

2016/17 INTERNAL AUDIT YEAR-END REPORT

APPENDIX 1

Year-end Results

- Table 1 below details the follow ups completed in 2016/17 with the original assurance rating and the re-assessed assurance rating. 81% of assurance issued after follow-up was re-assessed as amber/green or green assurance 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

(D) = Downgraded assurance ratings based on number of high risk recommendations made (with the agreement of the Head of Internal Audit)

Table 1 – Follow Ups of 2015/16 reviews completed in 2016/17

Review	Audit Coverage	Original Assurance Rating		Re-assessed Assurance Rating
Corporate Accounts Payable Key Control	Key Control Review, systems notes	AMBER 94% O	GREEN (D)	GREEN 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.	AMBER 62% O	GREEN 29% SO, (D)	GREEN 93% O 7% SO

2016/17 INTERNAL AUDIT YEAR-END REPORT

APPENDIX 1

Review	Audit Coverage	Original Assurance Rating		Re-assessed Assurance Rating	
Business Continuity & 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 48% SO (D)	GREEN 56% O 42% SO	
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.	RED 7% O		GREEN 87% O	
Harrow School Improvement Service (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.	RED 14% O 14% SO		AMBER 51% O	GREEN 37%SO (D)
Leaseholder 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.	AMBER 61% O		GREEN 85%	
Planning Enforcement Investigation	Investigation into allegations of bribery and corruption for which there was insufficient evidence. However weaknesses in control were identified.	RED 16 Recommendations		RED 38% Implemented ¹	AMBER 19% Substantially

¹ 6 recommendations implemented, 3 substantially implemented, 7 not implemented. As the re-assessed assurance rating is higher than amber a further follow up will be undertaken.

2016/17 INTERNAL AUDIT YEAR-END REPORT

APPENDIX 1

2. Table 2 below details all the final reports issued in 2016/17 from the 2015/16 audit plan with the report assurance rating.

Table 2 – 2015/16 Plan Completed Reports issued + followed up progress in 2016/17

Review	Audit Coverage	Assurance Rating		Follow-up Due/Re-assessed Assurance Rating
Blocked Invoices	A review of blocked invoices to establish why they occur and the controls in place to prevent them.	RED 33% O 17%SO		GREEN 100% O
Mandate Fraud	Controls in place to prevent mandate fraud	RED 33% O 17%SO		GREEN 100% O
Tenancy Changes	A review to ensure appropriate checks are undertaken when there is change in tenancy to mitigate the risk of fraud.	AMBER 58%O 21%SO		GREEN 86% O 14 SO
IT Change Management	A review of 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.	AMBER 67% O		September 2017
Procurement Fraud	A review of the adequacy, application and effectiveness of the internal controls in place to prevent fraud within the procurement process.	AMBER 79% O	GREEN 7% SO	In Progress

2016/17 INTERNAL AUDIT YEAR-END REPORT

APPENDIX 1

Review	Audit Coverage	Assurance Rating		Follow-up Due/Re-assessed Assurance Rating
Right to Buy	A review of the key controls over the right to buy process taking into consideration controls in place to prevent fraud.	AMBER 78% O	GREEN 17% SO	In Progress
Grimsdyke School – HR Policy & Procedures	To ensure that schools have appropriate policies and procedures in place and implement them.	16 Recommendations made and all agreed for implementation		In Progress
Roxbourne School – HR Policy & Procedures	To ensure that schools have appropriate policies and procedures in place and implement them.	16 Recommendations made and all agreed for implementation		In Progress
Grange Primary School – HR Policy & Procedures	To ensure that schools have appropriate policies and procedures in place and implement them.	13 Recommendations made and all agreed for implementation		In Progress
Shaftesbury School – HR Policy & Procedures	To ensure that schools have appropriate policies and procedures in place and implement them.	20 Recommendations made and all agreed for implementation		In Progress
Glebe SIMS Personnel	To ensure that 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.	14 Recommendations made and all agreed for implementation		In Progress
Pinner Park Infants SIMS Personnel	To ensure that 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.	17 Recommendations made and all agreed for implementation		In Progress

2016/17 INTERNAL AUDIT YEAR-END REPORT

APPENDIX 1

Review	Audit Coverage	Assurance Rating	Follow-up Due/Re-assessed Assurance Rating
Whitmore SIMS Personnel	To ensure that 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.	6 Recommendations made 4 agreed fully, 2 partially	In Progress
Norbury SIMS Personnel	To ensure that 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.	12 Recommendations made 10 agreed for implementation	September 17

3. Table 3 below details the completed assurance report reviews issued in 2016/17 from the 2016/17 Plan and the assurance rating.

