

# Final Internal Audit Report 2015/16

## Homes for Haringey Declaration of Interests June 2016

This report has been prepared on the basis of the limitations set out on page 13.

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**Introduction**

As part of the 2015/16 Internal Audit Plan approved by the Audit & Risk Committee on the 3 March 2015, we have undertaken internal audit work in relation to Declaration of Interests.

Homes for Haringey is an Arm’s Length Management Organisation and is funded by public money, as such is expected to comply with certain Governance requirements and should have a mechanism in place to ensure that any potential, actual or perceived conflicts of interest are appropriately managed. Staff and Board members are expected to formally declare financial and non financial interests

Financial interests could include (but are not limited to):


- details of any employment or business carried out by them
- the name of their employer
- details of any directorships
- contracts between themselves / their firm and the Council
- interests in land in the area

Non-financial interests could include (but again are not limited to) membership in voluntary bodies, political organisations or other organisations.

The above could relate to a member of staff, their spouse/partner or even close friends. The declaration aims to identify instances where a member’s position at work and their duty to their employer may conflict with their private interests by encouraging them to declare such conflicts.

A register of interest is maintained by the Human Resources department.

During 2015/16 Homes for Haringey have refreshed their approach to Declarations The agreed objective and scope of our work is set out in the Audit Brief issued on 19<sup>th</sup> February 2016.

Audit Opinion & Direction of Travel	None	Limited	Substantial	Full
				

## Key Findings

- No formal policy has been created for Declarations of Interests. Guidance notes on DOIs are available to staff via email, team brief and on the HfH intranet on how to submit DOI forms on SharePoint, and the types of conflicts that should be disclosed.

In addition, the Homes for Haringey Code of Conduct has a section under Transparency and Accountability, which mentions that a DOI form should be completed by all employees. Currently, the onus is very much on the staff to update their declarations should any changes occur within their circumstance/role that affects their conflicts of interests.

- Roles and responsibilities pertaining to the gathering and maintenance of DOIs on SharePoint is largely unclear. HR took responsibility for receipt of DOI forms from new starters (not including agency/interim staff), although this was not clearly stated in the code of conduct. For agency and interim staff, HR have no responsibility to ensure DOI checks are carried out, either by the agency or by Homes for Haringey.

It is also unclear as to who is responsible to ensure that DOIs are gathered from current staff. The Compliance Manager thought it would be the role of the Company Secretary to ensure DOIs are gathered. This conflicted with HR, who thought the Records Manager would be responsible. Upon obtaining the job description for the role of Company Secretary, we identified that the responsibilities described included 'ensuring effective company assurance activities including audit and risk functions, whistleblowing and fraud investigations', but no direct mention of declaration of interests.

- We obtained copies of the Declaration of Interests form via the HfH intranet and SharePoint. It was confirmed that the forms are standardised to ensure that all information is captured consistently, and that they are easily accessible to staff.
- At present, all current HfH staff are required to provide a completed declaration of interest form, to be uploaded to SharePoint. At the time of audit, 188 members of staff had provided their DOI forms, out of approximately 550 HfH staff.

We took a sample of current staff for testing and found that eight of the 25 sampled had completed a DOI form, and 17 had not. Of the eight sampled with completed DOIs, one relating to a member of the ELT, had been completed on the 25<sup>th</sup> of March 2014. A more recent declaration could not be found.

- We confirmed that new starters are subject to DOI checks as standard. Upon discussion with the HR team, it was identified that all new starters should have a DOI form on file, however, there is no set timeframe in which these forms are to be uploaded onto SharePoint. Of the five new starters sampled, all five were found to have a completed DOI form on file. However, it was noted that three of the five forms had not been uploaded onto SharePoint at the time of testing.
- At present, agency and interim staff are not required to provide completed DOI forms, either via their agency or direct to HfH. Moreover, agency/interim staff do not have their own staff files on SharePoint, therefore there is no way to save an agency/interim staff's DOI form on the system. We identified that one recent interim HR Manager had voluntarily completed a DOI form and submitted the form to the HR email inbox. As there is no staff file on SharePoint for interim staff, the completed form stayed within the HR inbox. Therefore, no review process can be undertaken as the documents are not uploaded onto SharePoint.

In addition, we identified that of the four interim Head of Finances within the past financial year, only one had provided a completed DOI form. This was not stored within SharePoint, as it was identified that none of the interim Heads of Finance held a staff personnel file on SharePoint.

