

**2015/16 INTERNAL AUDIT MID-YEAR REPORT +
QUARTER 3 & PLAN UPDATE**

APPENDIX 1

KEY
 RED assurance = 0-50% controls operating (O)/substantially operating (SO)
 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
 (D) = Assurance ratings that have been downgraded due to the high number of high risk recommendations made (with the agreement of the Head of Internal Audit)

Mid-year Results

1. Table 1 below details all the reports issued in Q1/Q2 of 2015/16 from the 2014/15 audit plan with the report assurance rating.

Table 1 – 2014/15 Plan Reports Issued in Q1&2 of 2015/16

Review	Audit Coverage	Assurance Rating		Follow-up Due
Business Continuity & IT Disaster Recovery	A review of controls over the arrangements that are in place for the prevention of system downtime through adequate resilience.	RED 20% O	AMBER 42% SO (D)	January 2016. 23 recommendations made, 19 high risk, all agreed for implementation.
Council Tax Discounts	A review of the controls in place to prevent fraud within Council Tax Discounts for single persons' discounts, student discounts and disabled band reductions.	AMBER 56 % O 11% SO		December 2015. 4 recommendations made, 1 high risk, all agreed for implementation.

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Review	Audit Coverage	Assurance Rating	Follow-up Due
Highways Contract Management	To ensure robust monitoring systems are in place, the services obtained are as agreed in the contracts and value for money is achieved. Furthermore to ensure the efficiency, effectiveness and economy of the services is optimised.	GREEN 97% O	None required. 1 medium risk recommendation made and agreed for implementation.
Whitchurch Junior School Investigation – 2 nd Follow-up	Initial follow-up (Dec 14) assurance improved from red to red/amber. Therefore 2 nd follow-up undertaken (July 15).	GREEN 74% Recs fully implemented 19% Substantially implemented	No further follow-up required
Data Centre Landlord Risks Review	Review of the environment and physical security controls over the IT data centre which support Harrow Council's core IT infrastructure and systems.	RED 7% O	January 2016

2. Table 2 below details the completed assurance report reviews issued in Q1/Q2 of 2015/16 from the 2015/16 Plan and the assurance rating.

Table 2 – 2015/16 Plan Completed Assurance Report Reviews in Q1/Q2 of 2015/16

Review	Audit Coverage	ASSURANCE RATING	Follow-up Due
Housing Rents	Key Control Review + system notes	GREEN 86% O 11%SO	None required. 4 recommendations made, none high risk, all agreed for implementation.

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Corporate Accounts Payable	Key Control Review + system notes	AMBER 94% O	GREEN (D)	April 2016. 1 high risk recommendation agreed for implementation.
Corporate Accounts Receivable	Key Control Review + system notes	GREEN 88% O 4% SO		None required. 1 medium risk recommendation made and agreed for implementation.

3. Table 3 below details the completed assurance non report reviews undertaken in Q1/Q2 of 2015/16 from the 2015/16 Plan.

Table 3 – 2015/16 Plan Completed Assurance Non Report Reviews/work in Q1/Q2 of 2015/16

Review	Audit Coverage	Comments
Payroll	System notes, walkthrough. CRSA	Complete – GREEN assurance
Treasury Management	System notes, walkthrough. CRSA	Complete – GREEN assurance
Council Tax	System notes, walkthrough. CRSA	Complete – GREEN assurance
Capital Expenditure	System notes, walkthrough. CRSA	Complete – GREEN assurance
NDR	System notes, walkthrough. CRSA	Complete – GREEN assurance
Housing Benefits	System notes, walkthrough. CRSA	Complete – GREEN assurance
Corporate Governance	Annual Governance review, drafting AGS, AGS Action Plan	Complete to end of Q2
Information Governance Board (IGB)	To ensure that the Council has effective policies & management arrangements covering Information Governance	Complete to end of Q2
Bus Subsidy Grant	Audit and sign-off of claim	Complete
Suspected Financial Irregularities + Control	<ul style="list-style-type: none"> 40 Laptops stolen - see CAFT report 	Complete to end of Q2

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Reviews	<ul style="list-style-type: none"> School Purchase Card misuse – advice to Headteacher on investigation Public Health Income – in-adequate record keeping by officer no longer working for Council 	
Professional Advice	Advice on risk mitigation & control	Complete to end of Q2
Liaison with External Audit	On-going liaison throughout the year	Complete to end of Q2
Audit Management	e.g. planning, GARM reporting	Complete to end of Q2

Internal Audit Performance Indicators

4. Table 4 below outlines the seven Internal Audit indicators agreed for the year, including the key indicator covering achievement of the IA annual plan. These indicators cover performance on projects from the 2014/15 plan and the 2015/16 plan issued in the first half of the year (i.e. up to 30/09/14).