Table 3 – 2016/17 Revised Plan Completed Assurance Report Reviews

Review	Audit Coverage	ASSURANCE RATING	Follow-up Due
Payroll	Key Control Review, walkthrough + system notes	GREEN 80% O 12%SO	None required
Treasury Management	Key Control Review, walkthrough + system notes	GREEN 79% O 21%SO	None required
Council Tax	Key Control Review, walkthrough + system notes	GREEN 87% O 13% SO	None required

2016/17 INTERNAL AUDIT YEAR-END REPORT

APPENDIX 1

Review	Audit Coverage	ASSURANCE RATING	Follow-up Due	
Nursery Education Grant	To ensure compliance with conditions of the Grant and funding entitlement and to ensure accurate, complete and satisfactory payments of Early Education Funding to 2, 3, and 4 years olds in line with the Department of Education (DFE) Early Education and Childcare, statutory Guidance for Local Authorities (September 2014).	GREEN 86% O 14% SO	None required	
Budget Management	Targeted review of budget management based on outturn	AMBER 35% O 39% SO (D)	In draft	
Help2Let	To review the adequacy and application of controls in place for the Help2Let Scheme to minimise the risk of fraud.	RED 38% O	AMBER 19% SO	In draft
Kenmore Park Junior School – Governing Body Decisions	To review the effectiveness of the Governing Body decision making process to ensure that key decisions are made, recorded clearly and that adequate information has been provided to make the decision.	GREEN 85% Key decisions made appropriately and recorded clearly in minutes	None required	
Kingsley High School – Governing Body Decisions	To review the effectiveness of the Governing Body decision making process to ensure that key decisions are made, recorded clearly and that adequate information has been provided to make the decision.	AMBER 50% Key decisions made appropriately and recorded clearly in minutes plus a further 20% made appropriately	In progress	
St Joseph’s Primary School – Governing Body Decisions	To review the effectiveness of the Governing Body decision making process to ensure that key decisions are made, recorded clearly and that adequate information has been provided to make the decision.	GREEN 90% Key decisions made appropriately and recorded clearly in minutes	None required	

2016/17 INTERNAL AUDIT YEAR-END REPORT

APPENDIX 1

Review	Audit Coverage	ASSURANCE RATING		Follow-up Due
St Teresa's Primary School – Governing Body Decisions	To review the effectiveness of the Governing Body decision making process to ensure that key decisions are made, recorded clearly and that adequate information has been provided to make the decision.	GREEN 90% Key decisions made appropriately and recorded clearly in minutes		None required
Emergency / Temporary Accommodation	To review adequacy and application of controls in place for applicants in emergency / temporary accommodation to minimise the risk of fraud.	AMBER 63% O	GREEN 11% SO	In draft
IT Contract Management	To ensure that effective contract management is in place for the IT Contract with Sopra Steria (SSL), that services are obtained in accordance with the contract and that value for money is achieved.	AMBER 58% O	GREEN 29% SO (D)	In draft
HBPL Service Charging +HBPL Ltd Governance	To review the governance arrangements for the HBPL Ltd and the charging arrangements for the HBPL Service.	AMBER 69% O	GREEN 9% SO	In draft
Personal Budgets Pay Pal Reconciliation	To ensure adequacy, application and effectiveness of controls in place for the use of PayPal in relation to My Community ePurse (MyCep) and reconciliations undertaken of FWI, SAP and PayPal.	RED 43% O	AMBER 14% SO	AMBER 52% O 14% SO
NRPF	To ensure timely identification and assessment of NRPF cases enabling the allocation of only appropriate funds that are fully accountable.	RED 20% O	AMBER 40% SO	In draft
Housing Benefit Fraud Risk	To learn lessons from the current fraud case by reviewing controls in place to specifically assess whether they are effective to minimise the risk of internal fraud.	RED 51% O	AMBER 15% SO (D)	In draft

2016/17 INTERNAL AUDIT YEAR-END REPORT

APPENDIX 1

Review	Audit Coverage	ASSURANCE RATING	Follow-up Due
Weald Rise 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/ Financial Procedure Rules and Contract Procedure Rules. To review the completion of the self-assessment and level of evidence to support the SFVS self-assessment for 2015/16 to obtain greater assurance and to advise on the completion of future self-assessments.	AMBER 70% O 11% SO (D)	July 2017
Sacred Heart – Governance & Financial Controls	As Above	AMBER 55% O 16%SO (D)	September 2017

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.

