

## 2015/16 INTERNAL AUDIT YEAR-END REPORT

## APPENDIX 1

### Year-end Results

- 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 2015/16**

Review (2014/15 Plan)	Audit Coverage	Original Assurance Rating		Re-assessed Assurance Rating
Cannon Lane Primary School Governance & Financial Controls	to review the adequacy, application and effectiveness of the systems in place to control schools' delegated and standards fund income and expenditure and to assess the level of compliance with Financial Regulations and Contract Procedure Rules.	<b>AMBER</b> 4% NO, 8% PO	<b>GREEN</b> 4% SO, 84% O	<b>GREEN</b> 1% NO, 2% PIO, 2% SO, 95% O
Cedars Manor School Governance & Financial Controls	to review the adequacy, application and effectiveness of the systems in place to control schools' delegated and standards fund income and expenditure and to assess the level of compliance with Financial Regulations and Contract Procedure Rules.	<b>AMBER</b> 2% NO, 10% PO	<b>GREEN</b> 10% SO. 78% O	<b>GREEN</b> 100% O

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Review (2014/15 Plan)	Audit Coverage	Original Assurance Rating		Re-assessed Assurance Rating
Moriah Jewish Day School Governance & Financial Controls	to review the adequacy, application and effectiveness of the systems in place to control schools' delegated and standards fund income and expenditure and to assess the level of compliance with Financial Regulations and Contract Procedure Rules.	<b>AMBER</b> 7% PO	<b>GREEN</b> 19% SO, 74% O	<b>GREEN</b> 9% SO, 91% O
Newton Farm Nursery, Infant & Junior School Financial & Governance Controls	to review the adequacy, application and effectiveness of the systems in place to control schools' delegated and standards fund income and expenditure and to assess the level of compliance with Financial Regulations and Contract Procedure Rules.	<b>AMBER</b> 1% NO, 5% PO	<b>GREEN</b> 8% SO, 85% O	<b>GREEN</b> 100% O
Norbury School Governance & Financial Controls *	to review the adequacy, application and effectiveness of the systems in place to control schools' delegated and standards fund income and expenditure and to assess the level of compliance with Financial Regulations and Contract Procedure Rules.	<b>AMBER</b> 9% PO	<b>GREEN</b> 29% SO, 62% O	<b>GREEN</b> 7% SO, 93% O
Roxeth Primary School Governance & Financial Controls	to review the adequacy, application and effectiveness of the systems in place to control schools' delegated and standards fund income and expenditure and to assess the level of compliance with Financial Regulations and Contract Procedure Rules.	<b>AMBER</b> 3% NO, 3% PO	<b>GREEN</b> 94% O	<b>GREEN</b> 100% O
St Teresa's Catholic Primary School & Nursery Governance & Financial Controls	to review the adequacy, application and effectiveness of the systems in place to control schools' delegated and standards fund income and expenditure and to assess the level of compliance with Financial Regulations and Contract Procedure Rules.	<b>AMBER</b> 12% NO, 20% PO, 6% SO, 63% O		<b>GREEN</b> 2% SO, 98% O

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Review (2014/15 Plan)	Audit Coverage	Original Assurance Rating		Re-assessed Assurance Rating
West Lodge Primary School Governance & Financial Controls	to review the adequacy, application and effectiveness of the systems in place to control schools' delegated and standards fund income and expenditure and to assess the level of compliance with Financial Regulations and Contract Procedure Rules.	<b>AMBER</b> 2% NO, 3% PO	<b>GREEN</b> 3% SO, 92% O	<b>GREEN</b> 3% SO, 97% O
Business Continuity & Disaster Recovery	A review of controls over the arrangements that are in place for the prevention of system downtime through adequate resilience.	<b>RED</b> 2% NO, 30% PO	<b>AMBER</b> 48% SO, 20% O	<b>GREEN</b> 2% PO, 42% SO, 56% O
Council Tax Discounts Preventative Fraud	A review of the controls in place to prevent fraud within Council Tax Discounts for single persons' discounts, student discounts and disabled band reductions.	<b>AMBER</b> 11% NO, 22% PO, 11% SO, 56% O		<b>GREEN</b> 100% O
Corporate Accounts Payable Key Control	Key Control Review, systems notes	<b>AMBER</b> 6% PO	<b>GREEN</b> 94% O	<b>GREEN</b> 100% O
Capital Expenditure Key Control	Key Control Review, systems notes	<b>AMBER</b> 3% NO, 22% PO, 19% SO, 56% O		<b>GREEN</b> 3% NO, 16% SO 81% O
Cashiers	To review the Cashiers IT system, income, banking, separation of duties and reconciliations	<b>AMBER</b> 8% NO, 11% PO	<b>GREEN</b> 11% SO, 70% O	<b>GREEN</b> 100% O
Data Security Breaches	To assess the action taken after breaches are identified to close gaps and improve processes.	<b>AMBER</b> 7% NO, 14% PO	<b>GREEN</b> 7% SO, 72% O	<b>GREEN</b> 100% O