- We confirmed via discussion with the Governance and Risk Manager, that Board members provide Declarations of Interests annually. In addition, they are reminded to declare any conflicts of interests at the start of every board meeting. There were 11 Board members at the time of audit. We identified that eight out of the 11 members did not have a DOI form signed for the current financial year.

There were five ELT members at the time of audit. All five were found to not have a DOI form signed for the current financial year. It was explained that there was no expectation for Directors to complete a form annually.

Members of the Resident Complaints Panel provide a DOI form annually, each February, and members of the Resident Scrutiny panel provide a DOI form as part of their initial application. We took a sample of 4 Resident Panel members, 2 from Resident Complaints Panel, and 2 from the Resident Scrutiny Panel. Of the 2 samples from the RCP, 1 was found to not have a DOI form signed for this financial year. Of the 2 samples from the RSP, 2 were found to not have a DOI form on file.

We confirmed via discussion with the Records Manager that targeted reminders are not currently in place to notify staff that have not yet completed a DOI form. The only reminder was a pop up message on the staff intranet from the 22<sup>nd</sup> of December 2015, reminding all staff to complete their forms by the 31<sup>st</sup> of January 2016.

- The SharePoint Establishment list is currently taken from payroll. This means that the establishment list currently includes those that may not need to submit a DOI form, such as staff within the Demand team, who are seconded from the council, or agency/interim staff.
- Through discussion with the Records Manager, it was identified that all leaver staff documentation, including DOI forms, are to be saved for 6 years before data is destroyed. No testing of this could be done on SharePoint as staff files have only been used as storage files for DOI forms since November 2015.
- Access to all staff records on SharePoint were found to be restricted to the HR team, Compliance Manager, Records Manager, Governance and Risk Manager, and Head of Chief Executive's office. Line managers are responsible for the updating of Establishment list in terms of the addition/removal of staff as required. Thus, line managers are given additional access to do this, as well as to view their team records on SharePoint. This allows managers to see whether any declarations within the team have been made and undertake appropriate action.
- We confirmed with the Compliance Manager that ad hoc reviews of declarations are undertaken. An email trail attesting to this was obtained.

## Key Statistics

- On the 22<sup>nd</sup> of December 2015, a mass email to all HfH staff was produced from the Communications Team, notifying staff of the obligation to complete a Declaration of Interests form. The target date for all staff to have completed, was the 31<sup>st</sup> of January 2016.
- By the 20<sup>th</sup> of January, 106 out of the 550 HfH employees had submitted their DOI forms. A reminder pop up on the HfH intranet was introduced to help remind staff to submit their forms by the end of January.
- At the time of the audit, 188 out of 550 members of staff had completed a DOI form

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3

Policy, procedure and governance	Green	Amber	0	1	0
Completion and approval	Amber	Amber	1	3	0
Recording and documenting	Green	Amber	1	1	0
Review, monitoring and reporting	Amber	Amber	0	2	0
<b>Total</b>			<b>2</b>	<b>7</b>	<b>0</b>

Please refer to Appendix B for a definition of the audit opinions, direction of travel, adequacy and effectiveness assessments and recommendation priorities.

<b>Acknowledgement</b>	We would like to thank the management and HR staff for their time and co-operation during the course of the internal audit.
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Ref	Issue	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Deadline
<b>Policy, procedure and governance: Implementation of Policy</b>							
1	<p>We identified that there is no clear policy or procedures available for DOIs at present. Guidance has been provided via mass email, a section within the HfH Code of Conduct, and via templates within SharePoint. At present, information on DOIs are split within different areas, and could be easily missed by staff.</p> <p>There was conflicting information provided by staff as to who was responsible for gathering and maintenance of DOIs on SharePoint. Additionally, whilst HR took on the responsibility of gathering DOIs for new starters, there is no requirement currently to carry out DOI checks on agency or interim staff.</p>	<p>Failure to implement a Declarations of Interest Policy results in an increased risk that staff are unaware of expectations of the Council, leading to noncompliance.</p>	<p>A Declaration of Interest policy should be available to all staff. The policy should consist of all information available on what is expected of HfH staff, what sorts of things should be declared, what to do if you are aware of conflicts of interests occurring and the timeframe in which each level of staff should be expected to submit/resubmit their DOI forms.</p> <p>Roles and responsibilities pertaining to the gathering and maintenance of DOIs should be clear and well defined, and contact information for those responsible for DOI collection should also be available for all staff.</p>	2	Agreed	Sheryl DeVries - Policy Officer	October 2016
<b>Completion and approval: Reminders to staff to complete DOI forms</b>							
2	<p>We identified that at present, there is no ongoing reminder timetable in place to target staff that have yet to complete a DOI form. There has been a reminder pop up placed temporarily from December to the 31st of January, on the HfH intranet, however, this has not proved very successful. No reminders are set up to remind staff that have completed DOI</p>	<p>Failure to implement a reminder system to ensure all staff submit a completed declaration of interest form results in an increased risk that staff do not complete DOI forms and conflicts of interests are not identified.</p>	<p>All staff should submit a completed declaration form. Weekly reminders should be sent to all staff who fail to complete their declaration of interest forms on time. After one month these reminder should be sent to the individual's line manager also so they ensure action is taken.</p>	2	Agreed	Governance and Risk Manager	August 2016