Table 4 – 2016/17 Emerging Risk/SFI reports

Review	Audit Coverage	Outcome
Stag Lane Infant & Nursery School Investigation	Investigation of concerns raised in letter to Ofsted including recruitment & selection, conflicts of interest, use of unqualified staff, exit meetings for staff, unpaid overtime.	AMBER Assurance - 25 recommendations were made although only 1 was high risk.
Headteacher – Manipulation of Data	Investigation into concerns raised regarding inflation of Free School Meal data, the recording of English as a second language, results of 2015 SATS, disposal of equipment, collection of charity monies, running of the Saturday School, 2 children attending the school whilst not on the school roll.	RED Assurance: There have been significant levels of data manipulation resulting in artificially inflated numbers in the census data for FSM, EAL and SEN. This has benefitted both the school and the former Headteacher personally in financial and reputational terms.

2016/17 INTERNAL AUDIT YEAR-END REPORT

APPENDIX 1

5. Table 5 details the Audit Briefing Notes issued as part of the 2016/17 Internal Audit Revised Plan

Table 5 – 2016/17 Revised Plan Audit Briefing Notes

Review	Audit Coverage	Comments
Governing Body Key Decisions	A sample of schools were visited during July 2016 to undertake a review of Governing Body Key Decisions – individual reports were issued to schools (shown below) in addition to this summary.	Across the sample of schools which were visited it was identified that the majority of key decisions had been made appropriately and recorded clearly in minutes
Consultants/Agency Workers	A review of spending on agency staff, consultants and interims across the Council to ensure that value for money is being achieved.	Interim Report: Initial findings from the sample testing are varied and do not, provide any obvious 'quick wins'. The analysis of costs have highlighted a number of areas that warrant closer inspection however it is clear that the organisation as a whole is not using agency staff simply for short-term appointments. Rectifying this will not necessarily provide significant savings if alternative staff (either temporary, fixed term or permanent) are required to undertake the work.
Public Health – Health Checks follow-up	A follow-up of work/Audit briefing note issued in 2014/15. At the time of the review data validation checks were only undertaken to ensure the claims met the set criteria. Harrow and Barnet Public Health were also paying different rates for services. Thus two recommendations were made to address the weaknesses identified.	One of the two recommendations made have been implemented. An opportunity to implement the second recommendation was missed when the contract for Harrow Health CIC was let in December 2016 and as a consequence the risk of fraud has not been mitigated although it will cease in April 2018 when the services are stopped.

2016/17 INTERNAL AUDIT YEAR-END REPORT

APPENDIX 1

6. Table 6 below details the completed assurance non report reviews undertaken in 2016/17 from the 2016/17 Plan.

Table 6 – 2016/17 Revised Plan Completed Assurance Non Report Reviews in 2016/17

Review	Audit Coverage	Comments	
Housing Rents	System notes, walkthrough. CRSA	GREEN Assurance	
Corporate Accounts Payable (CAP)	System notes, walkthrough. CRSA	GREEN Assurance	
Corporate Accounts Receivable (CAR)	System notes, walkthrough. CRSA	GREEN Assurance	
Capital Expenditure	System notes, walkthrough. CRSA	AMBER	GREEN
Business Rates	System notes, walkthrough. CRSA	GREEN Assurance	
Housing Benefits	System notes, walkthrough. CRSA	GREEN Assurance	
Corporate Governance	Annual governance review 2015/16, draft & final AGS 2015/16, AGS Action Plan 2015/16.	GREEN Assurance – no significant gaps	
SFVS Assurance Statement		GREEN Assurance	
Risk Management	Q4 (2015/16) & Q1, Q2, Q3 (2016/17) update of Corporate Risk Register	Complete	
Families First Grant	Testing and Grant certification	Complete	
Professional Advice	Advice on risk mitigation & control	Complete	
Information Governance Board (IGB)	To ensure that the Council has effective policies & management arrangements covering Information governance	Complete	

Performance Indicators

7. The performance indicators for 2016/17 have been reviewed and streamlined. Table 7 below outlines the four Internal Audit indicators agreed for the year, including the key indicator covering achievement of the IA annual plan and table 8 the one corporate audit indicator and the results achieved. These indicators cover performance on projects from the 2015/16 plan and the 2016/17 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%	91%	98%
2	Follow up undertaken	100%	100%	100%
3	Plan achieved for key control reviews	100%	100%	100%
4	Plan achieved overall (key indicator)	90%	47%	92%

Analysis of Results

8. All 4 (100%) of the performance targets have been met or exceeded. 2 of the performance targets have been exceeded and 2 have been fully met (as the target is 100% they cannot be exceeded). Whilst the plan achieved is shown at 92% this will increase to 98% once outstanding reports are issued.

Table 8 – Corporate Audit Indicators Results

	Performance Indicator	Target	Mid Year Result	Year End Result
1	Implementation of recommendations	90%	69% (expected to be 96%)	73% (expected to be 98%)

Analysis of Results

9. The result for performance indicator 1 shows that whilst 73% of recommendations had been implemented at the time of follow-up a further 25% were planned for implementation giving an expected implementation rate of 98% exceeding the 90% target.

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