APPENDIX A - Annual Internal Audit Report 2023/24 (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 regime for delivering effective internal audit within local authorities is set out in the mandatory UK Public Sector Internal Audit Standards (PSIAS). The standards are based on the mandatory elements of the International Professional Practices Framework (IPPF) of the Global Institute of Internal Auditors (IIA) and are intended to promote professionalism, quality, consistency and effectiveness of internal audit across the public sector. A requirement of the standards is for 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 report sets out the Head of Audit's opinion, by considering the work carried out by internal audit and the anti-fraud team, seeking assurances on the work of other agencies, recognising the risk management systems and the other assurance providers within the Council. For 2023/24, the internal audit plan was agreed with management and endorsed by the Audit Committee at the start of the financial year at its meeting in March 2023. It is noteworthy 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. This is to provide independent assurance over the operation of the audit function. Haringey's audit was externally assessed in April 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). A full report was presented to the Corporate Committee regarding the EQA and compliance with PSIAS as that is a requirement of the standards in July 2022.

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. The two year extension has been applied and the contract extension will apply to March 2026. Mazars carried out their own independent external assessment in 2019 to confirm the robustness of their methodology and compliance with standards and planning to carry out an assessment this year and the outcome was that they were **Fully Compliant.**

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 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. The work completed by Mazars is detailed at Appendices B, C and F. As is common in the work of internal audit, Mazars are reviewing the report format to make sure their reports deliver audit outcomes well.

2.4 The internal audit approach has been to have an open and honest conversation with management to fully understand the residual risks within their services. Management have been encouraged to seek audit input where the service is aware of issues. This inevitably has translated into more areas being assigned a lower level of assurance and the engagement with internal audit is seen as a catalyst for improvement. This approach continued throughout 2023/24.

2.5 There continues to be a raft of challenges for local authorities. The approach adopted in using the internal audit service to provide independent assurance of systems and processes in areas where risks need better management is supported by the organisation including the Audit Committee. The work of internal audit captures the following key areas:

- **Risk Assessment**: Identifying and assessing risks across various processes and functions to enhance risk management strategies
- **Ensuring Compliance**: Ensuring adherence to laws, regulations, and internal policies.
- **Operational Efficiency**: Evaluating operational processes to improve efficiency, effectiveness, and economy. It is envisaged this area will become increasingly important with the continued financial challenges:
- **Internal Financial Controls**: Verifying financial records, transactions, and controls for accuracy and reliability.
- **Process Improvement**: Recommending enhancements to processes, controls, and governance.

2.6 The Internal Audit Charter endorsed by the Audit Committee in March 2024 states the following in respect of the Public Sector Internal Audit Standard's mandatory definition of internal auditing:

- *'Internal auditing is an independent, objective assurance and consulting (advisory) activity designed to add value and improve an organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'*

2.7 Moreover, the mandatory elements of the International Professional Practices Framework (IPPF) for Internal Audit are incorporated into the PSIAS and include an overarching 'Mission' for Internal Audit services *'…to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'*.

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 overarching 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 2023/24. 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. It is noted that areas of concern noted in prior years have not yet been fully addressed, however on-going work ensures that these remain in the focus of Senior Management and Members.

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 2023/24, I have also considered the Council's assessment by external agencies such as Ofsted, the Housing Ombudsman etc. I have 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 2024 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. I recognise the proportion of internal audits assigned a lower level of assurance outnumber those assigned satisfactory assurance, but as set out above, a number of audits assigned a lower level of assurance were performed where management sought audit input to act a change agent or seek assurance over actions taken. In my conversations with Directors and Assistant Directors, the conversations are led by the areas of risks where management have concerns or seek assurances over the arrangements in place. I have discussed this approach with the Chair of the Audit Committee and the Audit Committee who also believe audit resources should be focused on areas where risks are high. Inevitably, this leads to higher proportion of audits being assigned a lower level of assurance.

3.9 Outcomes of the 2023/24 audit plan contained within this report indicate that areas where assurances were not adequate are set out below.

