Report for:	Audit Committee – 11 March 2025
Item number:	11
Title:	Internal Audit Progress Report 2024/25 – Quarter 3
Report authorised by:	Director of Finance
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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 November 2024 to 31 January 2025 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 Nov 24 – 31 Jan 25	Year to date	Year-end Target
1	Internal Audit work (Forvis Mazars) – Days Completed vs. Planned programme	34%	74%	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 595 days of the annual audit plan (790 days) during the period (to 31 January 2025) and delivered 576 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 December, 16 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 3**

In this period, there were 16 final internal audit reports; one was assigned "Substantial Assurance," five were assigned "Adequate Assurance" and eight were assigned "Limited Assurance." A further two audit area were advisory audits and were not assigned an assurance. The audit area, nature of the service and key residual risks arising from audit review with "Limited Assurance" are noted below.

Financial Assessment of Clients – "Limited" Assurance

The financial assessment process is used by the Council's Financial Assessment team to determine eligibility for financial assistance with social care costs (such as care home). The Financial Assessment team within the Adults Services conducts a means test to assess the service user's financial situation, which includes assessing income (pensions, benefits, earnings from savings or investments), savings and investments, and property assets. This assessment ensures that those who need support receive it, while those with sufficient means are expected to self-fund their care.

As of June 2024, there was a backlog of 794 clients who had started receiving care but have not had a financial assessment. The audit noted the Financial Assessment team does not carry out regular formal reconciliations to ensure that financial assessments have been completed for clients who are receiving care. The audit also noted the Council has had difficulty in monitoring and collecting outstanding client debt and as of June 2024, there was a total of £10,726,965 debt across Adult Social Care.

The audit highlighted the following key areas of risk:

- There is no formalised approach or guidance regarding the communication of the consequences of client non-engagement. The Financial Assessment team have not prioritised creating new outcome letters;

- A lack of a defined, clearly communicated process for engaging with clients has led to an inconsistent approach amongst Financial Assessment Officers;

- No agreed process to carry out formalised reconciliations or maintain oversight over the backlog of financial assessments. Functionality limitations within ContrOCC (the financial module of Liquid Logic), restrict integration with LAS, which prevents effective oversight of monitoring the backlog;

- The use of ContrOCC and PowerBi is still relatively new, and the team are working out how best to utilise the systems, monitor financial assessments and report financial assessment data;

- Resource constraints has meant the Corporate Debt Management team has not prioritised monitoring all low value invoices;

- There is no agreed process for Financial Assessment Officers to engage with clients in the annual review process; and

- The Financial Assessment team are aware of the need to update their Policy but have not prioritised it yet. The Covid-19 pandemic led to a different approach to offering home visits, however this has not been re-assessed or defined within an approved policy or procedure.

The auditors raised nine recommendations, three “priority 1”, six “priority 2” and three “priority 3”. All recommendations are due for implementation by the end of March 2025.

Corporate Performance and Intelligence and Change Portfolio – “Limited” Assurance

Typically, local authorities with robust and transparent performance management information have developed documents outlining the methodologies for compiling performance reports. These often include performance frameworks, clear calculation methodologies, roles and responsibilities for reporting, data sources, rationale for RAG banding, and any required data validation processes. While the audit review of the performance framework identified improvements and continuous development, in the new approach to reporting against the Corporate Delivery Plan (CDP), and the procedural guidance for managing the Change Portfolio, is not set out in a policy, procedure or framework.

Where there is reliance on services in providing data across the authority, the audit would typically see roles and responsibilities of key stakeholders e.g., Central Performance Management team, Directors, and the CLT being clearly defined to ensure there is a shared understanding of the process. The audit found that roles and responsibilities of all stakeholders have not been defined. As such, the creation of a framework or policy could provide additional clarity here and help to develop robust processes.

Embedding a standardised approach to measuring performance and progress can increase the efficiency of the process as well as ensuring consistency across the organisation. The authority has adapted its reporting methodology for the CDP in July 2024. The methodology includes a RAG rating for five factors - time, budget, resources, benefits and risk and a documented and publicised RAG criteria is in place. However, KPIs have not been updated in the Dashboard and comparators, such as benchmarking data or baseline averages are not always in place. This could undermine the ability to monitor the impact of the actions in the CDP.

The audit highlighted the following key areas of risk:

- Lack of clarity around the frequency of reporting and KPIs were not updated or reported for quarter one 2024/25;

- Director sign off was not obtained for 73 of 186 CDP updates in Q1 updates - 47 Greens, 22 Ambers and 4 Reds; and

- No metric based KPI reporting on the expected benefits from the Change portfolio and activities within the CDP.

The auditors raised seven recommendations, four “priority 2” and three “priority 3”. The recommendations are due for implementation by December 2025.