Table 4 – Internal Audit Performance Indicator Results

	Performance Indicator	Target	Mid Year Result
1	Recommendations agreed for implementation	95%	100%
2	Final reports issued on / ahead of time	85%	100%
3	Projects completed within budgeted time allowance	85%	70%
4	Target met for issue of draft report after end of fieldwork	85%	100%
5	Follow up undertaken	100%	0%
6	Plan achieved for key control reviews	100%	100%
7	Plan achieved overall (key indicator)	37%	48%

Analysis of Results

5. Overall 4 (57%) of the performance targets have been met or exceeded. Three (43%) of the performance targets have been exceeded, 1 (14%) has been fully met.

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6. Three (43%) targets were not met. All of these are a direct result of reduced Internal Audit resources. Target 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; Target 5 – 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; Target 7 – plan achieved, whilst 11% lower than the target was achieved with 33% reduced resources.
7. In the second half of the year target 5 and 7 are expected to improve as a seconded member of the team is returning and will be tasked with completing follow-ups and PwC will be undertaking a number of IT audit reviews.

Corporate Performance Indicators Results

8. 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.

Quarter Three Update

9. Table 5 below details the reviews completed in Q3 2015/16.

Table 5 –2015/16 Plan Completed Assurance Report Reviews in Q3 of 2015/16

Review	Audit Coverage	ASSURANCE RATING	Follow-up Due
Leaseholders Charges	To review the adequacy, application and efficiency of the processes in place to ensure that leaseholder service charges are accurate and correctly accounted for.	AMBER 61% O	April 2016

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Freedom of Information	To review the policy and process employed by the Council for dealing with Freedom of Information requests to ensure that they are appropriate and proportionate. This was a joint review with the Lean team.	AMBER 31% O 38% SO	April 2016
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10. Table 6 below details the reviews in progress during Q3 2015/16

Table 6 –2015/16 Plan Reviews in Progress in Q3 of 2015/16

Review	Audit Coverage	Progress
SIMS Personnel	C/f from 2014/15 plan. To ensure robust controls are in place in schools for the accuracy of the processing of Payroll through the SIMS Personnel system and to prevent or detect fraud.	4 school visit complete – summary of findings and conclusions to be drafted.
Stanburn Primary School		Draft report issued and 1st response to recommendations received but need more information/ detail to finalise report (new HT in place). Significant changes in the school and they have been seeking advice on various matters.
Whitchurch First - SFI	C/f from 2014/14	Witness statement and evidence for NCTL being prepared (hearing due sometime between March and Sept 2016)
Schools HR Policies and Procedures		2 schools visited out of 4 – 2 others booked but cancelled because of Planning Enf SFI and now being re-booked.

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Planning Enforcement SFI	Investigation of corruption allegations against a Planning Enforcement Officer undertaken jointly by Internal Audit and Corporate Fraud – no evidence of corruption found however a number of recommendations made to improve system/process.	Draft report issued.
Blocked Invoices	Identification/elimination of causes	Fieldwork ongoing
Fixed Assets	Ensure records on Northgate (Dwellings & Garages) and on SAP (Shops & Community Halls) are up to date and accurate	Fieldwork ongoing
Mandate Fraud Risk	A review of controls in place to prevent fraud	Planning in progress
School whistleblowing investigation - SFI	An investigation into recruitment practices and use of special needs funding following a whistleblowing allegation.	Fieldwork ongoing
HSIP	To confirm HSIP's status and to ensure that there is transparency in financial balances and the income and expenditure accounts including compliance with Council policy and procedures	Testing
Tenancy Changes	To ensure appropriate checks undertaken when there is a change of tenancy	Preparing draft report
Procurement Fraud	Assessing risk of procurement fraud and preventative controls in place	Draft report awaiting review
Right to Buy	A review of controls in place to prevent fraud	Draft report awaiting review
CIPFA Fraud Code	Self –assessment against code	On-going

11. Table 7 below shows work on the 2015/16 Plan not yet started that will be carried out in Q4 2015/16

Review	Audit Coverage
Risk Management	Maintenance and update of Corporate Risk Registers + Corporate Risk Appetite Statement – external expertise being brought in.
Follow-ups	Standard follow-ups of Red, Red/Amber & Amber reports – to be undertaken by Assistant Auditor returning from secondment.