3.10 Contracts and Procurement has been an area of concern since 2020/21 and I, along with the Audit Committee continue to monitor the progress to address control weaknesses. Most recently, the Chief Procurement Officer presented at the Audit Committee in March 2024 and updated the Committee on progress on changes to operating model and technology in the Council with further updates scheduled for July 2024.

3.11 Another area of work is in respect of Property Services where in 2021/22 "Limited" assurance opinions and management concerns were highlighted. Subsequently, it is noted the Acquisitions and Disposals has been assigned "Adequate" assurance following new governance being implemented by management. More recently, an independent review of 10 property transactions took place during 2022/23 and its recommendations, along with those raised in internal audits form part of the improvement programme for property services. A number of recommendations inform the strategic planning and use of the Council's property and the decision making processes. In this financial year, a further review of Commercial Property was undertaken and assigned "Limited" assurance, highlighting significant governance issues, though there was evidence the service was progressing the recommendations raised in the previous audit. The fundamental internal controls have yet to be established. I will monitor and formally follow up the progress to address control weaknesses in this area in 2023/24 including a new audit of this area.

3.12 The proportion of audits assigned "Limited" assurance is higher than expected within the Housing service. I have looked through the audit areas and can see the majority of recent audits have been assigned "Nil" or "Limited" assurances. Previously, these audits were reported to the Homes for Haringey Audit, Risk and Audit Committee and not included in the Council's analysis, but since 2022/23, all Housing related audits are captured within the Council's annual report.

3.13 As I reported last year, analysis of recommendations raised in service focus reviews shows that a significant proportion of recommendations raised relate to organisation controls around management control to direct services, record keeping and the maintenance of full 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, though this area will change in 2024/25. There is an expectation that having identified issues following an audit, the recommendations are implemented promptly. I am beginning to see some stain in how quickly recommendations are implemented and will monitor and report on progress.

3.14 As part of producing this annual report, the recommendations falling due in year were followed up and results were adequate. Our Quality Assurance Improvement Plan (QAIP) in 2022/23 and 2023/24 had actions to improve our follow up regime, though this has improved, there is more that needs to be done, particularly technologically to create a common register of recommendations that everyone can use. The Deputy Head of Audit and Risk has been tasked with leading on this for the organisation.

3.15 Analysis of recommendations not implemented shows that in most recommendations not implemented relate to specific audit areas. The implementation of recommendations is not consistent across the whole council yet, so remains an area of focus in 2024/25. The results of follow up activity completed by both in house and Mazars resources are summarised at Appendix B. A higher level of rigour is necessary to help close known risks quickly and improve

governance in the management of Council operations, though I understand some issues will be deep routed and need longer to implement.

3.16 An area I raised with Actions to enhance the governance framework, is outlined within the 2023/24, Annual Governance Statement includes the following:

- the need to ensure the Council delivers savings identified in the Medium Term Financial Strategy (MTFS) to manage within its financial means;
- the need to continue to embed the planned improvements across strategic and operational Asset Management which include fully embedding robust management of our operational and Commercial Properties;
- recognise that following the authority's self-referral to the Housing Regulator, to continue with the Housing Improvement Programme to deliver improvements in the delivery of our housing service and implement recommendations to address weaknesses in our management systems;
- note that due to the high levels of FOI, SARs that are not completed in time and feedback from Ombudsman, the authority needs to continue to strengthen its information governance arrangements;
- the range of skills and experience required to fulfil Council duties has become increasingly challenging over time, particularly within some professions and the Council needs to have a high-performing workforce that delivers great services by attracting, developing, and retaining talent that delivers quality public services whilst making the best possible use of public money;
- the Council recognises weaknesses with regards procurement and contract management arrangements in recent years, some incidences of fraud in 2023/24 and there has been new regulatory requirements applied from 2023.
- A significant governance issues raised in the previous year (2022/23) that has been closed relates to improving the Delivery of Leisure Services, the service is now being in-sourced.

