

**REPORT FOR: GOVERNANCE, AUDIT,  
RISK MANAGEMENT  
AND STANDARDS  
COMMITTEE**

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**Date of Meeting:** 28 January 2016

**Subject:** **INFORMATION REPORT –  
Internal Audit Mid-Year Report  
and Plan Update 2015/16**

**Responsible Officer:** Tom Whiting – Corporate Director  
Resources and Commercial

**Exempt:** No

**Enclosures:** Appendix 1 – 2015/16 Internal Audit  
Mid-Year Report + Quarter 3 & Plan  
Update

## **Section 1 – Summary**

This report sets out progress against the 2015/16 Internal Audit plan.  
**FOR INFORMATION**

## **Section 2 – Report**

### **Introduction**

2.1. Annually the GARMS Committee considers a mid and full year Internal Audit Report covering progress against the Internal Audit plan. This is the mid-year report for 2015/16 and also covers progress in Quarter 3 and an update on the annual plan (Appendix 1).

### **Mid-year Results**

2.2 As reported at the last GARMS Committee overall 37% of the plan was completed at mid-year 8% lower than the target (45%) however:

- the budget from the two temporarily vacant posts (maternity leave + a secondment) has been added to the budget for external internal audit provision however the resulting work is not due to be undertaken until Quarter 4;
- IT reviews in the plan due to be undertaken by PwC (under the shared service framework) are yet to be started;
- there have been a number of emerging risks e.g. the CIPFA Delivering Good Governance in Local Government consultation and suspected financial irregularities (examples can be provided verbally under part II);
- there has been a higher than anticipated level of input required to finalise work undertaken under the 2014/15 plan, in particular reviews undertaken by PwC;
- a change in reporting lines resulting in an increased workload for the Head of Internal Audit.

However:

- all of the Core Financial Systems work has been completed;
- the Annual Governance Review and Statement have been completed; and
- progress has been made with the new approach to the audit of schools.

2.3 In the first quarter of every financial year the work of the Internal Audit team concentrates on the authority's core financial systems. The systems are reviewed on a 3 year risk based cycle. Three of the 9 systems were reviewed in the first quarter of 2015/16 and control self-assessments were completed for the other 6 systems. In addition, to satisfy the requirements of the External Auditors, managers were asked to review and update systems documentation and Internal Audit undertook walkthrough tests to confirm the actual system in operation for all core financial systems. Out of a total of 32 controls reviewed, 27 (84%) were fully operating, 3 (10%) were substantially operating and 2 (6%) were partially operating.

2.4 Overall 4 (57%) of the Internal Audit performance targets have been met or exceeded. Three (43%) of the performance targets have been exceeded, 1 (14%) have been fully met and 3 (43%) targets have not been met. Performance indicator 3 (projects completed within budgeted timescale) has not been met due to a decision during the development of

the audit plan to minimise audit days wherever possible resulting in fewer targets being met; performance indicator 5 (follow-up undertaken) has not been met as follows ups were suspended in the first half of the year to enable the reduced team to concentrate on reviews required to be completed in the first half of the year i.e. core financial systems and the annual governance review; performance indicator 7 – (plan achieved) whilst 11% lower than the target was achieved with 33% reduced resources ( see 2.2 above).

- 2.5 Insufficient data has been collected to enable reporting on the Corporate Indicators for the first half of the year as data is collected for these during follow-up i.e. actual number of audit recommendations implemented and auditee response times. These will be reported for the full year in the year-end report.
- 2.6 The most significant pieces of work undertaken in quarters one and two of 2015/16, in terms of risk to the Council, are the reviews of Business Continuity & IT Disaster Recovery and the IT Data Centre which were reported to GARMS at the last meeting.

### **Quarter Three Update**

- 2.7 The completion of a number of pieces of work in quarter 3 have been delayed due resources being diverted to work on 2 suspected financial irregularities and an emerging risk. One suspected financial irregularity involved an allegation of corruption which at the conclusion of the allegation was unproven and the other involves whistleblowing allegations against a Headteacher that are currently still being investigated (we are working with the National College of Teaching & Learning on this). The emerging risk resulting in a review of Harrow School Improvement Partnership is also still ongoing.

### **2015/16 Plan Update**

- 2.8 During the development of the 2015/16 audit plan it was known that one member of the team would be on maternity leave for the whole year and another was seconded for the first half of the year (this was later extended for a further 2.5 months). However the costs of externally provided internal audit provision whether via our Shared Service Contract with PwC or via the employment of temporary staff is higher than the in-house provision leading to a gap in audit days achievable.
- 2.9 As in past years a number of factors have emerged during the course of the year resulting in the need to include additional work in some areas e.g. emerging risks, changes to grant conditions etc.
- 2.10 The combined result of these two elements has resulted in 165 audit days taken out of the original 2015/16 plan (table 9 – Appendix 1). However as 72 audit days have been added in (table 8 – Appendix 1) overall this equates to a reduction of 97 audit days which is equivalent to 54% of 1 x FTE . Overall, due to maternity leave and a secondment the team resources for 2015/16 were reduced by 315 audit days (35% of original plan days). The budget for these posts (less maternity pay) has

been used to purchase external audit and risk days however this is more expensive than in-house resources hence the need to reduce the overall plan by 97 audit days which equates to an 11% reduction of the original plan of 902 audit days.

2.11 Reviews taken out of the 2015/16 plan will automatically be considered for inclusion in the 2016/17 audit plan.

### **Section 3 – Further Information**

3.1 The next report on the performance of the Internal Audit team will be the 2015/16 Year-End Report to be submitted to GARM Committee in July 2016.

### **Section 4 – Financial Implications**

4.1 There are no financial implications to this report.

### **Section 5 - Equalities implications**

5.1 There are no equalities implications.

### **Section 6 – Corporate Priorities**

6.1 Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

### **Section 3 - Statutory Officer Clearance**

Name: Dawn Calvert



Chief Financial Officer

Date: 19/01/16

### **Section 7 - Contact Details and Background Papers**

**Contact:** Susan Dixson, Head of Internal Audit, Tel: 0208 424 1420

**Background Papers:** None