

**Internal Audit
Quarter 1 Internal Audit Report
2014/15
London Borough of Haringey**

Mazars Public Sector Internal Audit Ltd.
September 2014

Contents

	Page
Executive Summary	1
Audit Progress and Detailed Summaries.....	3
Follow Up of 2012/13 Audit Work.....	5
Statement of Responsibility	9

Executive Summary

Introduction

This is our first quarter report to the Corporate Committee for the 2014/15 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 1 2014/15 – 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.

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:

2012/13

To date we have followed up 66 recommendations raised in 2012/13 and the results of our work are as follows:

- Implemented – 61 (92.5 %);
- Partly Implemented – 2 (3.0 %);
- Not Implemented – 1 (1.5 %); and
- Not Applicable – 2 (3.0 %).

Audit Progress and Detailed Summaries

The following table sets out the audits finalised in Quarter 1 of 2014/15 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							
Pension Fund Investment	Mar'14	Apr'14	Full	↔	0	0	0
Treasury Management	Feb'14	Apr'14	Substantial	↔	0	1	1
Communications	Nov'13	Apr'14	Substantial	N/A	0	5	0
Council Tax Reduction Scheme	Nov'13	Apr'14	Substantial	N/A	0	2	3
Strategic Financial Management & Budgetary Control	Dec'13	Apr'14	Substantial	↔	0	2	0
Housing Benefits	Jan'14	Apr'14	Substantial	↔	0	2	0
NNDR Retention Scheme	Feb'14	Apr'14	Substantial	N/A	0	2	0
Compliance with Employer Requirements	Mar'14	May'14	Substantial	N/A	1	3	0
One Borough One Future Fund	Jan'14	May'14	Substantial	N/A	0	2	1
Tottenham Regeneration Programme	Apr'14	May'14	Substantial	N/A	0	0	0
HMO Licensing Arrangements	Nov'13	May'14	Substantial	N/A	0	1	0
Payroll	Feb'14	May'14	Substantial	↔	0	4	0
Cash Receipting	Feb'14	May'14	Substantial	↔	0	3	0
Accounts Payable	Feb'14	May'14	Substantial	↔	0	2	1
Procurement – Leisure Management Contract	Feb'14	June 14	Substantial	N/A	0	2	0

INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2014/15

APPENDIX A

Audit Title	Date of audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
Governance Services	Apr'14	June 14	Substantial	N/A	0	0	1
Procurement – Waste & Recycling Contract	Feb'14	June 14	Substantial	↔	0	0	0
Planning Services	Mar'14	June 14	Substantial	⇒	1	2	0
Certificate of Lawfulness	Feb'14	June 14	Substantial	⇒	0	2	1
Contract Management Arrangements – Sexual Health	Apr'14	June 14	Substantial	N/A	0	3	1
Procurement – Highways Repair Contract	Mar'14	June 14	Substantial	↔	0	3	0

As part of the 2013/14 Internal Audit Plan we have visited the following schools, completed a probity audit and during Quarter 1 issued a final report.

School	Date of Audit	Report Date	Assurance Level	Number of Recommendations (Priority)		
				1	2	3
Bounds Green Primary School	Dec'13	28/04/14	Substantial	0	1	5
Highgate Wood School	Nov'13	23/05/14	Limited	8	11	1
Tiverton Primary School	June 14	23/07/14	Limited	3	16	0
Rhodes Avenue Primary School	Mar'14	27/05/14	Substantial	0	6	4
Lancasterian	Oct'13	05/06/14	Substantial	2	3	3

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														
Accounting & General Ledger	Substantial	1	2	1	4	0	2	1	3	0	0	1	0	0
Accounts Receivable	Substantial	0	2	0	2	0	2	0	2	0	0	0	0	0
Accounts Payable	Substantial	0	3	1	4	0	3	1	4	0	0	0	0	0
Cash Receipting	Substantial	0	2	0	2	0	2	0	2	0	0	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

INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2014/15

APPENDIX A

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	
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
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	3	0	3	0	0	1	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		9	47	10	66	8	44	9	61	2	1	2	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				
Accounting & General Ledger				
1	<p>Procedure notes should be reviewed and updated on a regularly basis and version control should be introduced to evidence the review.</p> <p>Upon review of the procedures, specifically the SAP Procedure Notes, these should be updated to reflect the requirement for approval of journals over £50,000.</p>	2	December 2013	<p>Internal Audit findings April 2014</p> <p>There are 23 policies, as well as Haringey Core Systems Team Procedures on HARINET. The date of creation or last review of the procedures ranged from 26 November 2002 through to 24 November 2004, which indicates that procedures are not all subject to periodic review and update, where necessary.</p> <p>Management Response August 2014:</p> <p>Agreed – these will be reviewed over the course of the ONESAP implementation phase to reflect any changes in business processes arising from that project.</p> <p><i>Responsible Officer: Financial Systems Team Manager</i></p> <p><i>Deadline: January 2015</i></p>
Strategic Financial Management & Budgetary Control				
2	<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 	2	March 2013	<p>Internal Audit findings April 2014</p> <p>While budget preparation guidance has been produced and is available on HARINET, 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>

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
	<p>budget variances to be investigated; and Guidance as to the requirement to record meaningful budget comments within SAP.</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. <i>Responsible Officer: Head of Finance BAS</i> <i>Deadline: November 2014</i></p>
Payroll				
3	<p>Policies and procedures should be reviewed periodically to reflect changes in processes and local policy, as well as, any changes in current legislation. 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: Procedures are still not reviewed and updated. Management Response May 2014: Agreed. The complete HR process is currently under review and one of the outcomes will include having up to date procedural guides. <i>Responsible Officer: Pay Control Manager</i> <i>Deadline: March 2015</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

September 2014

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