3.17 Last year, I reported the proportion of audits assigned a lower level of assurance was relatively high (excluding schools). There were a number of reasons for this; known areas of weakness in the areas being reaudited, such as procurement, property, housing and management being encouraged to highlight concerns and use audit to focus on key risks. This ethos of openness has continued into the audits performed in 2023/24. The proportion of audits assigned a lower level of assurance has improved with broadly an equal number of audits being assigned that are satisfactory / not satisfactory. A summary of outcomes for 2023/24 is as follows:

- Two areas were assigned "Substantial" assurance and 11 audits assigned "Reasonable" assurance. A further two areas were advisory audits;
- Two areas were assigned "Nil" assurance and 13 audits "Limited" assurance; and
- There are a further 13 audits where the audit work has been completed and the findings will be reported in Sept 2024.

3.18 For the financial year 2023/24, a total of 135 recommendations were raised. This is a decrease from last year where 211 recommendations were raised. The priority of the recommendations raised is as follows:

- Priority 1 recommendation – 32
- Priority 2 recommendations – 73
- Priority 3 recommendations – 30

3.19 In terms of follow ups, the status of recommendations raised in each financial year is set out in the table below:

Financial Year	Recommendations not Implemented/ Total raised	Priority of Recommendations not Implemented		
		Priority 1	Priority 2	Priority 3
2020/21	26/79	9	12	5
2021/22	17/164	3	13	1
2022/23	29/209	3	18	8

3.20 For the proportion of Priority 1 recommendations not implemented in 2020/21, the majority of the recommendations relate to procurement related activity where it is anticipated the current changes being planned will result in the recommendations being closed. Further details over the status of follow up, assurances and priority of recommendations is provided at section 6 below and at Appendix B.

3.21 I reported last year that the control environment in Haringey's schools had improved. No school in 2021/22 and 2022/23 was assigned a "nil" assurance and that has continued into the financial year 2023/24. A programme of follow up for all 2020/21 and 2021/22 audits was also completed in 2023/24 by Mazars and outcomes were positive. I 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 school's audit plan, information has also been provided to Senior Management and the School's Forum. A summary of outcomes for 2023/24 is as follows:

- Nine out of 12 schools completed received "Adequate" or above assurance rating;
- No schools received a "Nil" rating;
- Three schools received "Limited" Assurance;
- One school received an improved Assurance from the last audit;
- Three schools demonstrated a reduction in assurance from the last audit, these schools received a limited assurance so follow up activity will be timely and track all actions to completion.

3.22 Common themes arising from the audit of schools include:

- Governors not providing evidence of their DBS certificate, particularly where the previous certificate requires an update;
- Contracts have been rolled over for several years, and spend on them exceeds the thresholds for going out to tender; and
- Evidence not retained to clearly show that reconciliations are prepared by one officer, and then reviewed by a second independent officer

3.23 For the financial year 2023/24, a total of 97 recommendations were raised. This is a decrease from last year where 113 recommendations were raised, albeit as a result of 13 not 12 school audits. The priority of the recommendations raised is as follows:

- Priority 1 recommendation – 3
- Priority 2 recommendations – 32
- Priority 3 recommendations – 62

3.24 As in other years the majority of recommendations raised relate to Procurement (32%) this is an increase % wise from last year but actual number raised remains constant. School Governance (15%), Financial Planning and Monitoring (20%) remain other high areas but the % has reduced year on year. Asset Management recommendations have also increased this year from 9% to 12%.

4.   **Internal Audit Coverage and Output**

4.1   The 2023/24 audit plan was informed by internal audit's own assessment of the Council's key risk areas and discussions with senior management to ensure that audit resources were aligned to agreed areas of risk. A small contingency was considered in the audit plan to ensure any emerging risks during the year could be adequately reviewed.

4.2   The approved plan for 2023/24 included 58 audit projects and 12 school's audits, which was approved by the Audit Committee on 28 March 2023. Table 1 below provides changes made to the plan, and details of audits not undertaken and new audits added to the plan in year. During the last financial year, the Audit Committee requested audits be added to the plan and expressed views more generally around key areas of risk and these suggestions are captured in the table below. Overall, a total of 55 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.

