

APPENDIX A - Annual Internal Audit Report 2024/25 (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 2024/25, 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 2024. 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. The Audit Committee was advised on the new Public Sector Internal Audit Standards in January 2025, and that the new standards will apply from the start of 1 April 2025. Key element of the delivery of internal audit will need to be refreshed, in particular, the internal audit strategy and charter to ensure compliance with the new standards.
- 1.4 Internal Audit, excluding the investigation of allegations of fraud and corruption and some other special review or investigations, is provided by Forvis Mazars LLP (Mazars) as part of the framework contract awarded to the London Borough of Croydon. The contract was retendered in 2017 and ran to 2024 with a further option to extend for 2 years. A two year extension has been applied and the contract extension will apply to March 2026. Mazars carried out their own independent external assessment in 2024 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.
- 2.4 The internal audit approach and strategy has been to have an open and honest conversation with management to fully understand the residual risks within their services. Management have sought audit input where the service is aware of issues. This 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 began a few years ago and has continued throughout 2024/25.
- 2.5 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. As envisaged, this area has become increasingly important with the continued financial challenges;
 - **Internal Financial Controls:** Verifying financial records, transactions, and controls for accuracy and reliability; and

- **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 2024/25. 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 2024/25, 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 2025 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 Corporate Directors and 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 will lead to higher proportion of audits being assigned a lower level of assurance.
- 3.9 Outcomes of the 2024/25 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 Corporate Director of Finance and Resources and the Audit Committee continue to monitor the progress to address control weaknesses. Both the Chief Procurement Officer and the Director of Finance and Resources have presented the Audit Committee with updates throughout the year.

- 3.11 Another area of work is in respect of Property Services where in 2021/22 “Limited” assurance opinions and management concerns were highlighted. The fundamental internal controls have yet to be established in some areas though through follow up and recent audits, the service is taking steps to respond to the fundamental issues. I will monitor and formally follow up the progress to address control weaknesses in this area in 2024/25 including new audits as appropriate.
- 3.12 A number of internal audits in respect of operational activities in housing have been assigned “Limited assurance” such as Damp and Mould, Tenancy Management, Homeownership team and Service Connects. These are known areas of risk that the service is going to implement the audit recommendations. Since the in-sourcing of the majority of the housing function from Homes for Haringey into the Council, I have reported a number of key areas of the Housing service need to strengthen their internal control environment and the Director of Housing attended the Audit Committee in October 2024 to set out the steps he was taking over the next year or so.
- 3.13 A new area that where the work of internal audit has highlighted weak internal controls is in respect of the financial controls with Adult services. Over the last couple of years, internal audit has reviewed the Brokerage function, Assessment of Client contribution and the use of the Dynamic Purchasing System to procure social care for clients. All have been assigned a low level of assurance.
- 3.14 As I reported previously, 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 has changed from March 2025. My expectation that having identified issues following an audit, the recommendations are implemented promptly. I continue to see some stain in how quickly recommendations are implemented and will monitor and report on progress.
- 3.15 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 2024/25 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.
- 3.16 Analysis of recommendations not implemented shows that in most recommendations not implemented relate to specific audit areas. The implementation of recommendations will remain an area of focus in 2025/26. The results of follow up activity completed by both in house and Mazars resources are summarised at section 6 of this report. 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 rooted and need longer to implement.

3.17 In respect of the Council's governance arrangements, actions to enhance its governance framework is outlined within the 2024/25 Annual Governance Statement. Key areas of improvements are: -

- 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 management systems;
- to 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 suspected fraud in 2023/24 and there have been new regulatory requirements applied from 2025.

3.18 Previously, I have reported the proportion of audits assigned a lower level of assurance was 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 adult service. This ethos of openness has continued into the audits performed in 2024/25. The proportion of audits assigned a lower level of assurance is similar to in 2024/25 in comparison to the previous year. I am pleased to note the significant increase in the number of audits assigned the highest level of assurance, from two in 2023/24 to six in 2024/25. A summary of outcomes for 2024/25 is as follows:

- Six areas were assigned "Substantial" assurance and 14 audits assigned "Adequate" assurance. A further three areas were advisory audits;
- One area was assigned "Nil" assurance and 13 audits "Limited" assurance. There were a further nine areas assigned Limited assurance for audits completed in 2024/25 that began in 2023/24; and
- There are six audits where the audit work has been completed and the findings will be reported in Sept 2024.

3.19 For the financial year 2024/25, a total of 205 recommendations were raised. This is proportionately the same number of audit recommendations as we completed sixteen more audits than the previous year. The priority of the recommendations raised is as follows:

- Priority 1 recommendation – 28
- Priority 2 recommendations – 104
- Priority 3 recommendations – 73

3.20 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	11/79	4	7	0
2021/22	14/164	3	10	1
2022/23	25/209	5	15	5
2023/24	31/116	7	19	5

3.21 Further details over the status of follow up, assurances and priority of recommendations is provided at section 6 below.

