

## 2014/15 INTERNAL AUDIT YEAR-END REPORT

## APPENDIX 1

1. Table 1 below details the follow ups completed in 2014/15 with the original assurance rating and the re-assessed assurance rating. All assurance ratings at follow-up have been re-assessed as green showing improvement in the control environment as a result of internal audit work.

### KEY

**RED** assurance = 0-50% controls operating/substantially operating

**RED/AMBER** assurance = 51-60% controls operating/substantially operating

**AMBER** assurance = 61-70% controls operating/substantially operating

**AMBER/GREEN** assurance = 71-80% controls operating/substantially operating

**GREEN** assurance = 81-100% controls operating/substantially operating

Report ratings may be downgraded depending on the number of high risk recommendations made (with the agreement of the Head of Internal Audit)

**Table 1 – Follow Ups completed in 2014/15**

Review (2013/14 Plan)	Audit Coverage	Original Assurance Rating		Re-assessed Assurance Rating
Corporate Accounts Payable	Review of key controls	<b>AMBER</b> 70%O	<b>GREEN</b> 18%SO	<b>GREEN</b> 82%O 18%SO
St John Fisher Catholic School	Governance & Financial Controls	<b>AMBER</b> 81%O	<b>GREEN</b> 6%SO	<b>GREEN</b> 93%O 6%SO
Hillview Nursery	Governance & Financial Controls	<b>RED</b> 33%O 11%SO		<b>GREEN</b> 72%O 25%SO
Disabled Adaptations	Review of governance arrangements	<b>AMBER</b> 65%O	<b>GREEN</b> 22%SO	<b>GREEN</b> 84%O 13%SO
RetrEat	Review the cash handling process of the Council RetrEat Café and the trolley service	<b>RED</b> 25%O		<b>GREEN</b> 95%O 5%SO
Arboricultural Services	Review that there are appropriate processes in place to manage the works undertaken on the boroughs trees	<b>RED</b> 48%O	<b>AMBER</b> 5%SO	<b>GREEN</b> 58%O 42%SO
Belmont Primary School	Governance & Financial Controls	<b>AMBER</b> 69%O	<b>GREEN</b> 19%SO	<b>GREEN</b> 88%O 10%SO

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<b>Review (2013/14 Plan)</b>	<b>Audit Coverage</b>	<b>Original Assurance Rating</b>		<b>Re-assessed Assurance Rating</b>
Kenmore Park Infant & Nursery	Governance & Financial Controls	<b>AMBER</b> 60%O	<b>GREEN</b> 19%SO	<b>GREEN</b> 96%O 2%SO
Shaftesbury High School	Governance & Financial Controls	<b>AMBER</b> 69%O	<b>GREEN</b> 21%SO	<b>GREEN</b> 96%O 2%SO
St Georges Primary School	Governance & Financial Controls	<b>AMBER</b> 83%O	<b>GREEN</b> 2%SO	<b>GREEN</b> 87%O 2%SO
St Johns C of E School	Governance & Financial Controls	<b>AMBER</b> 69%O 8%SO		<b>GREEN</b> 89%O 11%SO
Welldon Park Infant & Nursery	Governance & Financial Control	<b>AMBER</b> 56%O 19%SO		<b>GREEN</b> 90%O 4%SO
Emergency Relief Scheme	Risk based system review to include fraud risk	<b>AMBER</b> 57%O 19%SO		<b>GREEN</b> 86%O 9%SO
Parking Enforcement – Cancellation of PCN's (Depot)	Risk based system review to include fraud risk	<b>RED</b> 36%O 14%SO		<b>GREEN</b> 86%O 7%SO
Petty Cash	Risk based system review	<b>AMBER</b> 38%O 33%SO		<b>GREEN</b> 62%O 38%SO

2. Table 2 below details all the final reports issued in 2014/15 from the 2013/14 audit plan with the report assurance rating.

