

Internal Audit
Quarter 4 Internal Audit Report
2013/14
London Borough of Haringey

Mazars Public Sector Internal Audit Ltd.
June 2014

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Executive Summary

Introduction

This is our fourth quarter report to the Corporate Committee for the 2013/14 financial year including details of all reports which are now at final stage. The report provides information on those areas which have achieved full or substantial assurance and gives an indication of the direction of travel for key systems work which will provide Members with information on how risks are being managed over time. The format of this report is also designed to highlight the key risks facing individual departments and the Council which have been identified during the course of our internal audits. A more detailed summary of the limited assurance audit findings is included for information. The report draws together the summary information which is provided on a monthly basis to Members of the Corporate Committee. Members of the Committee will also be provided with full copies of our audit reports upon request.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports.

The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

As a reminder, our recommendations are prioritised according to the following categories:

- Priority 1* - major issues for the attention of senior management
- Priority 2* - other recommendations for local management action
- Priority 3* - minor matters and/or best practice recommendations

Key Highlights/Summary of Quarter 4 2013/14 – Final Reports issued:

2013/14 Internal Audits finalised in the quarter:

- Social Fund;
- Active Directory User Security;
- Accounts Receivable;
- Parking Services – Residents Permits and Visitors Vouchers;
- Council Tax; and
- NNDR.

Delivery of 2013/14 Internal Audit Plan

As part of the delivery of the 2013/14 Internal Audit Plan, we have also issued draft reports for the following audits:

- Strategic Financial Management and Budgetary Control;
- Cash Receipting;
- Treasury Management;
- Accounts Receivable;
- Accounts Payable;
- Pension Fund Investment;
- Leisure Management Contract (Procurement);
- Certificates of Lawfulness;
- Section 17 Payments;
- Housing Options and Incentives;
- Council Tax Reduction Scheme;
- NNDR Retention Scheme;
- One Borough One Future Fund; and
- Communications and Consultation.

Follow Up of Prior Years' Recommendations

The results of our follow-up work are as follows:

2011/12

Two recommendations remain outstanding; work is ongoing to address these.

2012/13

To date we have followed up 62 recommendations raised in 2012/13 and the results of our work are as follows:

- Implemented – 54 (87.1%);
- Partly Implemented – 3 (4.8%);
- Not Implemented – 3 (4.8%); and
- Not Applicable – 2 (3.3%).

Audit Progress and Detailed Summaries

The following table sets out the audits finalised in Quarter 4 of 2013/14 financial year and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

Detailed summaries of all audits which do not receive ‘Full’ or ‘Substantial’ assurance ratings are also provided for Members’ information.

Audit Title	Date of audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
2013/14							
Social Fund	Oct'13	23/01/14	Substantial	N/A	0	3	0
Active Directory User Security	Oct'13	23/01/14	Substantial	⇒	0	5	2
Accounts Receivable	Oct'13	27/02/14	Substantial	⇔	0	1	1
Parking Services – Residents Permits and Visitors Vouchers	Nov'13	23/01/14	Substantial	⇔	0	2	0
Council Tax	Jan'14	05/03/14	Substantial	⇔	0	0	0
NNDR	Jan'14	05/03/14	Substantial	⇔	0	0	0

INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2013/14

APPENDIX A

As part of the 2013/14 Internal Audit Plan we have visited the following schools, completed a probity audit and during Quarter 4 issued a final report.

School	Date of Audit	Report Date	Assurance Level	Number of Recommendations (Priority)		
				1	2	3
2013/14						
Stroud Green Primary School	January 2014	23/03/14	Substantial	2	10	1

As part of the 2013/14 Internal Audit Plan we have visited the following schools during Quarter 4 and completed a probity audit, for which a draft report has been issued.

- Highgate Wood School; and
- Bounds Green primary School.

Detailed Progress Report – Outstanding Recommendations 2011/12

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
PROCUREMENT AUDIT				
HAYS Resource Management				
1	<p>The HR team should request that HAYS Resources:</p> <ul style="list-style-type: none"> • Disclose the hidden information supporting the graphs within the monthly Headline Report; • Incorporate the job position numbers into the Headline Report; and • Ensure agency release forms are not processed without the job number included. 	2	October 2011	<p>In Progress</p> <p><i>HR Update May 2014:</i></p> <p>Only one aspect of the recommendation remains outstanding, as follows:</p> <p><i>‘Disclose the hidden information supporting the graphs within the monthly Headline Report’</i></p> <p>This part of the recommendation is ongoing. HAYS Resources have been contacted with a view to improving the HR Management Information. HR have arranged a meeting with HAYS Resources in July 2014 to resolve these issues.</p> <p>The other two parts of the recommendation have been implemented as follows:</p> <p><i>‘Incorporate the job position numbers into the Headline Report’</i></p> <p>This part of the recommendation has been implemented and effective management control is in place (Note: This was visually confirmed by Internal Audit on screen and a hard copy of the source document retained as evidence of implementation).</p> <p><i>‘Ensure agency release forms are not processed without the job number included’</i></p> <p>This part of the recommendation has been implemented. Senior management cannot process Agency Release Forms without a job number as the field for generating the job number on line is mandatory (Note: this has been confirmed by Internal Audit).</p>