Internal Audit Plan– Summary of Outcomes

4.3 When the 2023/24 plan was formulated 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 change a planned audit is taken by the Head of Internal Audit in consultation with key stakeholders. Changes to the plan have been reported to Members in year and Table 1 below contains details of all changes to the plan and Table 2 provides a summary of the changes. The table is presented in the same format as the original plan.

Table 1 – Changes to Plan

Audit Area / Title	Status
Corporate/Cross Cutting Risk Audits	
Management of Staff Performance	This audit was postponed as the regime for staff performance was being refreshed and updated regime will be put in place.
Children's Services	
Arrangements to satisfy the legal requirement to review EHCPs annually.	This audit has been considered but postponed as an external review took place conducted by Ofsted.
Looked After Children - Placement	The title of this audit was changed to Children in Care as this better reflects the team within Children's Services.
St Mary's School	This audit was postponed to the following year at the request of the Head Teacher as the school's Business Manager had left and the school needed time to recruit and allow the officer to become familiar with the school's finances.
Residential Placements (Pendarren House)	This audit was added the audit plan at the request of the Director of Children's Services. Considerable changes in the operation and management had taken place and the service sought assurances over the current operations.
Residential Placements (2022/23)	This audit was added to the audit plan as it had originally been planned for 2022/23 but not taken forward. The risks over the management of Residential Placements are high and the audit added to provide assurance over current arrangements.
Tiverton School	The Head Teacher at the school requested this audit following concerns over the financial arrangements at the school.

Audit Area / Title	Status
Adults, Health and Communities	
Adult Social Care Commissioning	This area was audited in the previous year and the service needed more time to implement the recommendations and improve Commissioning arrangements. The previous audit was assigned "Limited" assurance.
Operational review of Locality / Communities' Services	Following discussions with the Director of Adults and Health Services and other stakeholders, it is understood there is a broader review planned around the Council's offer. With changes likely, it was agreed the audit would be performed after options have been considered.
Purchase of Care Plans	This audit was requested by the Director of Adults, Heath and Communities as an area of risk and added to the audit plan.
Culture, Strategy and Engagement	
Corporate Performance Management and Intelligence Service	This audit was not taken forward as Council wide arrangements are not in place – the area will remain under review and considered for future audits.
Programme and Project Management Governance Framework	The governance arrangements were finalised in Feb 2024 and this audit area included for review in the 2024/25 audit plan.
Delivery of Haringey First (Delivery of Digital Together Programme)	The delivery of this programme has been subject to discussion – the broader review of savings proposal is included in the audit plan for 2024/25.
Community Engagement	This audit was added to the audit plan as the Director of Culture, Strategy and Engagement sought assurances over the processes in this area and sought insight from Mazars over arrangements at other authorities.
Coroners Services	This audit was added to the pan following a request from the Monitoring Officer. There had been some concerns over the financial governance of the service.
International Recruitment	This audit was added to the Plan following a referral from the Chief People Officer. The authority had carried out international recruitment but the processes to take this forward appeared weak.

Audit Area / Title	Status
Environment and Resident Experience	
No Changes	
Placemaking and Housing	
Implementation of Corporate Property Model	The Corporate Landlord Model has not been implemented – this area will remain for consideration in future years.
Net Zero Transition and Pathways	An audit around Carbon reduction gave a good level of assurance and this audit essentially covers the same scope – the audit was thus postponed.
Allocations and Lettings	There was an audit carried out of Lettings in the previous financial year and this was followed up with the audit of Voids that was added to the plan – see below.
Statutory Compliance	There have been a number of reviews already and this audit would not highlight anything new that was not already known. The audit was thus cancelled.
Payment Processing of Contractors' Invoices	There have been concerns over the arrangements in place to manage payments to contractors. Management was looking to strengthen known weaknesses and have asked for an audit once a stronger regime has been established.
Voids and Follow up of Lettings	The audit Committee requested this audit be added to the audit plan. The Council appeared to have a disproportionate number of void properties and the committee was concerned over the arrangements for turning void properties around.
Disrepair Claims	This audit was originally planned for audit in 2023/24. The number and value of disrepair claims was increasing, thus the audit added to the internal audit plan.
Policies over Damp and Mould	This audit was requested by the Operational Director-Housing & Build Safety over concerns raised nationally. The audit was designed to give assurances over the council's arrangement over the management of damp and mould.
Compliance Work (KPIs)	This audit was requested by the Operational Director-Housing & Build Safety to seek