3.22 I reported last year that the control environment in Haringey's schools had improved. No school in recent years has been assigned a "Nil" assurance, though this trend has deteriorated into the financial year 2024/25. A programme of follow ups was completed in 2024/25 by Mazars and outcomes are generally satisfactory though I reported to the Schools Forum that more needs to be done to ensure priority 1 recommendations are implemented in a timely manner. 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 the outcome from schools audits is as follows: -

- Five out of twelve schools completed received 'Adequate' or above assurance rating;
- No schools received a 'nil' rating;
- Seven schools received 'Limited' Assurance;
- One school received an improved Assurance from the last audit;
- For four schools, there was a reduction in assurance from the last audit; these schools received a limited assurance; and
- The number of Priority 1 recommendations has increased considerably from last year, from three to ten.

3.23 Common themes arising from the audit of schools continue to include:

- Governors not providing evidence of their DBS certificate, particularly where the previous certificate requires an update;

- Contracts have been rolled over for a number of years and spend on them exceeds the thresholds for going out to tender; and
- An Information Asset Register which outlined the data collected and utilised by the schools were not maintained, in line with the guidance issued by the Information Commissioner Office.

3.24 For the financial year 2024/25, a total of 129 recommendations were raised. This is an increase from last year where 97 recommendations were raised. The priority of the recommendations raised is as follows:

- Priority 1 recommendation – 10
- Priority 2 recommendations – 28
- Priority 3 recommendations – 71

3.25 There is a noticeable increase in the number of priority 1 recommendations in comparison to the previous year where in 2023/24, three priority 1 recommendations were raised.

3.26 As in other years, most recommendations made relate to Procurement (26%). This is a decrease percentage from last year; School Governance (29%, increase year on year), Financial Planning and Monitoring (8%) reduced from last year.

4. Internal Audit Coverage and Output

4.1 The 2024/25 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 2024/25 included 57 audit projects and 12 school's audits, which was approved by the Audit Committee on 7 March 2024. 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 44 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 2024/25 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	
Governance over Delivery of Savings (x2)	There was a recognition that the savings were not being delivered as planned and assurances were obtained from the work of the Finance team and the previous internal audits.
Children’s Services	
Admissions Process	Other priorities were identified and this audit deferred.
Youth Offending	This area had been subject to a recent audit and assigned a “Adequate Assurance”. There was no need for additional assurance from this audit.
Rokesley Infants	This audit was postponed.
St Peter in Chains RC Infant	This audit was postponed.
Adults, Health and Communities	
Management of Waiting List	A task force was employed by the service to respond to a waiting list with a view to reduce the number awaiting an assessment from the service.
Culture, Strategy and Engagement	
Performance and Project Management Governance Framework	The service was transitioning to Digital Services and there were plans to change the service provision. It was agreed to review this area after the changes were made.

Audit Area / Title	Status
Arrangements over Organisational Transformation	This audit was deferred to 2024/25 after changes operating model was changed to increase the pace of change.
Digital Transformation Project	This audit was also deferred to 2024/25 after changes operating model was changed to increase the pace of change.
Environment and Resident Experience	
No Change	
Placemaking and Housing	
Management of Garages	This a known area of risk and the service had not been implementing planned changes during the year.
Processes to let a property (from empty to relet) incl allocation and letting	A new audit of Lettings reviewed this area.
Follow up of Delivery of the Housing Improvement Plan	There was an independent review carried out and a separate internal audit was required.
Partnering Contract	The contract letting process had been delayed and the audit was moved into the 2024/25 financial year.
Implementation of the Corporate Property Model (Incl recommendations from Independent review)	The service presented to the audit committee on its current status to provide assurance.
Management of Community Assets	This audit was deferred.
Follow up of Commercial Property	The service presented to the audit committee on its current status to provide assurance.
Corporate IT Audits	
Review of the Outline Business Case for SAP Replacement	The project had not processed to business case and the audit was deferred to the following year.
Follow Up on Prior Years Recommendations	This was carried out in-house.
Source 2 Pay Implementation Review	The project had not processed to business case and the audit was deferred to the following year. The Audit Committee was appraised of the issues by the Chief Procurement Officer.

Audit Area / Title	Status
Contract and Procurement Audit	
Contract Management	The anticipated progress in improving contract management in the organisation had not been possible due to systems issues and the audit deferred.
Control and Monitoring of Purchasing Cycle	The new source to pay system's implementation has been deferred.
New Source to Pay Application Review	The new source to pay system's implementation has been deferred.
Contract and Procurement Audit	
Management of Budgets	This audit was completed in the previous year and moved from 2024/25.

Table 2 – Summary of changes to the audit plan.

Plan / Change	Number
Number of audit projects as per the original plan (+)	57
Number of planned schools Audits (+)	14
Total number of assignments (=)	81
Projects added to the plan in year (+)	5
Projects deferred / cancelled (-)	23
Total number of assignments (=)	53
of which Audit Assignments (incl Follow Up)	36
Advisory	5
Schools	12
Number completed by Mazars (see app B)	
of which Audit assignments totalled	32
Schools totalled	12
Advisory totalled	3
Audits completed and to be reported in 2025/26	6

- 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 2025/26, 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, for timely reporting of audit findings.
- 4.6 I do not consider the audits now scheduled for 2025/26 has had an adverse impact on my overall opinion for 2024/25. 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	
Bruce Castle Capital Works Programme	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 2024/25

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 2024/25 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 2024/25, 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 2024/25 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 2024/25 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 2024/25 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.