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
2	The Balance Scorecard and Headline Report provided by HAYS Resources should be aligned to include information provided for management review in the same format. Any variation should be explained.	2	November 2011	In Progress <i>HR Update May 2014:</i> This is ongoing. As above HR have arranged a meeting with HAYS Resources in July 2014 to resolve these issues, which will also include reference to the above recommendation.

Follow Up Table – 2012/13 Audit Work

AUDIT AREA	Assurance Level	Recommendations												Priority 1 Recs. Outstanding
		Category				Implemented								
		1	2	3	Total	1	2	3	Total	N/A	Not Imp.	In Progress	Not due	
Corporate Resources – Key Financial Systems														
Accounts Receivable	Substantial	0	2	0	2	0	2	0	2	0	0	0	0	0
Accounts Payable	Substantial	0	3	1	4	0	2	1	3	0	0	1	0	0
Cash Receipting	Substantial	0	2	0	2	0	1	0	1	0	1	0	0	0
Council Tax	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0
Pension Fund Investment	Substantial	0	0	0	0	0	0	0	0	0	0	0	0	0
Housing Benefits	Substantial	0	3	1	4	0	3	1	4	0	0	0	0	0
NNDR	Substantial	0	0	0	0	0	0	0	0	0	0	0	0	0
Strategic Financial Mgmt. & Budgetary Control	Substantial	0	3	1	4	0	1	0	1	2	1	0	0	0
Treasury Management	Substantial	0	1	1	2	0	1	1	2	0	0	0	0	0
Revenues, Benefits & Customer services Integration	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0
Corporate Resources – Procurement														
Contract Monitoring Procedures	Substantial	0	3	0	3	0	3	0	3	0	0	0	0	0
Use of 'Compete For' Portal & Quotation Process	Substantial	0	2	1	3	0	2	1	3	0	0	0	0	0
Place & Sustainability														
Haringey Public Mortuary	Limited	3	5	1	9	3	5	1	9	0	0	0	0	0
Parking Services: Car Pound	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0
Illegal Money Lending	Substantial	0	0	0	0	0	0	0	0	0	0	0	0	0
Adult and Housing Services														
Homelessness Assessment Processes	Substantial	0	1	1	2	0	1	1	2	0	0	0	0	0
Decent Homes Programme	Substantial	0	0	0	0	0	0	0	0	0	0	0	0	0
Adult & Housing Risk Register Testing	Full	0	0	0	0	0	0	0	0	0	0	0	0	0
Occupational Therapy Service	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0

AUDIT AREA	Assurance Level	Recommendations												Priority 1 Recs. Outstanding
		Category				Implemented								
		1	2	3	Total	1	2	3	Total	N/A	Not Imp.	In Progress	Not due	
Court of Protection and Deputyship	Substantial	0	2	1	3	0	2	1	3	0	0	0	0	0
Chief Executive – People and Organisational Development														
Payroll	Substantial	0	4	0	4	0	1	0	1	0	1	2	0	0
Declarations of Interest	Limited	1	2	0	3	1	2	0	3	0	0	0	0	0
Gifts and Hospitality	Limited	1	2	1	4	1	2	1	4	0	0	0	0	0
Data Quality	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0
Health & Safety	Limited	3	3	0	6	3	3	0	6	0	0	0	0	0
Public Health														
Smoking Cessation Programme	Substantial	0	0	0	0	0	0	0	0	0	0	0	0	0
Health Checks Programme	Substantial	0	2	0	2	0	2	0	2	0	0	0	0	0
Total		8	45	9	62	8	38	8	54	2	3	3	0	0

Implemented – officers has indicated through self-certification the progress of recommendations. We have verified a sample of responses.

N/A – the recommendation is no longer applicable due to changes in the system, or alternative action has been taken to address the risk.

Not implemented – the recommendation has not been addressed, alternative action has not been taken.

