in local communities. The principles emphasise the importance of support for victims, transparency of processes, multiagency working, and legal action, where necessary.

The team were allocated 415 cases between 1 October 2021 and 30 September 2022, of which 52 were classified as violent. A Community Safety Strategy is in place from 2019-2023 with a key focus of working with partners to improve lives of residents.

The ASB Manager receives monthly reports from the Council's Housing team with statistics from Northgate.

Seven priority 2 recommendations were raised in total and related to the following issues: -

- The service does not have a finalised ASB Policy, Procedure or Strategy in place;
- A new category of cases has been introduced, 'high priority', however, there is a lack of supporting guidance for staff on when this category should be used;
- Audit found limitations in the functionality of the Northgate system, used to record casework. Documentation relating to cases are not consistently saved centrally;
- Audit identified discrepancies in our testing of closed cases. All stages of a case are required to be recorded as complete, even if not applicable.
- Manager review and sign off of ASB cases is not regularly undertaken;
- Monitoring of performance in relation to responding to ASB cases should be improved; and
- We noted delays in responding to Community Trigger applications.

Recruitment, Retention and Leavers

The Council has a Recruitment Policy in place which provides the Recruitment Team with guidance on recruiting for new and existing posts within the Council. The Recruitment Team is involved in the operation of several services including, but not restricted to, recruitment, administration relating to starters and leavers, internal moves, and retention of staff within the Council. The various stages of recruitment are processed through a recruitment database referred to as Talent Link, which was implemented in April 2021. These stages include the submission of a Job Requisition Form and Job Profile, which is subject to the approval of the Head of Service.

In relation to leavers, the Line Manager of a leaver can submit a leaver notification through Halo, the Council's ticketing system for jobs raised, located on the Intranet. This notification is delivered to the HR Support Service Team.

The Line Manager also notifies Digital Services of a leaver through Halo, for the removal of their access to the Council's systems.

There is currently no integration between the two functions and plans are in place to combine elements and ensure effective communication between the HR Support Services and Digital Services Teams, such that the removal of leaver access to the Council's systems can be removed in an efficient manner.

10 recommendations were raised in total (two priority 1, five priority 2 and five priority 3).

13. Follow Up – Audit Recommendations

13.1 Internal audit follow up priority 1 recommendations and assess whether agreed recommendations have been implemented. Internal audit's record show 29 priority 1 recommendations; their status is as follows: -

- Fully implemented 5
- Partially implemented 3
- Not Implemented 7
- Recommendations due for follow up 6
- Recommendations not due 8

13.2 The recommendations that have been implemented will be removed from the register. The recommendations not implemented will be retained and followed up.