**Table 2 – 2013/14 Plan Final Reports Issued in 2014/15**

<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>		<b>Follow-up</b>
Data Security Breaches	To assess action taken after breaches identified to close gaps and improve processes	<b>AMBER</b> 72%O	<b>GREEN</b> 7%SO	Follow up in progress
Housing Benefit	A review of controls in place to prevent fraud including response to CAFT reports	<b>AMBER</b> 69%O 9%SO		Follow up in progress
Housing Assessments	Review of the robustness of the assessments process to mitigate the risk of fraud	<b>AMBER</b> 19%O 50%SO		Follow up in progress

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<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>		<b>Follow-up</b>
Data Quality	Reviewing a sample of areas where data quality is important to establish compliance with standards	<b>RED</b> 21%O 21%SO		Follow up in progress
Cashiers	IT System, petty cash, income and banking, separation of duties, refunds	<b>AMBER</b> 70%O	<b>GREEN</b> 11%SO	March 2015 - overdue
Finance Restructure	Maintenance of Key Controls (after restructure)	<b>AMBER</b> 88%O	<b>GREEN</b> 6%SO	Follow up in progress
Pensions	Risk based system review to include fraud risk	<b>GREEN</b> 96%O 4%SO		Follow up not required
Property Maintenance – Cyclical Maintenance	Review frequency and quality of cyclical maintenance and assess implications for Health and Safety.	<b>AMBER</b> 7%O 60%SO		February 2015 – overdue
Direct Payments – Children with Disability	To assess the adequacy, application and effectiveness of the controls in place to ensure clients are eligible, paid the correct amount of money and to mitigate the risk of overpayment/loss to the authority	<b>AMBER</b> 67%O 4%SO		Due December 2015
Whitchurch First School	Governance & Financial Control	<b>AMBER</b> 43%O 32%SO		Due July 2015

3. Table 3 below details the completed assurance report reviews issued in 2014/15 from the 2014/15 Plan and the assurance rating.

**Table 3 – 2014/15 Plan Completed Assurance Report Reviews**

<b>Plan 14/15 Assurance Reviews</b>	<b>Audit Coverage</b>	<b>ASSURANCE RATING</b>		<b>Follow-up</b>
Business Rates	Key Control Review, systems notes	<b>GREEN</b> 88%O 12%SO		<b>GREEN</b> 92%O 8%SO
Housing Benefit	Key Control Review, systems notes	<b>GREEN</b> 96%O 2%SO		March 2015 – overdue

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Capital Expenditure	Key Control Review, systems notes	<b>AMBER</b> 56% O 19%SO		March 2015 – overdue
Insurance claims	Controls in place to prevent fraud/use of claims handlers	<b>GREEN</b> 90%O 5%SO		Follow-up not required
IT Data Centre – Landlord Risks	Environmental and physical security controls over the IT Data Centre which supports Harrow Council’s core IT infrastructure and systems	<b>RED</b> 7%O		In draft
Council Tax Discounts	Controls in place to prevent fraud	<b>AMBER</b> 56%O 11%SO		Follow-up due Dec 2015
Freedom of Information	Review of the policy and process employed by the Council for dealing with FOI requests to ensure appropriate and proportionate. Possible joint review with Lean Team.	<b>AMBER</b> 31%O 38%SO		In draft
Business Continuity/IT Disaster Recovery	To ensure that there are adequate and effective controls over the arrangements that are in place for the prevention of system downtime through adequate resilience.	<b>RED</b> 20%O	<b>AMBER</b> 48%SO	Follow-up due Dec 2015*
School Expansion Programme	Project Management	<b>AMBER</b> 70% Operating		In draft
Highways Contract	Contract Management	<b>GREEN</b> 97% Operating		No follow-up required
Cedars Manor School	Governance and Financial Controls	<b>AMBER</b> 78% O	<b>GREEN</b> 10% SO	Follow-up due August 2015
Moriah Jewish Day School	Governance and Financial Controls	<b>AMBER</b> 74% O	<b>GREEN</b> 19% SO	Follow-up due September 2015
Newton Farm Infant & Junior	Governance and Financial Controls	<b>AMBER</b> 85% O	<b>GREEN</b> 8% SO	Follow-up due September 2015
Norbury Primary School	Governance and Financial Controls	<b>AMBER</b> 62% O	<b>GREEN</b> 29% SO	Follow-up due August 2015
ST Teresa’s Catholic Primary	Governance and Financial Controls	<b>AMBER</b> 63%O 6%SO		Follow-up due September 2015
Cannon Lane Primary School	Governance and Financial Controls	<b>AMBER</b> 84% O	<b>GREEN</b> 4% SO	Follow-up due September 2015