Review and Management of Off Contract Spend – “Limited” Assurance

There is an expectation that purchases outside agreed contractual arrangements arise exceptionally. This audit sought to review the arrangements for identifying off contract spend and taking steps to review and regularise, where necessary.

Potential off contract spend is flagged by the Accounts Payable (AP) team when an invoice is received which cannot be matched to a purchase order and a goods receipted note, as required by the Procurement Code of Practice (January 2019). The Chief Procurement Officer and the Head of Financial Admin explained that while efforts are made to understand the nature / reasoning for the off contract spend, no standardised investigations are carried out into whether the potential off contract spend has gone through the appropriate channels, whether the waiver/extension process has been legitimately carried out, and whether a formal contract is in place.

Where staff do not test the market to ensure that they are getting the best price, there is increased risk the procurement processes will not achieve VfM. Reporting on off contract spend can be used to hold officers who do not follow the procurement procedures to account. This prevents them from unnecessarily procuring off contract spend and not getting the best VfM available on the market when procuring. While the AP team highlight confirmed non-compliant spend to departments, the audit could not verify reporting to CLT, to facilitate review and challenge of non-compliant spend. The Head of Financial Admin produces monthly reports which highlight potential off contract spend for purchases which have a late purchase order (PO). There were 363 cases (total population of 1,092) identified of purchases not having the correct PO between January and September 2024. Our sample testing of a selection of nine purchases from the above report identified that 67% of the tested cases did not have a legitimate contract in HPCS (Haringey Procurement System).

The audit highlighted the following key areas of risk:

- For five procurements over £10k (of nine tested), contracts are not held on Haringey Procurement and Contracting System(HPCS), or they are not signed;

- Waiver reports are not produced in a timely manner i.e., before existing contracts expire;

- Directors and the wider Corporate Leadership Team (CLT) are not provided sufficient oversight of off contract spend;

- A lack of an automated system to confirm whether procured services have a contract in place until the invoice is received; and

- Procurement training ends at using the HPCS system and does not try to address the larger issue of effective procurement.

The auditors raised six recommendations, three “priority 1” and three “priority 2”. The recommendations are due for implementation by December 2025.

Children's Provider Payments – “Limited” Assurance

The purpose of this audit was to assess the design and effectiveness of the control framework for managing the children’s provider payments process. In line with other local authorities the audit found that the Payments team use LiquidLogic and ContrOCC to manage care packages and provider payments. This allows case information to be stored and accessed in one place. From our sample of ten provider payments, we found that all packages were present on LiquidLogic and ContrOCC and had interfaced with SAP apart from two of the sample where the invoice had yet to be received by the Payments team.

The audit highlighted the following key areas of risk:

- Commitment reports held by the Payments team are not clear and lack data integrity checks and the budget monitoring process is not documented;

- No performance monitoring or reporting key root causes;

- Lack of information regarding the forecast process is shared between the Payments team and Finance and some of the current commitment reports are very useful;

- Different ways of working; knowledge and dependency across Directorates and the Payments team; and

- Training and development on processes and procedures impacting the payment's function has not been identified, improved or sufficiently delivered to key staff within the CYPS Directorate.

The auditors raised five recommendations, three "priority 1" and two "priority 2". The recommendations are due for implementation by March 2025.

Voids and Follow up of Lettings – "Limited" Assurance

Void properties are unoccupied dwellings arising, usually, at change of tenancy. Effective management of void properties is essential to avoid significant income losses that are associated with properties not being in an adequate state to be re-let or sitting unoccupied for extended periods. Effective use of time and management of resources are paramount so that all key stages of the void management and allocations processes can be completed swiftly, economically and to satisfactory standards.

The voids process at the Council starts with the tenant submitting a Tenancy Termination Form. This is circulated across teams, including the voids, lettings and tenancy teams. The Team Leader of that void should undertake two initial actions: arrange for a Locksmith to change the locks and ensure a Surveyor inspects the property. Both these milestones should occur within 24 and 48 hours of the keys being returned. The Locksmith will then change the locks and puts a key safe up, following which the Surveyor will inspect the property.

Where the Surveyor deems that work is required to be completed within the property, it should be scheduled and booked by the Team Leader, following the receipt of the initial inspection form, completed by the Surveyor. Work will then be carried out and a post inspection will be completed by a Team Leader or Surveyor. Before the property can be re-let, it must be confirmed as 'Suitable for advertising' once it has passed the post inspection. The management of voids has been hampered by regular changes in management and processes over the past few years and vacancies in the Housing Repairs Service Commercial Team and wider Repairs Team. A briefing paper on voids performance delivered to the Housing Improvement Board identified more broadly factors such as the under investment in asset management, the growth of disrepair, compliance issues and the increased focus on damp and mould which have further increased pressure on the service.