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<b>Review (2014/15 Plan)</b>	<b>Audit Coverage</b>	<b>Original Assurance Rating</b>		<b>Re-assessed Assurance Rating</b>
Finance Restructure	To review the key controls over the main accounting system following a finance restructure including compliance with policy, authorisation, accuracy of financial transactions, timely reporting and the prevention of fraud	<b>AMBER</b> 6% PO	<b>GREEN</b> 6% SO 88% O	<b>GREEN</b> 6% SO, 94% O
Property Maintenance/Cyclical	To assess the frequency and quality of cyclical maintenance and assess implications for Health and Safety	<b>AMBER</b> 33% PO, 60% SO, 7% O		<b>GREEN</b> 13% SO, 87% O
Data Centre	Review of the environment and physical security controls over the IT data centre which support Harrow Council's core IT infrastructure and systems.	<b>RED</b> 47% NO, 46% PO, 7% O		<b>Green</b> 13% PO, 87% O

2. Table 2 below details all the final reports issued in 2015/16 from the 2014/15 audit plan with the report assurance rating.

**Table 2 – 2014/15 Plan Completed Reports Issued in 2015/16**

<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>	<b>Follow-up</b>
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.	<b>AMBER</b> 31% PO, 38% SO, 31% O	Follow up in progress
Leasehold Service 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.	<b>AMBER</b> 28% NO, 11% PO 61% O	Follow up in progress

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<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>		<b>Follow-up</b>
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.	<b>GREEN</b> 97% O		None required.
Whitchurch Junior School Investigation – 2 <sup>nd</sup> Follow-up	Initial follow-up (Dec 14) assurance improved from red to red/amber. Therefore 2 <sup>nd</sup> follow-up undertaken (July 15).	<b>GREEN</b> 74% Recs fully implemented 19% Substantially implemented		No further follow-up required
Right to Buy	Review of key controls over the right to buy process taking into consideration controls in place to prevent fraud.	<b>AMBER</b> 5% PO	<b>GREEN</b> 17% SO 78%O	Not yet due

3. Table 3 below details the completed assurance report reviews issued in 2015/16 from the 2015/16 Plan and the assurance rating.

**Table 3 – 2015/16 Revised Plan Completed Assurance Report Reviews**

<b>Plan 15/16 Assurance Reviews</b>	<b>Audit Coverage</b>	<b>ASSURANCE RATING</b>	
Housing Rents	Key Control Review + system notes	<b>GREEN</b> 86% O, 11%SO	
Corporate Accounts Payable	Key Control Review + system notes	<b>AMBER</b>	<b>GREEN</b> 94% O
Corporate Accounts Receivable	Key Control Review + system notes	<b>GREEN</b> 88% O, 4% SO	
Northgate Housing Repairs	To review the key IT controls supporting the Northgate Housing Repairs module	<b>AMBER</b> 41% O, 29% SO, 24 PO	

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HSIP	To confirm HSIP's status and to ensure that there is transparency in the financial balances and the income and expenditure accounts including compliance with Council policy and procedures	<b>RED</b> 14% O, 14% SO, 52% PO	
Tenancy Changes	to ensure appropriate checks are undertaken when there is change in tenancy to mitigate the risk of fraud	<b>AMBER</b> 58% O, 21% SO, 21% PO	
Mandate Fraud	To review the controls in place to prevent mandate fraud	<b>RED</b> 33% O, 17%SO	<b>AMBER</b> 50%PO
IT Change management	To review the design and operating effectiveness of key controls in place for processing IT changes, including emergency maintenance and patches, relating to infrastructure and applications within the production environment	<b>AMB5ER</b> 67% O, 22% PO,	
Blocked Invoice	To review the blocked invoices process establish why are invoices blocked and what controls are in place to prevent this.	<b>RED</b> 33% O, 17% SO	
Schools - HR	To ensure that schools have appropriate policies & procedures in place and are implementing them. As this was not a controls based review the summary report was given an indicative assurance rating. 4 individual reports also issued to specific schools (Grange Primary, Grimsdyke Primary, Roxbourne Primary and Shaftesbury High Schools).	<b>AMBER</b> <b>Indicative Assurance</b>	
Schools – SIMS Personnel	Robustness of controls within the SIMS Personnel system. Assurance rating relates to the overall summary report with 4 individual reports also issued to specific schools (Glebe Primary, Norbury Primary, Pinner Park Infants and Whitmore High Schools).	<b>AMBER</b> 13% PO	<b>GREEN</b> 28% O, 59%SO