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Debt Management	To ensure that a joined up corporate approach is taken to debt management – to be undertaken by PwC
Northgate Housing Repairs – Application Review	Covering access controls, data entry, processing, output, interfaces, back-up and recovery – to be undertaken by PwC
SAP	Targeted review of parameters – to be undertaken by PwC
IT Change Management	Review of system in place to manage IT change – to be undertaken by PwC
E-invoicing	Post implementation review
Public Health Checks Follow-up	Follow-up of Audit Briefing note issued 2013/14
Audit Plan 2016/17	Consultation on and risk assessment of reviews to be included in the 2016/17 annual audit plan.

12. Table 8 below shows reviews that have been added or extended in the 2015/16 plan

Table 8 – Additional/Extended reviews in the 2015/16 Plan

Review	Reason Added/Extended
Corporate Governance	New Governance Framework guidance about to be issued by CIPFA , Harrow Code of Corporate Governance to be reviewed and updated in line with new guidance for 2016/17 plus accounts deadline being brought forward requires governance review to be started in Q4 2015/16 instead of Q1 2016/17.
Risk Management	Review & update of policy & procedures which are out of date – to make best use of expertise being employed.
HSIP	Concerns raised by management – emerging risk
Families First	Change in the grant conditions requires a more active Internal Audit involvement.
IT Data Centre Follow-up	Due to the complex nature and profile of the review a more detailed follow-up is required.
BC& IT DR Follow-up	Due to the complex nature and profile of the review a more detailed follow-up is required.
Peer Review	We are required to have an external assessment against the PSIAS once every five years – London Boroughs have agreed to undertake peer reviews to achieve this at minimum cost. HIA to undertake peer review of Croydon in February 2016.
Schools HR Policies and	Div Dir of HR & Shared Services has also sought advice/ audit perspective on which schools policies

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Procedures	have the highest priority for update. Preparing some advice on this.
IT Contract Management	Pro-active element of proposed 2016/17 review.

13. This equates to an estimated 72 extra audit days.

14. Table 9 below shows reviews in the 2015/16 Plan that will no longer be undertaken

Table 9 – Reviews in 2015/16 Plan no longer to be undertaken

Review	Audit Coverage	Reason Omitted
Help2Let	Risk based systems review.	Resource constraint
Cabinet Decisions	A review of the quality/robustness of information supplied in Cabinet reports to support key recommendations and ensure sound decisions.	Resource constraint
Income Maximisation (incl. Trading Standards)	A check to ensure that Council is charging for everything it current should be charging for ahead of commercialisation	Resource constraint
Project Assurance/Management	Input to process for new construction delivery unit	New construction delivery unit no longer going ahead
Legal Services Company	Review of governance, income and accounting arrangements	Resource constraint
Pertemps Contract	Contract Management (inc. goods receipting)	Resource constraint
MyCep - PayPal, Claw Back of Surpluses	To ensure adequacy, application and effectiveness of controls in place for commercialisation	Resource constraint
Cash Payments	Review of cash payments made to identify alternative suitable methods where possible	Dealt with by management
Headteachers' Remuneration	Review of Headteachers' Remuneration across the borough	Resource constraint
Schools Expansion Programme Phase 3	Programme Management Assurance	Resource constraint

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Trade Waste	Assurance re progress made to improve processes and reduce fraud risk	Resource constraint
Grants	Compliance check on grant conditions	Resource constraint
HR Self-service	Review of the controls in place to ensure changes to payment details are not open to fraud and error	Resource constraint
Homelessness Data on Northgate	Information Security, data quality, information sharing	Resource constraint

15. This equates to 165 audit days taken out of the original 2015/16 plan. However as 72 audit days have been added in (Table 8 above) overall this equates to a reduction of 97 audit days which is equivalent to 54% of 1 x FTE¹. Overall, due to maternity leave and a secondment² 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.
16. Reviews taken out of the 2015/16 plan will automatically be considered for inclusion in the 2016/17 audit plan.

Susan Dixon
Head of Internal Audit
13/01/16

¹ 1 x Full Time Equivalent = 180 audit days

² 1 x 180 audit days + 1 x 135 audit days = 315 audit days