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Pinner Wood Primary School	Governance and Financial Controls	<b>GREEN</b> 96%O 2%SO		Follow-up due September 2015
Roxeth Primary School	Governance and Financial Controls	<b>AMBER</b> 94% O	<b>GREEN</b>	Follow-up due September 2015
Stage Lane Infant & Nursery	Governance and Financial Controls	<b>AMBER</b> 95% O	<b>GREEN</b>	Follow-up due October 2015
West Lodge Primary School	Governance and Financial Controls	<b>AMBER</b> 92% O	<b>GREEN</b> 3% SO	Follow-up due November 2015
Priestmead Primary	Governance and Financial Controls	<b>AMBER</b> 60%O		Follow-up in progress

4. Table 4 below shows reports issued during the year as a result of emerging risks or suspected financial irregularities (SFIs) that were not in the plan.

**Table 4 – 2014/15 Emerging Risk/SFI reports**

Review	Audit Coverage	Assurance Rating	Follow-up
School Expansion Programme & Capital Investigation Follow-up	To help CSB understand the root cause behind the problems identified with the school expansion programme and provide reassurance that action is being taken to address these issues.	AMBER 70%O	In draft – not yet due
Whitchurch First School Investigation x 3 (one redacted + follow-up)	Investigation into Whistleblowing allegations	RED	GREEN
Whitchurch Junior School Investigation x2 (one follow-up)	Investigation into Whistleblowing allegations – second follow-up in progress	RED	RED    AMBER

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5. Table 5 details the Audit Briefing Notes issued as part of the 2014/15 Internal Audit Plan

**Table 5 – 2014/15 Plan Audit Briefing Notes**

<b>Review</b>	<b>Audit Coverage</b>	<b>Comments</b>
E&E Maintenance of Key Controls - Licensing	Compliance testing and to seek assurance that the core legal requirements are being met within the licensing stream, following the re-structure of the directorate.	Generally robust except timescales – follow-up due October 2015
Probationary Reviews Compliance Testing	A compliance check on probationary reviews	60% undertaken
Register of Interests Compliance Testing	To review compliance with the Policy on Register of Interests and gifts and hospitality including consistency in recording and decision making.	The number of declarations made for the size of the Authority is quite low
Schools HR Policies	To identify what policies and procedures schools have in place and to identify any gaps in these areas	The majority of schools, had policies in place with the exception of the Employment of Friends, Families and Partners Policy which was generally less known to schools.
Access Controls	To assess the controls in place and whether they complied with the Corporate Policy.	There is no consistent application of password controls or policy across systems on the network

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6. Table 6 below details the completed assurance non report reviews undertaken in 2014/15 from the 2014/15 Plan.

**Table 6 – 2014/15 Plan Completed Assurance Non Report Reviews in 2014/15**

Review	Audit Coverage	Comments
Payroll	System notes, walkthrough. CRSA	Complete
Treasury	System notes, walkthrough. CRSA	Complete
Council Tax	System notes, walkthrough. CRSA	Complete
Housing Rents	System notes, walkthrough. CRSA	Complete
Corporate Accounts Payable	System notes, walkthrough. CRSA	Complete
Corporate Accounts Receivable	System notes, walkthrough. CRSA	Complete
Corporate Governance	Annual governance review, drafting AGS, AGS Action Plan	Complete
Management Assurance	Completion of 2013/14 exercise	Complete
Risk Management	Maintenance and update of Corporate Risk Registers	Complete
Information Governance Board (IGB)	To ensure that the Council has effective policies & management arrangements covering Information governance	Complete
Financial Regulations review/update (not in draft)	To feed into the current review of Financial Regulations	Complete
Contract Procedure Rules review/update (not in draft)	To feed into the current review of Contract Procedure Rules	Complete
Families First (Troubled Families Grant)	Grant certification	Complete
School Governor Governance Training	Training session to be presented at the C&F Heads & Directors meeting + evening Governor training session	Complete
Carbon Reduction Commitment	Audit review and sign-off of CRC Annual Report	Complete
Fees & Charges Compliance Testing	Compliance check on Fees & Charges	Complete
Budget sign-offs Compliance Testing	Compliance check on Budget sign-offs	Complete
Public Health IT Compliance	Check of progress on IT Compliance	Complete
Fighting Fraud Checklist for Governance	Completion of the CIPFA Fraud Governance checklist (Red/Amber assurance)	Complete to feed into AGS + HIA Opinion
Suspected Financial Irregularities + Control Reviews	Guidance to managers on investigations and the undertaking of investigations (see Appendix 2)	Complete

