

Report for: Audit Committee – 29 January 2026

Item number: 11

Title: Internal Audit Progress Report

**Report
authorised by :** Director of Finance

Lead Officer: Minesh Jani, Head of Audit and Risk Management
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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 in the period 1 September to 31 December 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. Background information

6.1 The information in this report has been compiled from information held within Audit & Risk Management and from records held by Forvis Mazars.

7. Contribution to the Corporate Delivery Plan 2024-2026 High level Strategic outcomes'

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

8. Carbon and Climate Change

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

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

9.1 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.

9.2 **Director of Legal & Governance – Haydee Nunes De Souza, 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.

9.3 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.

10. Use of Appendices

Appendix A – Forvis Mazars Progress Report – Internal Audit

11. Background Information

None

12. Performance Management Information

12.1 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 25 – 31 Dec 25 | Year to date | Year end Target |
|------|--|----------------------|--------------|-----------------|
| 1 | Internal Audit work (Forvis Mazars) – Days Completed vs. Planned programme | 31% | 47% | 95% |
| 2 | Priority 1 recommendations implemented at follow up | Note 1 * | Note 1 * | 95% |

* Note 1. The status of recommendations is discussed in detail at section 13.3 below.

13. Internal Audit work – Forvis Mazars

13.1 The activity of Forvis Mazars for the first period of 2025/26 is detailed at Appendix A. Forvis Mazars planned to deliver 332 days of the annual audit plan (710 days) during the period (to 31 Dec 2025) and delivered 332 days audit work during this period. There has been some change to the audit plan to reflect the changing priorities within the Council.

13.2 Members of the Audit Committee receive detailed summaries of internal audits where a final report has been issued, to allow members to consider audit findings in a timely manner. Appendix A provides a list of all final reports which have been issued since the last meeting of the committee. Since its committee meeting in November, four internal audit reports have been issued. The audit areas and the level of assurance are detailed below at para 13.4.

13.3 Status of Priority 1 Recommendations

The table below sets out a summary of the priority 1 recommendations raised from the work of internal audit and their status. The summary provides a position statement of the recommendations as at 31 December 2025.

| Status of Recommendations | Priority 1 Recommendations status | | | | | |
|--|-----------------------------------|------|------|------|------|-------|
| | FY21 | FY22 | FY23 | FY24 | FY25 | Total |
| Recommendations Outstanding (1/4/2025) | 4 | 3 | 5 | 7 | 32 | 51 |
| Recommendations Implemented | 4 | 1 | 2 | 3 | 14 | 24 |
| Recommendations outstanding (31/8/2025) | 0 | 2 | 3 | 4 | 18 | 28 |
| Recommendations outstanding (31/12/2025) | 0 | 0 | 2 | 3 | 15 | 20 |

From the table, most priority 1 recommendations raised to the FY24 have been implemented. Of the nine priority 1 recommendations not implemented as at 31 August 2025, a further five have since been implemented leaving five recommendations remaining to be implemented. The recommendations outstanding for the period to FY24 relate to the following areas: -

- FY23: The two priority 1 recommendations outstanding relate to the Management of Stocks and Stores within the Housing Service and within Digital and Change Service in respect of Cyber resilience; and
- FY24: The three priority 1 recommendations outstanding relate the Council's use of the Council's Dynamic Purchasing System (DPS); Complaints Management and the Payroll (SAP).

The majority of recommendations due for implementations were raised in the last financial year (32) and the expectation is that these recommendations will be implemented over this financial year.

13.4 Significant issues arising in Quarter 2

In this period, there were two final internal audit reports that were assigned a “Limited” level of assurance. A further two areas were assigned “Adequate” assurance. The nature of the service and key residual risks arising from review are noted below.

Managing Housing Benefit Overpayments– “Limited” Assurance

The objective of this audit was to assess the design and effectiveness of the control framework for managing housing benefit overpayments. Effective management over the collection of housing benefit overpayments will mitigate the following strategic risks:

- FR0001 – unable to set a balanced budget for 2025/26 and beyond.
- FIN0005 – cash flow - not being able to make timely payments.

Housing benefit overpayments arises when there is a change of circumstances or entitlement for the claimant. The Benefits team receive an update from the Department for Work and Pensions, and HMRC, or through the claimant. The Benefits team update the entitlement and create an overpayment calculation within the benefit management system, iWorld. The team works towards a seven working day target to complete the calculation, from the day the information is received.

As at May 2025 the total HB overpayment debt was £35.6 million, this included both invoiced debt and existing claimant debt. The invoiced debt element of this was £19.7m. The proportion of overpayments received from the DWP is determined by a number of factors. Where a local authority fails to collect housing benefit overpayments, there can be significant financial impact on the local authority as the housing benefit administration is financially significant. The Housing Benefit Overpayment Debt team is working towards a £15 million target balance for the invoiced debt.

