

Report for: Audit Committee – 7 March 2024

Item number: 13

Title: Internal Audit Progress Report 2023/24

Report authorised by : Director of Finance

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Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non-key

1. Describe the issue under consideration

1.1 This report details the work undertaken by Internal Audit in the period 7 October 2023 to 31 January 2024 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 Audit Committee is recommended to note the audit coverage and follow up work completed.

4. Reasons for decision

4.1 The Audit 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 regular basis for review and consideration by the Audit 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 Audit 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 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.

We would draw members attention to para 12.3 and the "limited" assurance given to the Purchase of Care Plans audit. Given the increased proportion of the Council's budget being taken up by Adult Social Care, the shortcomings in process, particularly around financial assessments and the reviewing of providers' contracts have a significantly detrimental impact on the Council's financial plans and sustainability. It is noted the service has accepted all recommendations and that they are due for implementation by April 2024. This needs close attention in the audit follow-up process.

8.2 Legal

The Assistant Director for 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 A – Mazars Progress Report – Internal Audit

10. Background Papers

10.1 None

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	7 Oct 23 – 31 Jan 24	Year to date	Year end Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	26%	71%	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 first period of 2023/24 is detailed at Appendix A. Mazars planned to deliver 615 days of the annual audit plan (838 days) during the period (to 31 Jan 2024) and delivered 588 days audit work during this period. There has been some change to the audit plan to reflect the changing priorities within the Council and I will report the changes as part of my annual audit report to the Audit Committee's at its next meeting.

12.2 Members of the Audit 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 A provides a list of all final reports which have been issued since the start of the financial year. Since the last Audit Committee meeting in December, 15 internal audit reports have been issued (including schools), and the majority assigned a satisfactory level of assurance. Those audit areas where the level of assurance is low are detailed below.

12.3 Significant issues arising in Quarter 3

In this period, there were three final internal audit reports that were assigned either a “Nil” or “Limited” level of assurance. The nature of the service and key residual risks arising from review are noted below.

Delivery of Leisure Services – “Nil” Assurance

The Delivery of Leisure Services in Haringey are managed by Fusion Lifestyle (Fusion) in partnership with the Council and a leisure services contract between the two parties has been in place since 2013. There are three leisure centres in the borough that Fusion manages:

- Park Road Pools & Fitness (PR);
- Tottenham Green Pools & Fitness (TG); and
- Broadwater Farm Community Centre.

Fusion, as the contractor, is responsible for the management and operation of the above facilities and services for the Council. This includes following a Planned Preventative Maintenance Schedule, completing all reactive works necessary, ensuring compliance with all statutory compliance, health and safety legislation, and producing an Annual Service Plan (ASP) for each facility to demonstrate how Fusion is managing facilities.

The Council and Fusion have established an action tracker to highlight and address issues within the delivery and management of the leisure service. The Council has attributed many of the issues to Fusion and Fusion has taken responsibility for rectifying these issues through agreement of the actions to be taken. However, progress towards resolving these issues has been slow.

The audit highlighted the following areas of risk:

- It would appear that Fusion Lifestyle (Fusion) has demonstrated multiple breaches of contract terms, raising significant concerns;
- Prolonged outstanding issues identified in Fusion’s Contract Monitoring Action Plan;
- Annual Service Plan (ASP) was not provided by the contractor and the performance indicators included in the Council’s self-created ASP were not tracked and monitored;
- The contractor failed to provide the annual Planned Preventative Maintenance (PPM) for both 2021 and 2022, and there was a delay of six months in providing the PPM for 2023;
- A review conducted by external auditors did not provide assurance over statutory compliance within the two leisure centres subject to inspection;
- There was no action plan to schedule and monitor remedial works;
- Site inspections were not undertaken for all leisure centres in September 2023 due to staff member being on leave; and

- Customer feedback lacked categorisation based on its nature, and there was no information provided regarding contractor's response time and resolution status.