Ref	Issue	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Deadline
	forms, to update their forms should any relevant changes of circumstance arise. From a sample of 25 current staff taken from the establishment list, 17 had not completed a DOI form		Further reminders should be sent periodically to remind staff to ensure their DOI forms are up to date.				
<b>Completion and approval: Completion of DOIs for agency/Interim staff</b>							
3	Of the 10 interim/agency staff sampled, nine were found to be eligible for completion of a DOI form. Of these nine, six were found to not have completed DOI forms saved within SharePoint. Additionally, we identified that of the four individuals that had taken on the role of Head of Finance within the past financial year, only one was found to have a completed DOI form on file. This form was not saved on SharePoint. The other three Heads of Finance did not have completed DOI forms, and all four Heads of Finance did not hold a staff personnel file on SharePoint. Upon discussion with HR, it was identified that HR do not keep files on agency/interim staff, and these individuals are also unable to access SharePoint. Therefore, there is no way to save an agency staff's DOI form on the system. For the interim HR manager, a DOI form was voluntarily completed after seeing a reminder pop up on the staff intranet. After completion of	Failure to obtain DOI forms from temporary or interim staff or store this in a consistent way, results in an increased risk that new staff are unaware of where DOI forms have been kept, leading to inadequate review of conflicts of interests.	Agency and interim staff should complete DOI forms and a system for retaining these should be developed	1	Agreed – this should be defined within the new DoI policy and procedure	HR Manager	October 2016

Ref	Issue	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Deadline
	<p>the form, the HR Manager sent the form to the HR inbox. All DOIs from agency/interim staff are saved in the HR inbox. However monitoring of completed DOIs from agency and interim staff is not undertaken, and the Compliance Manager is unable to access HR inbox to make checks on declared items.</p> <p>It was noted that there were plans to create agency files on SharePoint for agency/interim staff in the future, to avoid this issue of storage.</p>						
<b>Completion and approval: Timely uploading of forms</b>							
4	<p>We confirmed that at present, there is no set timeframe by which HR/ the Records Manager is required to upload the submitted DOI forms. We identified that for current staff, three cases out of 25 were found to have submitted their completed DOI forms in to the HR team/ Records manager for upload. All three cases took over a month between completion of form and upload. For new starters, we found that all five new starters had completed DOI checks are part of the pre-employment assessment. Of these five, three were found to have not been uploaded to SharePoint at the time of testing. For interim and agency staff who do not currently have a personnel file within SharePoint, any submitted</p>	<p>Failure to follow up on DOIs received in a timely manner results in an increased risk that unnecessary delays occur leading to conflicts of interests being missed.</p>	<p>Submitted DOIs are uploaded to SharePoint in a timely manner.</p>	2	<p>Agreed – this should be defined within the new DoI policy and procedure</p>	HR Manager	October 2016



Ref	Issue	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Deadline
	DOI forms to HR end up in the HR email inbox. These are not reviewed by the Compliance Manager as they stay within the HR inbox.						
<b>Completion and approval: Renewal of DOI forms for Management organisations &amp; Senior management</b>							
5	<p>We identified that for Board members, there is no requirement currently to provide a DOI form annually as per the Board Code of Conduct. Upon testing, it was found that eight out of 11 Board members did not have a DOI on file for the current financial year.</p> <p>For members of the executive leadership team, all five were found to not have a DOI form on file for the current financial year.</p> <p>For members of the Resident Panels, three out of four members did not have DOI forms on file.</p> <p>It was noted that for senior management they will be required to renew their DOIs every two years in the future, however, as there is no current policy on DOIs, there is no formal statement that confirms this.</p>	Failure to ensure that management organisations and senior management submit annual DOIs results in an increased risk that conflicts of interests occur and inappropriate decisions being made	Management organisations and Senior management should be formally required to submit annual DOIs, and actions should be taken to ensure compliance.	2	Agreed – to be completed at the AGM in October	Governance and Risk Manager	October 2016
<b>Recording and documenting: Updating the Establishment list</b>							
6	We identified that at present the establishment list is taken from payroll, and consists of staff that may not be required to complete a DOI form. The list also does not include agency or interim staff or	Failure to update the Establishment list to reflect relevant HfH staff/members results in an increased risk that Council is unclear of	An up to date Establishment list should be available on SharePoint. Establishment list should include all current HfH staff including agency/interim and all	1	Agreed	Head of HR	September 2016