The audit noted that the target Housing Benefit Overpayment balance was not being met. In the auditor’s opinion, a root cause is a lack of clear prioritisation of debt levels and focus on action to clear debts.

The auditors raised three recommendations; one “priority 1”, one “priority 2” and one “priority 3”. The priority 1 recommendation is due for implementation by end of January 2026.

Management and use of Contract Waivers – “Limited” Assurance

The objective of this audit was to assess the controls, compliance and processes in place for the management and utilisation of contract waivers following the introduction of the new process in April 2025. The Council spends approximately £550 – £600 million annually through procurement activities, with a strategic focus on community wealth building and value for money. Contract

waivers are a critical mechanism within this framework, allowing exceptions to standard procurement procedures under defined circumstances.

The audit raised the following findings:-

- Inconsistencies in application due to the new contract waivers process being introduced in April 2025. The audit identified weaknesses over the approval for waiving procurement procedures;
- With the CSOs introduced in April 2025 and the Procurement Board established in February 2025, monitoring and reporting needed strengthening;
- The Procurement Code of Practice had not been updated to reflect the changes introduced in the Contract Standing Orders, leading to misalignment and confusion about procedures and delegation;
- Gaps in data entry and overall tracker completeness was noted on the waiver tracker. As the tracker was newly established at the time of the audit, processes and responsibilities are still being embedded.

The auditors raised six recommendations; two “priority 1”, two “priority 2” and two “priority 3”. The priority 1 recommendation is due for implementation by end of January 2026.

Fire Risk Assessments (FRAs) – “Adequate” Assurance

The objective of this audit was to assess the design and effectiveness of the control framework for managing Fire Risk Assessments. The Council’s corporate risk register has identified fire risk assessments as one of the areas of risk in the Council meeting its full regulatory compliance within Housing.

Fire Risk Assessments (FRAs) are a statutory requirement for social housing providers and form a critical part of the landlord health and safety responsibilities. The FRA programme covers communal areas across LBH’s housing stock and is designed to identify fire hazards, assess risk levels, and ensure appropriate remedial actions are taken. The programme is governed by LBH’s Fire and Structural Safety Policy (May 2025), which outlines a risk-based approach to scheduling assessments, with higher-risk buildings requiring more frequent reviews.

The FRA programme is managed through the C365 compliance management system, which was introduced in November 2024. C365 is intended to automate the scheduling of assessments, extract remedial actions from uploaded FRA documents, and provide a centralised platform for tracking compliance. Contractors are expected to upload completed FRAs directly into the system, and fire safety compliance staff overseeing the programme’s integrity and performance. The review considered communal areas within the social housing stock managed by the Council, Haringey Community Based Society and Homes for Haringey properties.

The audit identified the following areas for improvement: -

- Formally executed contracts were not in place at the time of the audit; and
- Make all relevant contracts accessible to the fire safety team and contract managers, so that staff responsible for monitoring performance are fully aware of the agreed terms and can hold contractors accountable.

The auditors raised three recommendations; one “priority 2” and two priority 3. There was no priority 1 recommendation.

Sickness Absence Management – “Adequate” Assurance

The objective of this audit was to establish the controls and processes in place for managing short- and long-term sickness given the significant impact it can have on business operations. The audit reviewed income streams from the following areas:

- Policies, procedures and training;
- Sickness absence record keeping, access to sickness records and monitoring; and
- Management information.

The audit considered the following risks:

- There is a lack of centralised system preventing a better control environment to manage sickness absences;
- A central accessible location to store sickness related documents is not available on the current version of SAP; and
- Responsibility for signing up to the training sits with line managers as opposed to HR.

The audit noted that whilst there were good practices in place, such as long-term sickness cases being referred promptly to Occupational Health, sickness data was reported to the Directorate Management Team monthly and key details of sickness absences were recorded in SAP.

The auditors noted Human Resources service’s comments over its level of resource to ensure the organisation complied with corporate HR policies and the limitations of the current SAP system to support this activity. The auditors recommended improvements in respect of the following areas:

- Develop a training video on the Council’s sickness absence policy/process and mandate all newly appointed line managers to view this. Moreover, to monitor viewing of the training and where individuals have not done so, follow this up with their Line Manager;
- The HR team should receive and store return to work forms for individuals with high levels of absences or a random sample of 10% each month to retain oversight of what has been completed and what has not. Where HR have not received the form, the line managers should be chased.

The auditors raised five recommendations; two “priority 2” and three “priority 3”. The most significant recommendations are due for implementation following the implementation of a new ERP system and the administrative recommendations will be implemented by the end of this financial year.