Audit Area / Title	Status
	independent assurances over the reporting of key data and performance measures.
Corporate IT Audits	
Ransomware Readiness	Since the planning of this audit, the authority has used its external partner to further examine the authority's preventative arrangements to prevent a cyber attack. Based on the outcome of this review, an updated audit is planned for 2024/25.
New Source to Pay Application Review	This project did not commence in 2023/24 as initially anticipated and has been carried forward into 2024/25.
Cloud Strategy	The risks associated have been re-evaluated and the audit was not deemed to needed at this point, though will be considered for future audits.
Contract and Procurement Audit	
Council Operating Model over the Procurement Function	This project did not commence in 2023/24 as initially anticipated and has been carried forward into 2024/25.
Control and Monitoring of the Purchasing Cycle (Strategic).	This project did not commence in 2023/24 as initially anticipated and has been carried forward into 2024/25.

Table 2 – Summary of changes to the audit plan.

Plan / Change	Number
Number of audit projects as per the original plan (+)	58
Number of planned schools Audits (+)	13
Total number of assignments (=)	**71**
Projects added to the plan in year (+)	11
Projects deferred / cancelled (-)	17
Audit replaced with other advisory/risk work (=)	2
* Audits areas deferred to 2024/25 (-)	*10*
Total number of assignments (=)	**55**
of which Audit Assignments (incl Follow Up)	41
Advisory	2
Schools	12
Number completed by Mazars (see app B)	
of which Audit assignments totalled	**28**
Schools totalled	**12**
Advisory totalled	**2**
Audits completed and to be reported in 2024/25	**13**

4.4 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.

4.5 Some audits started later in the year and will conclude in 2024/25, were the result of request from services and considered by the Head of Internal Audit. There continues to be some delay in management responding to the draft report. I have contacted the directors and sought assurances the audit reports will be responded to, though a different approach will be needed for timely reporting of audit findings.

4.6 I do not consider the audits now scheduled for 2024/25 has had an adverse impact on my overall opinion for 2023/24. An analysis of the audit outcomes for work completed by Mazars is included in Appendix B and C.

4.7 The audit work where formal assurances were provided, as advisory work is noted in table below:

Audit Title	
Community Engagement	The service sought insight from Mazars of the arrangements at other local authorities and to carry out interviews with key staff in the Council.
Post Opening and Management Procedures	The use of office premises has changed and many services have begun to operate from different sites, including the transition of Homes for Haringey into the Council. The post opening arrangement had not kept pace with the changes.
Completion of Air Quality Grant Form	Head of Audit sign off to claim the grant following confirmation of the expenditure.
Completion of Grant Claim form for Public Health Adults Weight Management Grant.	Head of Audit sign off to claim the grant following confirmation of the expenditure.

5. Annual Internal Audit Report & Opinion Statement 2023/24

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 2023/24 was developed primarily to provide the Corporate Leadership Team and the Audit 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 2023/24, 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 2023/24 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 2023/24 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 2023/24 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. Though the appointment of the Deputy Head of Audit and Risk Management has increased the level of resource available to devote to Internal Audit, there has been continued pressure in the delivery of the Council's anti-fraud work that, in reality, impacted on the proportion of internal audit work. The Head of Audit and Risk Management is continuing to look at how the authority can obtain an adequate level of business assurance and maintain vigilance over the level of resources available. Appendix D sets out the outcome of the Anti-Fraud Activity during 2024/25.

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 and inspections;
- External Audit Plan and their ISA 260 report (where available).

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 2023/24. 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 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. The "second line of defence" alerts management where internal controls are not designed or operating as intended but for several

audit areas, the second line of defence was not effective in identifying the weakness in the operation of the controls at the service level (in the "first line of defence"). 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 to ensure compliance with Council policy and procedures. An area of focus is the work around the Council's procurement processes and the change in the operating model at the Council to ensure compliance with the Council's contract standing orders. There are a number of audits planned in this financial year to review and advise on changes to current arrangements.