In Progress – officers have started implementation of recommendations

Detailed Progress Report – Outstanding Recommendations 2012/13

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
KEY FINANCIAL SYSTEMS				
Accounts Payable				
1	Vendor Management should review outstanding multiple vendor accounts with the PSL Team, and where relevant, all multiple accounts should be reduced to one.	2	Ongoing	<p>Internal Audit Findings May 2014: Vendor Management met with the PSL Team and provided a list of suppliers duplicated in the NFI Database. In some cases, this was justified as some were parent companies with branch companies trading legitimately. With the rest, PSL were working through the list with the suppliers to explain that they needed to choose one vendor name and the rest could be blocked. The permanent Vendor Management Officer was expected to return to work in March and be asked to review progress.</p> <p>Management Response May 2014: Of the 10 original queries, 6 have been closed and the remaining 4 are currently in-progress. <i>Responsible Officer: CPU Business Support Officer</i> <i>Deadline: July 2014</i></p>
Cash Receipting				
2	Procedures should be subject to annual review. Furthermore, procedures should be version controlled stating: <ul style="list-style-type: none"> • Date of last review; • Date of next review; • Reviewing party; and • Document owner. 	2	September 2013	<p>Internal Audit Findings May 2014: Although the procedures for Hosted Workstation and processing of PCNs were last reviewed in August 2013 and are deemed to be up-to-date, discussion with the Senior Accountant established that these are reviewed as and when changes take place rather than periodically.</p> <p>Management Response May 2014: Agreed <i>Responsible Officer: Senior Accountant (Banking & Income)</i> <i>Deadline: 1 August 2014</i></p>

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
Strategic Financial Management & Budgetary Control				
3	<p>Budget guidance for the setting and monitoring the 2015/16 budget should be developed, and once produced, published on HARINET and circulated to all managers.</p> <p>The budget guidance produced should include the following:</p> <ul style="list-style-type: none"> • The requirement that individual budgets are agreed by the relevant manager; • Guidance as to the level of materiality of budget variances to be investigated; and <p>Guidance as to the requirement to record meaningful budget comments within SAP.</p>	2	March 2013	<p>Internal Audit findings April 2014</p> <p>While budget preparation guidance has been produced and is available on the intranet, examination established that it relates to the 2011/12 budget.</p> <p>There was no guidance produced for setting and monitoring the 2013/14 budget; hence the inclusion of guidance on recording comments within SAP and materiality of budget variances, as previously recommended, has not been addressed.</p> <p>Management Response April 2014:</p> <p>Revised budget management arrangements are being reviewed and, where necessary, revised as part of the ONESAP project including for the setting and monitoring of budgets.</p> <p><i>Responsible Officer: Head of Finance BAS</i></p> <p><i>Deadline: November 2014</i></p>
Payroll				
4	<p>Policies and procedures should be reviewed periodically to reflect changes in processes and local policy, as well as, any changes in current legislation.</p> <p>The date of the last review should be recorded on all documents, even where changes are made.</p>	2	Ongoing	<p>Internal Audit findings May 2014:</p> <p>Procedures are still not reviewed and updated.</p> <p>Management Response April 2014:</p> <p>Agreed. The complete HR process is currently under review and one of the outcomes will include having up to date procedural guides.</p> <p><i>Responsible Officer: Pay Control Manager</i></p> <p><i>Deadline: March 2015</i></p>
5	<p>Staff should be formally reminded that all Leavers forms should be filed in the employee's respective personal files and should not be left / kept elsewhere other than within the files they relate to.</p>	2	31 July 2013	<p>Internal Audit findings May 2014</p> <p>The HR Manager indicated that managers have been notified of late submission of forms. Examination of 15 cases established that forms were not applicable in two cases and in two further cases, the forms were not available for examination.</p>

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
				<p>Management Response April 2014: Agreed. A reminder will be sent to HR staff to ensure that copies are kept on file. <i>Responsible Officer: Recruitment & HR Support Manager</i> <i>Deadline: 30 June 2014</i></p>
6	<p>The monthly payroll and SAP reconciliations should be signed and dated by the Pay Control Manager, as preparer, and reviewed by an appropriate independent officer. The independent review should also be evidenced by a signature and date.</p>	2	31 December 2012	<p>Internal Audit findings May 2014 Discussion with the Pay Control Manager established that Payroll reconciliations are subject to independent review; however there was no evidence to support this.</p> <p>Management Response April 2014: Agreed. The monthly reconciliations have been taking place however the manual process to produce the signed off documentation has not been followed through efficiently. To resolve this from this month the review and authorisation will be performed and recorded via email thus saving both time and resources. <i>Responsible Officer: Pay Control Manager</i> <i>Deadline: May 2014</i></p>

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

June 2014

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