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 2024/25. 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 2024/25.

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, and C for more information.

Table 3 analysis of audit outcomes

Assurance Level	2024/25 Reports	2023/24 Reports	2022/23 Reports
Substantial	6 (13%)	2 (4%)	5 (9%)
Adequate	14 (26%)	20 (36%)	20 (33%)
Limited	22 (40%)	16 (29%)	23 (38%)
Nil/No	1 (2%)	2 (4%)	1 (1%)
Advisory / Risk Work	3 (6%)	2 (4%)	9 (15%)
Follow Up / reporting in 25/26	6 (13%)	13 (23%)	2 (4%)
Total	52 (100%)	55 (100%)	60 (100%)

Recommendations raised in 2024/25 and Follow Ups in 2023/24

- 6.2 An analysis of the recommendations raised as part of the 2024/25 audits is set out below. The figures are based on 44 assurance reports (32 assignments completed in the year and 12 assignments brought forward from last year) in 2024/25 and 24 in 2023/24. Details of the recommendations raised for 2024/25 is set at paragraph 3.20 above.

Table 4 - 2024/25 recommendations by priority

Risk	Number of recommendations		Percentage	
	2024/25 (44 Audits)	2023/24 (24 Audits)	2024/25 (44 Audits)	2023/24 (24 Audits)
Priority 1 – High	28	32	14%	23%
Priority 2 – Medium	104	73	51%	55%
Priority 3 - Low	73	30	35%	22%
Total	205	135	100%	100%

- 6.3 All recommendations raised are tracked until closure this has in the past been part of the audit plan activity although directorates were expected to maintain their own records of recommendations for management monitoring. The results of follow up have informed this year's opinion and 2025/26 audit planning.
- 6.4 In 2024/25 a project to review all open audit actions has been completed and the actions raised in year will all be tracked using a system accessible to both services and audits in order to streamline the follow up process.
- 6.5 My area of focus for 2025/26 will continue to 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. It should be noted that these actions are often significant in terms of resources and whilst the actions are not fully embedded the follow up process looks to ensure interim mitigations are put in place where possible. The areas where priority one recommendations remain open are Contracts and Procurement, Housing, Commercial Property and Digital Services.

7. Consultancy Audits 2024/25

- 7.1 The trend for continued support and advice is likely to continue into the future. Mazars provide strengthened specialist input into areas such as: IT, Project Management; Housing and Schools and the Head and Deputy Head of Audit have continued to offer advice to services throughout the year.

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, ten reports were finalised, the profile of the assurances is as follows:-
- One audit area was “Substantial” Assurance;
 - Five audits were assigned “Adequate” Assurance;
 - Three audits were assigned “Limited” Assurance and
 - One audit was a consultancy audit and not given an assurance.
- 8.2 For further details of the audits, please refer to Appendix F.

8.3 The nature of the service and key residual risks arising from review are noted below.

- Scheme of Delegation – “Substantial” Assurance
- Community Reablement Services – “Adequate” Assurance
- IT Change and Problem Management – “Adequate” Assurance
- Delivery of New Council Homes – “Adequate” Assurance
- Homecare Services – “Adequate” Assurance
- Recycling – “Adequate” Assurance
- Implementation of Panacea – “Limited” Assurance
- Leisure Services Insourcing – “Limited” Assurance
- Accounts Receivable (Sundry Debtors) – “Limited” Assurance

8.4 Key findings arising from the audit area assigned “Limited Assurance” are set out below.

Implementation of Panacea – “Limited” Assurance

8.5 The auditors raised seven recommendations; four “priority 2” and three “priority 3”. The key issues were:

- Management had not considered the need for recording attendees of group meetings or assigning target completion dates and owners to actions;
- Lack of alignment and engagement in updating Digital PMO template documents and change control processes, exacerbated by an organisational restructure and the cessation of cross-business meetings;
- Challenges and delays with contract approval process; and
- Budget monitoring was overseen outside of the Project Team and not supported with a formal communication line.

Leisure Services Insourcing – “Limited” Assurance

8.6 The auditors raised six recommendations; three “priority 1”, two “priority2” and one “priority 3”. The key issues were:

- Tasks scheduled for post-go live had been noted in the Insourcing Plan, however operational details of their delivery have not yet been agreed;
- Expectations around the level of information completeness was not enforced in Workstream Monitoring spreadsheets; and
- Inability to recruit a HR workstream lead to effectively report on risks and progress.

Accounts Receivable (Sundry Debtors) – “Limited” Assurance

8.7 The auditors raised three recommendations; one “priority 1”, and two “priority 2”. The key issues were:

- A lack of resources in the Corporate Debt team and systems issues in SAP whereby Dunning is not being generated automatically;
- Ineffective arrangements to accommodate swift recovery of debts; and
- The administration of Adult Social Care needs attention, the current arrangements result in high human resource to recover debts.

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 2025/26 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

6 July 2025