

Report for: Audit Committee – 3 December 2024

Item number: 9

Title: Internal Audit Progress Report 2024/25 – Quarter 2

Report
authorised by: **Director of Finance**

Lead Officer: Minesh Jani, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: minesh.jani@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/

Non Key Decision: N/A

1. Describe the issue under consideration

- 1.1 This report details the work undertaken by Internal Audit for the period 1 September to 30 October 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 (Forvis 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. Contribution to the Corporate Delivery Plan 2024-2026 High level Strategic outcomes'

6.1 The internal audit work makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key corporate objectives.

7. Carbon and Climate Change

7.1 There are no direct Carbon implications arising from this report.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Legal and Governance, Equalities)

8.1 Finance and Procurement

Finance

There are no direct financial implications arising from this report. The work completed by Forvis Mazars is part of the framework contract which was awarded to the London Borough of Croydon to 31 March 2026, 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.

Procurement

Strategic Procurement note the contents of this report and have been consulted on the relevant audits where required. Actions arising related to procurement and the letting of contracts are contained within the relevant audit reports and will be actioned accordingly.

8.2 **Assistant Director of Legal & Governance - Benita Edwards Head of Legal Services**

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

10. Background Information

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	1 Sep – 31 Oct 24	Year to date	Year-end Target
1	Internal Audit work (Forvis Mazars) – Days Completed vs. Planned programme	18%	40%	95%
2	Priority 1 recommendations implemented at follow up	N/A	100% *	95%

12. Internal Audit work – Forvis Mazars

- 12.1 The activity of Forvis Mazars for the first period of 2024/25 is detailed at Appendix A. Forvis Mazars planned to deliver 330 days of the annual audit plan (800 days) during the period (to 31 Oct 2024) and delivered 316.5 days audit work during this period. There has been some change to the audit plan to reflect the changing priorities within the Council and there is a separate report of the changes as part of my annual audit report to the Audit Committee's elsewhere on the agenda.

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 July, six internal audit reports have been issued. Those audit areas where the level of assurance is low are detailed below.

12.3 Significant issues arising in Quarter 2

In this period, there were five final internal audit reports; one was assigned “Substantial Assurance,” one was assigned “Adequate Assurance” and three were assigned “Limited Assurance.” The audit area, nature of the service and key residual risks arising from audit review with “Limited Assurance” are noted below.

Delivery of Savings – “Limited” Assurance

Due to the reduced government funding and increased costs and demand, it is common for Local Authorities to adopt a savings programme, often through a Medium-Term Financial Strategy (MTFS). The Council is in line with peers through its’ four or five-year MTFS which aims to provide financial sustainability to the Council’s projected budget through the implementation of savings proposals and contingency planning. As part of the 2024/25 budget week which took place in June 2024, stakeholders were briefed on the national and local economic context and had been provided with spending comparisons with other local authorities.

The Council has sought to use the budget week as a focal point to identify its savings with discussions happening at a senior level across all directorates. The delivery of savings is monitored monthly by the directorates and Finance Business Partners, with oversight from the Corporate Leadership Team. A Finance Business Partner is allocated to each directorate, and they provide financial management advice and strategic support to budget holders in the delivery of savings proposals. Savings plans are reported on monthly by Finance Business Partners via the MTFS tracker and a summary of the total savings for each directorate is included in the monthly Corporate Leadership Team report. For a sample of five savings plans from the 2024/2025 MTFS Tracker the audit confirmed the savings had been reported on in period two. The key risk that remains is the level of savings needed have not been identified, and for the savings that have been identified, the audit noted a full risk assessment over their delivery was not evidenced.

The audit highlighted the following key areas of risk:

- A RAG status is not assigned to all savings proposals on the MTFs Tracker and actions to address the risk are missing for Red and Amber RAG statuses; and
- Savings Proformas (business cases) are not reviewed or updated periodically.

The auditors raised four recommendations; three “priority 2” and one “priority 3” recommendation.

Staff Performance – “Limited” Assurance

Managing staff performance is crucial for several reasons and effective management of staff performance benefits the Council and supports employees in achieving their personal and professional goals. Putting in place effective performance management of staff will deliver a range of benefits, including: -

- Enhancing productivity by helping to identify strengths and weaknesses, allowing for targeted improvements that boost overall productivity;
- Setting clear goals, fostering a sense of purpose and direction among employees;
- Encouraging development from regular feedback and performance reviews;
- Increasing engagement with employees feeling more valued and engaged;
- Boosting morale by creating a positive workplace culture.

The audit noted that the need for a standardised process to monitor, record and oversee the management of staff performance. Well performing peers tend to use a hybrid approach between quarterly/annual performance reviews and regular one-to-one check ins / development conversations between line managers and direct reports to address performance, development, and any wellbeing concerns on an ongoing basis. It was noted that although, the MyConversations process exists, staff are not held to account to complete MyConversations and there is no consistent evidence demonstrate that MyConversations are taking place at the four to six week interval.

The audit highlighted the following key areas of risk:

- Absence of a standardised or approved performance management framework;
- Lack of monitoring and reporting on the completion of MyConversations as the system functionality does not permit automated controls to monitor completion of the MyConversations and a manual oversight process has been deemed a strain on resources; and
- Clarity over the formality or otherwise of the MyConversations process.

The auditors raised five recommendations; three “priority 1”, one “priority 2” and one “priority 3”.

New Operating Model – Procurement Act 2023 – “Limited” Assurance

The Procurement Act 2023 is one of the largest shake ups to procurement rules in the UK’s history, creating a single regime for public procurement in England, Wales and Northern Ireland. The Act intends to make the UK’s public procurement regime “quicker, simpler, more transparent.” The Act ‘goes live’ on the 24 February 2025. A fundamental change is that the Act introduces the “most advantageous tender” rather than the “most economically advantageous” contractor.

It is anticipated that the act will require authorities to plan well in advance in preparation to go to tender. More time will be required to conduct a procurement activity. All procurement activity will need to be registered on the procurement pipeline and pipeline notice will need to be published via central digital platform. Each procurement will be given a unique identifier ID, which will give greater emphasis on transparency and small and medium size enterprises. Moreover, the Act will cover ‘whole life cycle’ from planning to contract management. It is envisaged this life cycle approach will ensure procurement activities are efficient, transparent, and aligned with the overarching goals of public service and accountability.

The Act underscores the importance of transparent decision-making processes and clear documentation of how VfM was considered and achieved in each procurement. In alignment with the Act, the audit concluded that the Council is making progress to implement these practices when the Act becomes effective. The draft Contract Standing Orders outline the responsibilities for specific parts of the procurement process based on the contract value, ensuring compliance with the new legislative requirements.

The audit highlighted the following key areas of risk:

- The authority had not established a formal training programme which identifies staff, and the level of training required for the Procurement Act 2023;
- A documented framework for understanding which procurement regime will best suit the requirements of the relevant services had not been established;
- The foundational elements of Council’ Contract Standing Orders need to be finalised;
- Risk assessment and management as part of procurement activities are an integral component of VfM, encouraging a balanced approach to risk allocation between the Council and suppliers. The audit noted that while the Council is making progress, the introduction of documents such as a Procurement Framework and Training Programme will equip officers to make optimal decisions.

The auditors raised three recommendations, all “priority 2”.