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E-invoicing	To provide professional advice on control and risk mitigation	Complete
Professional Advice	Advice on risk mitigation & control	Complete
Liaison with External Audit	On-going liaison throughout the year	Complete
Audit Management	e.g. planning, GARM reporting	Complete

7. Table 7 below details the reviews currently still in progress from the 2014/15 Plan.

**Table 7 – 2014/15 Plan Assurance Reviews still in progress**

Review	Audit Coverage	Current Position
Procurement Fraud	Assessing risk of procurement fraud and preventative controls in place.	Testing
Right to Buy	A review of controls in place to prevent fraud	Testing
SIMS	Review of controls to ensure robust	Planning complete
IWorld/Northgate Housing Benefit – Operating System Review (c/f 2013/14)	To assess the control process built within Northgate Housing Benefits System including the localised CT Benefit module and the cloud based Harrow Emergency Scheme	Field work complete, report drafted (PwC)
My Community E Purse	Health check requested by management	Fieldwork complete
Leaseholder Charges	Risk based system review	Fieldwork complete, report drafted (PwC)

8. Table 8 below details elements of the 2014/15 plan that were removed during the year.

**Table 8 – 2014/15 Plan Assurance Reviews removed**

Review	Audit Coverage	Comments
Procure to Pay	To provide ongoing risk and control advice	No longer required
Public Health Visiting Transfer	To provide professional advice on control and risk mitigation	Delayed – not required



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Legal Services Company	To provide professional advice on control and risk mitigation	Not required
IT Change Management	Review of system in place to manage IT change	New contract – c/f 2015/16

### Performance Indicators

9. Table 9 below outlines the seven Internal Audit indicators agreed for the year, including the key indicator covering achievement of the IA annual plan and table 8 the three corporate audit indicators and the results achieved. These indicators cover performance on projects from the 2013/14 plan and the 2014/15 plan issued during the year.

**Table 9 – Internal Audit Performance Indicator Results**

	Performance Indicator	Target	Mid Year Result	Year End Result
1	Recommendations agreed for implementation	95%	99%	97%
2	Final reports issued on / ahead of time	85%	91%	93%
3	Projects completed within budgeted time allowance	85%	89%	85%
4	Target met for issue of draft report after end of fieldwork	85%	82%	80%
5	Follow up undertaken	100%	100%	88%
6	Plan achieved for key control reviews	100%	100%	100%
7	Plan achieved overall (key indicator)	45%	48%	90%

### Analysis of Results

10. Overall 5 (71%) of the performance targets have been met or exceeded. Two of the performance targets have been exceeded, 3 have been fully met and 2 targets have not been met. Performance indicator 4 (target met for issue of draft report after the end of fieldwork) missed the target by 5% as 6 reports did not meet the target due to resources being diverted to undertake an investigation which caused a delay in the issue of the reports and performance target 5 (target for follow-up undertaken) missed the target by 12% which represents 3 follow-ups not being started on time due to the reduction in audit resources as a result of a combination of a deletion of 1 post, a secondment and maternity leave.

Table 10 – Corporate Audit Indicators Results

	Performance Indicator	Target	Mid Year Result	Year End Result
1	Implementation of recommendations	90%	64% (expected to be 95%)	68% (expected to be 97%)
2	Auditee response times to draft report within 4 weeks	80%	73%	68%
3	Auditee response times to follow ups within 4 weeks	80%	78%	85%

### Analysis of Results

11. The result for performance indicator 1 shows that whilst only 68% of recommendations had been implemented at the time of follow-up a further 29% were planned for implementation giving an expected implementation rate of 97% exceeding the 90% target.
12. The result reported in the 2013/14 year end report for auditee response times to draft reports was 53%; therefore the result for 2014/15 (whilst not meeting the target) has shown an improvement of 15%.
13. For the auditee response time to follow ups indicator, the result reported in the 2013/14 year end report was 62%; therefore the year-end result for 2014/15 has shown an increase of 23% and exceeds the target for the first time since this has been reported.

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 30/06/15