Ref	Issue	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Deadline
	Board and Residence panel members. We also obtained a document on Updating Establishment Lists, which references line managers as being responsible for keeping the establishment list up to date. At present, this is not implemented as recent leavers were found to be on the establishment list, as well as a number of interim staff not having staff files on SharePoint.	performance against target in terms of DOI collection.	relevant management organisations such as Board members and Resident Panel members. Line managers should be clearly notified that they are responsible for the addition/removal of non-permanent staff to the Establishment list, as required.				
<b>Recording and documenting: Storage of DOIs</b>							
7	Wet identified that for current staff, one out of 25 cases tested did have a DOI form on file, but had not been uploaded onto SharePoint. For interim/agency staff, two out of five cases had received a completed DOI form but had not been uploaded. In addition, audit tested the four interim Heads of Finance for the past financial year. All four were found to have no completed DOI files saved on SharePoint. All four were also identified to have never been set up on SharePoint and thus did not have a personnel file on the system. Upon discussion with the Governance and Risk Manager, it was noted that DOIs from Board and Residence Panels are not currently saved within SharePoint, as the members of these organisations are not staff at HfH.	Failure to save all completed DOIs within SharePoint results in an increased risk that declarations are lost or misplaced.	All DOI forms received from relevant staff/members at HfH should be saved onto SharePoint.	2	Agreed	Governance and Risk Manager	October 2016

Ref	Issue	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Deadline
	There is a view to include these DOI forms within SharePoint in the future, to maintain all declarations in one place to allow ease of review.						
<b>Review, monitoring and reporting: Regular review process</b>							
8	We identified that at present, reviews of declarations are being conducted by the Compliance Manager on an ad hoc basis. In addition, evidence of any checks made to declarations on SharePoint could not be provided.	Failure to regularly review declarations results in an increased risk that conflicts of interests are missed.	A review should be undertaken of DOI forms on an at least annual basis and a record of this review should be retained	2	Agreed	Governance and Risk Manager	October 2016
<b>Review, monitoring and reporting: Reporting progress to the Board</b>							
9	We identified that at present, there is no reporting of DOI progress or conflicts of interests to the Board. The Board are aware that there is a process in place for staff to declare conflicts of interests, but are not aware of how effective the process is.	Failure to update Board members on the progress of DOI collection results in an increased risk that Board make decisions based on inaccurate/out of date information.	Regular reporting of DOI progress and any conflicts of interests to the Board	2	Agreed	Governance and Risk Manager	October 2016

## Appendix A – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities

### Audit Opinions




We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

	<b>Full</b>	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
	<b>Substantial</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
	<b>Limited</b>	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
	<b>None</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

### Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

	Improved since the last audit visit. Position of the arrow indicates previous status.
	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

## Adequacy and Effectiveness Assessments

Please note that adequacy and effectiveness are not connected. The adequacy assessment is made prior to the control effectiveness being tested. The controls may be adequate but not operating effectively, or they may be partly adequate / inadequate and yet those that are in place may be operating effectively.

In general, partly adequate / inadequate controls can be considered to be of greater significance than when adequate controls are in place but not operating fully effectively, i.e. control gaps are a bigger issue than controls not being fully complied with.

	<b>Adequacy</b>	<b>Effectiveness</b>
	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
	Existing controls are inadequate to manage the risks in this area	Operation of existing controls is ineffective

## Recommendation Priorities

In order to assist management in using our internal audit reports, we categorise our recommendations according to their level of priority as follows:

<b>Priority 1</b>	Major issues for the attention of senior management and the audit committee.
<b>Priority 2</b>	Important issues to be addressed by management in their areas of responsibility.
<b>Priority 3</b>	Minor issues resolved on site with local management.

## **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 2016**

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