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

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**Table 4 – 2015/16 Emerging Risk/SFI reports**

<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>
Planning Enforcement	Alleged bribery and corruption investigation – none found No assurance rating given.	16 recommendations made and agreed
Marlborough School Investigation	Five areas of concern raised, weakness found in two of the areas reviewed.	<b>RED</b> 12 High Risk Recommendations made and agreed
Housing Division Investigation	No wrong-doing identified. No assurance rating given.	10 recommendations made

5. Table 5 details the Audit Briefing Notes issued as part of the 2015/16 Internal Audit Revised Plan

**Table 5 – 2015/16 Revised Plan Audit Briefing Notes**

<b>Review</b>	<b>Audit Coverage</b>	<b>Comments</b>
Purchase Invoice Fraud	To review of a sample of purchase invoices across the council to ensure that payment is only being made on bonafide suppliers	No Recommendations were made
E- Invoicing	To do a light touch, post implementation review of the Electrical Invoicing System	No Recommendations were made

6. Table 6 below details the completed assurance non report reviews undertaken in 2015/16 from the 2015/16 Plan.

**Table 6 – 2015/16 Revised Plan Completed Assurance Non Report Reviews in 2015/16**

<b>Review</b>	<b>Audit Coverage</b>	<b>Comments</b>
Payroll	System notes, walkthrough. CRSA	Complete – GREEN

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		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
Information Governance Board (IGB)	To ensure that the Council has effective policies & management arrangements covering Information Governance	Complete
Risk Management	Q4 Corporate Risk Register, update of Risk Strategy and procedures, development of updated Risk Appetite Statement	Complete
CIPFA Fraud Code	Self-assessment & action plan	Complete
Families First	Input to development of plan	Complete
Bus Subsidy Grant	Audit and sign-off of claim	Complete
Peer Review	Review of Croydon Council's Internal Audit Function	Complete
IT Contract Management	Pro-active element of review – provision of expected controls	Complete
Suspected Financial Irregularities + Control Reviews	<ul style="list-style-type: none"> <li>• 40 Laptops stolen - see CAFT report</li> <li>• School Purchase Card misuse – advice to Headteacher on investigation</li> <li>• Public Health Income – in- adequate record keeping by officer no longer working for Council</li> <li>• Salary overpayments</li> </ul>	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



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### Performance Indicators

7. Table 7 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 2014/15 plan and the 2015/16 plan issued during the year.

**Table 7 – Internal Audit Performance Indicator Results**

	Performance Indicator	Target	Mid Year Result	Year End Result
1	Recommendations agreed for implementation	95%	100%	100%
2	Final reports issued on / ahead of time	85%	100%	88%
3	Projects completed within budgeted time allowance	85%	70%	45%
4	Target met for issue of draft report after end of fieldwork	85%	100%	100%
5	Follow up undertaken	100%	0%	100%
6	Plan achieved for key control reviews	100%	100%	100%
7	Plan achieved overall (key indicator)	90%	48%	88%

### Analysis of Results

8. Overall 5(71%) of the performance targets have been met or exceeded. 3 of the performance targets have been exceeded, 2 have been fully met and 2 targets have not been met. Performance indicator 3 (projects completed within budgeted time allowance) missed the target by 40% and is a reflection of the lack of resilience within the team as a result of reduced resources (budget savings, maternity x2, secondment) and the need for officers to up pick up incomplete work. Performance indicator 7 (plan achieved overall) has been missed by 2% which is a direct result of inappropriate resources being allocated by PwC to one review (Debt Management) resulting in the review not going ahead. It has been carried forward to 2016/17 and will be undertaken in-house.

Table 10 – Corporate Audit Indicators Results

	Performance Indicator	Target	Mid Year Result	Year End Result
1	Implementation of recommendations	90%	n/a	83% (expected to be 99%)
2	Auditee response times to draft report within 4 weeks	80%	n/a	n/a
3	Auditee response times to follow ups within 4 weeks	80%	n/a	94%

### Analysis of Results

9. Two out of the three corporate indicators have been/will be exceeded.
10. The result for performance indicator 1 shows that whilst 83% of recommendations had been implemented at the time of follow-up a further 16% were planned for implementation giving an expected implementation rate of 99% exceeding the 90% target.
11. It is not possible at this stage to report on Auditee response times to the draft report within 4 weeks due to a corruption of data on the data base.
12. For the auditee response time to follow ups indicator, the result exceeded the target.

Susan Dixson  
 Head of Internal Audit  
 30/06/16