

Report for: Corporate Committee – 29 November 2016

Item number: 8

Title: Internal Audit Progress Report 2016/17 – Quarter 2

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Anne Woods, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: anne.woods@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision: Information**

1. Describe the issue under consideration

1.1 This report details the work undertaken by the Internal Audit and Counter Fraud Teams in the quarter ending 30 September 2016 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 (Mazars).

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee is recommended to note the audit coverage and follow up work completed.

4. Reasons for decision

4.1 The Corporate 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 quarterly basis for review and consideration by the Corporate 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 Corporate 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 Mazars.

7. Contribution to 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. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report. The work completed by Mazars is part of the framework contract which was awarded to the London Borough of Croydon and extended to 31 March 2018, 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.

8.2 Legal

The Assistant Director of Corporate Governance has been consulted in the preparation of this report, and has no comments.

8.3 Equality

There are no direct equality implications for the Council’s existing policies, priorities and strategies. However, ensuring that the Council has effective governance arrangements in place and takes appropriate action to improve these where required will assist the Council to use its available resources more effectively. This report deals with how risks to service delivery are managed across all areas of the Council, which have an impact on various parts of the community.

9. Use of Appendices

Appendix A – Mazars Progress report – Internal audit

10. Local Government (Access to Information) Act 1985

Not applicable.

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

Ref.	Performance Indicator	2 nd Quarter	Year to date	Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	71%	27%	95%
2	Priority 1 recommendations implemented at follow up (2014/15)	100% (16/16)	100% (16/16)	95%

12. Internal Audit work – Mazars

- 12.1 The activity of Mazars for the second quarter of 2016/17 is detailed at Appendix A. Mazars planned to deliver 190 days of the annual audit plan (772 days) during the quarter and actually delivered 138 days audit work during the quarter; annual leave commitments of client departments meant that completion of planned work was held over until quarter 3. Ongoing monthly contract monitoring reviews ensure that performance levels are kept under review and no issues have been identified to prevent the annual target from being achieved; a larger proportion of the planned work will therefore be delivered in quarters 3 and 4, this is consistent with previous years' plans.
- 12.2 Members of the Corporate Committee receive detailed summaries of all projects for which a final report has been issued on a monthly basis 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 during the quarter.
- 12.3 **Significant issues arising in Quarter 2.** One school audit has been issued with a 'Nil' assurance rating. The report has been discussed with the Assistant Director for Schools and Learning and the Chair of Governors at the school. An action plan has been agreed with the school; internal audit will undertake a formal follow up review at the school on 12 December 2016 to ensure recommendations have been implemented. Further action to improve governance and financial management arrangements at the school and ensure that this is sustainable in the longer term is being undertaken in conjunction with the Assistant Director for Schools and Learning and Chair of Governors. The Corporate Committee will receive details of the follow up audit outcome at the meeting in January 2017.
- 12.4 **Follow up work 2014/15.** Appendix A also includes details of follow up work completed in Quarter 2 for the 2014/15 audit work. Out of a total of 110 recommendations, 95 had been implemented at the time of follow up, nine were no longer applicable and one was in progress, with 5 not implemented, giving a compliance rate of 95%. No high priority recommendations remain outstanding.
- Details of the 25 recommendations that remained outstanding are provided in summary in Appendix A. These will be kept under review and reported to the Corporate Committee to ensure all recommendations which remain relevant are fully implemented.
- 12.5 **Pendarren Centre audit.** Six Priority 1 recommendations remained outstanding at the time of the September 2016 Corporate Committee meeting. Further work has been undertaken and the centre's management committee have worked with the centre manager to complete the implementation of outstanding recommendations. All recommendations have been evidenced as implemented. No further action is required.
- 12.6 **Follow up work 2015/16.** At the meeting of the Corporate Committee on 16 September 2016, members noted that the 2015/16 audits of Housing Benefit, Special Education Needs and Disability and Commercial Property all received a 'limited' level of assurance. At members' request, these audits have been subject to a follow up audit and the results are included in Appendix, together

with any information provided by management in response to the follow up audit.

Members will note the progress made in implementing recommendations since the Corporate Committee meeting on 16 September:

- **Housing Benefits:** seven out of nine recommendations implemented; one recommendation implementation date not yet due; one recommendation not implemented. No high priority recommendations outstanding.
- **SEND:** four out of seven recommendations implemented; two recommendations in progress; one recommendation implementation date not yet due. No high priority recommendations outstanding.
- **Commercial Property:** seven out of eleven recommendations implemented; three recommendations in progress; one recommendation not implemented; one high priority recommendation outstanding. Further action is required and planned by the service to conclude the implementation process. Internal Audit are satisfied with the progress to date has mitigated the risks identified to a greater extent, but will continue to monitor the situation and report to members.