5.14 Senior management have agreed to respond to the significant internal control weaknesses identified for internal audits carried out in 2023/24.

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.

Table 3 analysis of audit outcomes

Assurance Level	2023/24 Reports	2022/23 Reports	2021/22 Reports
Substantial	2 (3%)	5 (7%)	9 (13.5%)
Adequate	20 (31%)	20 (28%)	17 (25.5%)
Limited	16 (25%)	23 (31%)	15 (22%)
Nil/No	2 (3%)	1 (1%)	1 (1.5%)
Advisory / Risk Work	2 (3%)	9 (13%)	9 (13.5%)
Follow Up / reporting in 24/25	13 (20%)	2 (3%)	3 (4.5%)
Deferred	10 (15%)	12 (17%)	13 (19.5%)
Total	**65**	**72**	67

Recommendations raised in 2022/23 and Follow Ups in 2022/23

6.2 An analysis of the recommendations raised as part of the 2023/24 audits is set out below. The figures are based on 24 assurance reports in 2021/22 and 38 in 2022/23.

Table 4 - 2023/24 recommendations by priority

Risk	Number of recommendations		Percentage	
	2023/24	2022/23	2023/24	2022/23
Priority 1 – High	**32**	35	**23%**	18%
Priority 2 – Medium	**73**	121	**55%**	57%
Priority 3 - Low	**30**	55	**22%**	26%
Total	**135**	211	**100%**	100%

6.3 All recommendations raised from 2022/23 were followed up in 2023/24. Directorates have been asked to maintain their own records of recommendations for monitoring and the enhanced follow regime. For the detail with regards audit recommendations please see Appendix B. The results of follow up have informed this year's opinion and 2023/24 audit planning. My area of focus for 2024/25 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 2023/24

7.1 The trend for continued support and advice is likely to continue into 2023/24. In 2020/21 the Mazars team reconfigured to provide strengthened specialist input into areas such as: IT, Project Management; Housing and Schools. The Head and Deputy Head of Audit have continued to offer advice to services throughout the year. Since 2022/23, additional Management capacity has been introduced in Mazars to enable more focus on the Housing risk areas.

8. Significant issues arising in Quarter 4

8.1 For completeness, audits finalised relating to quarter 4 are detailed in this section. In this period, there was one audit assigned "Nil" assurance and a further ten final internal audit reports that were assigned a "Limited" level of assurance. For further details of the audits, please refer to Appendix F.

8.2 The nature of the service and key residual risks arising from review are noted below. The audit area assigned "Nil" assurance was **Controls over the use of DPS**. The auditors raised five recommendations; three "priority 1" and two "priority 2". The key issues were:

- Lack of an active service agreement for the care packages due to limited use of DPS by both the Adult and Children care brokerage team;

- Property inspection for the supplier of children's services was not carried out within a specific timeline of ten days and therefore delay in supplier onboarding;
- The terms and conditions in the service agreement did not align with the case management system (Mosaic);
- Change orders were not created nor approved on the DPS when there was a change in a care package; and
- Lack of a system to monitor and track expiration dates of care packages and service agreements.

8.3   Audits assigned "Limited" assurances were:

- Haringey Learning Partnership;
- Management and Control of Adult Services Waiting Lists;
- Payroll;
- Management of Complaints and Ombudsmen Reports;
- Workforce Data and Establishment Controls;
- Housing Rents Income;
- Commissioning in Children's Services;
- Sheltered Accommodation;
- Oversight of Regeneration Schemes; and
- Contract Management.

9.   Quality Assurance and Improvement Programme (QAIP)

9.1   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.

9.2   The areas for development for Internal Audit on the QAIP for 2024/25 will continue to be monitored and reported to the Audit Committee and Senior Management. The QAIP is attached at Appendix E.

Minesh Jani

Head of Audit and Risk Management

1 July 2024