The target turnaround of voids is 23-days, however due to current issues with capacity and resourcing, this target timeframe has been paused, and is significantly exceeded.

The audit highlighted the following key areas of risk:

- Lack of complete data on key stages of the voids process;
- No defined timescales for individual stages of the voids process;
- Lack of documented policy for empty properties and management of voids;
- The pre-inspection process to help to reduce the time taken to complete the voids process is not used;
- Delays in scheduling works for void properties; and
- Satisfaction surveys for new tenants have not been used in the last 12 months.

The auditors raised six recommendations, two “priority 1” and four “priority 2”. The recommendations are due for implementation by April 2025.

Management over Gifts and Hospitality – “Limited” Assurance

The authority utilises a ticketing system, Halo to declare gifts and hospitality. Halo has a built-in declaration form which staff fill out to declare the receipt of any gifts or hospitality. Halo automatically records the data entered into the form into the Council’s Gifts and Hospitality Register (Register) and this can be exported into an Excel document. This reduces the need for manual resources to manage the declaration process. Officers are typically required to declare gifts and hospitality prior to accepting and document when a gift or hospitality was offered.

The audit highlighted the following key areas of risk:

- There is no oversight over the gifts and hospitality declaration process;
- Not all staff have been assigned or completed the mandatory Anti-Bribery e-learning;

- Gifts and hospitality are accepted before approval from Line Managers and some individuals do not have approvers;

- The Gifts and Hospitality Register is missing key information; and

- Lack of reporting to senior management of gifts and hospitality.

The auditors raised six recommendations, five “priority 2” and one “priority 3”. The recommendations are due for implementation by June 2025.

International Recruitment – “Limited” Assurance

International recruitment is governed by a series of policies and procedures, including Recruitment Policy (May 2023); Relocation Policy (August 2023); and Contract Procedure Rules (April 2023). The policies and procedures provide clarity across the full scope of recruitment actions required to facilitate an international recruitment campaign. Specific reference to campaign budgets, recruitment agencies and prospective employee interviews can be found in the Recruitment Policy, while the Contact Procedure Rules identify the criteria required to waive contract standing orders. The focus of this review was the Council’s recruitment campaign in India, completed between August and November 2022, which was aimed at hiring 16 new council officers. The officers would relocate to the UK and help to address the shortage of suitable domestic candidates.

The audit highlighted the following key areas of risk:

- Late submission of decision reports for the procurement of international recruitment in March 2023, seven months after the international recruitment campaign held in August 2022; and

- Absence of decision report on financial approval for relocation payment.

The auditors raised six recommendations, five “priority 2” and one “priority 3”. Most recommendations are due for implementation by March 2025, and one recommendation by March 2026.

Governance arrangements over Regeneration of Broadwater Farm – “Limited” Assurance

The Broadwater Farm Programme (the Programme) has emerged following the identification of serious structural failings between 2017 and 2018, within 11 of the 12 blocks on the Broadwater Farm Estate (the Estate), in the wake of the Grenfell Tower tragedy. The Estate is situated within the West Green ward in the east of the borough and comprises of 12 blocks and 24 houses.

Construction on the blocks began in 1969 and was completed in the early 1970s using a Large Panel System (LPS) method of construction. The Broadwater Farm Project Initiation Document (PID) was approved by the Broadwater Farm Steering Group in March 2019 and includes nine projects which form the Estate Improvement Programme, developed to ensure each project is aligned and understood as one holistic programme.

The target completion date for the Programme is June 2031, based on the Broadwater Farm High Level Programme Timeline which was last updated on the 4th April 2024.

The Programme is governed through the Broadwater Farm Steering Group, whose main purpose is to monitor performance of the Programme against agreed milestones and targets. The Project Delivery Team are also responsible for providing progress updates to the Capital Programme Board. The main function of this board is to monitor and retain a strategic overview of the capital and major works programme. Strategic issues and risks related to the Programme should be reported to the Placemaking and Housing Board by exception. This board's primary function is to resolve and / or escalate strategic issues and risks appropriately within the Council's governance mechanisms.

The audit highlighted the following key areas of risk:

- A formal business case is not in place for the Programme and the Project Initiation Document has not been updated since March 2019. Consequently, there is a lack of a robust rationale and defined management controls for the Programme and it is difficult to gain a holistic view of initial Programme scope, impacting the Council's ability to hold decision-makers accountable for Programme outcomes; and

- The Programme's Highlight Reports do not include budget monitoring information, hindering effective financial oversight as decision-makers lack visibility into financial performance.

The auditors raised six recommendations, one “priority 1”, one “priority 2” and four “priority 3”. The recommendations are due for implementation by March 2025.