The auditors raised 10 recommendations; seven priority 1 and three priority 2. The majority of recommendations have already been completed by the service.

Pendarren House – “Limited” Assurance

Pendarren House Outdoor Education Centre (the Centre) is a 16-acre site that lies within the Grwyne valley, set on the side of Sugarloaf Mountain in the Brecon Beacons National Park. The centre is owned and maintained by Haringey Council and for more than 40 years has been providing outdoor education courses and residential activities to the young people of Haringey.

Customers range from key stage 2 to secondary, further education, colleges, scouts, Department of Education, businesses and other organisations. Courses are designed, in consultation with clients, to foster confidence, self-esteem, responsibility, and independence.

Pendarren House is managed by the Head of the Pendarren House, who is supported by the Team. The centre is amid a change in leadership since the previous Head of Pendarren House stepped down after 17 years in the role. The new Head of Pendarren House joined in June 2023.

The objective of the review of Pendarren House focused on ensuring the outdoor education centre is being managed effectively and efficiently. The overall limited assurance opinion provides scope for improvement in the management of Pendarren House. The audit identified the following residual risks:

- Performance indicators were not established to measure performance and periodic performance reports to monitor the centres' performance were not produced and distributed to stakeholders;
- Policies and procedures specifically related to the operational management of the centre including facilities management program management and financial management were not in place;
- Staff had not completed the safeguarding training module;
- There was an outdated Risk Assessment Log (RLA) and a lack of additional controls for medium-high level of risks within the RLA;
- Monthly budget monitoring reports that detail the forecast outturn against the budget were not available or used;
- Bank reconciliations were not reviewed and approved; and
- Deputy Designated Child Protection Lead had not completed the DSL training required.

The service has accepted all recommendations. The recommendations are due for implementation by May 2024.

Purchase of Care Plans – “Limited” Assurance

Under The Care Act 2014, Local Authorities are required to ensure that people have access to appropriate services, and that these services support individuals in a way that prevents their needs from evolving into a worse condition. Statutory guidance suggests that Local Authorities are required to consider the impacts of arranging a service on an individual’s wellbeing. It is a requirement for the Local Authority to ensure that assessments are completed appropriately and that those completing the assessments can complete the process sufficiently. Furthermore, the Act emphasises that the Local Authority has a responsibility to review plans created and adjust these as appropriate in line with any changes in the support needed.

The Adult Social Services team provides services which include developing personalised support plans for individual needs. The support plans and individual needs are subject to yearly reviews to ensure the support is adequate and identify any changes in needs. Care and support planning places the needs of the individuals at the centre, sometimes resulting in care being required from outside the Borough. All service users undertake a financial assessment to determine if they are required to contribute to the cost the care provided, as outline in legislation.

Care and support involve several different teams working collaboratively together to ensure service users’ needs are met. As with most local authorities, demand is increasing and ensuring sufficient resources are available to meet demand is a challenge facing Haringey. According to the Council’s Budget Book for 2022/23, Adult Social Care had a budgeted expenditure of approximately £88m on care services and expected to receive approximately £7.8m in customer contributions as well as approximately £28.5m in grant contributions. The net expenditure on care services for adults was budgeted to be approximately £51.5m which represents a significant portion of total Council expenditure.

The audit sought to ascertain whether controls are operating to support the purchasing of care plans and that care is approved, reviewed and amended as required. The audit highlighted the following residual risks:

- Joint funded care plans were not completed or approved accurately, and in a timely manner;
- Financial assessments were not completed in a timely manner;
- Support plans were not reviewed and approved by the individual seeking the care and/or the team approving the care being provided;
- Changes in the support plan were not identified and implemented in a timely manner;

- Existing contracts were not reviewed and renegotiated to ensure best value for the Council;
- Management lacked oversight of void block bookings; and
- Support plans were not appropriately approved by the relevant panel or Director.

The service has accepted all recommendations. The recommendations are due for implementation by April 2024.