

**2017/18 INTERNAL AUDIT MID-YEAR REPORT +  
QUARTER 3 & PLAN UPDATE**

**APPENDIX 1**

**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 (D) depending on the number of high risk recommendations made (with the agreement of the Head of Internal Audit)

**Mid-year Results**

- Table 1 below details the follow ups completed in 2017/18 with the original assurance rating and the re-assessed assurance rating. All assurance ratings at follow-up have been re-assessed as amber/green or green showing improvement in the control environment as a result of internal audit work.

**Table 1 – Follow Ups completed in Q1&2 of 2017/18**

<b>Review</b>	<b>Audit Coverage</b>	<b>Original Assurance Rating</b>	<b>1<sup>st</sup> Follow Up Assurance Rating</b>		<b>2<sup>nd</sup> Follow Up Assurance Rating</b>
Planning Enforcement Investigation – 2 <sup>nd</sup> Follow Up	Investigation into allegations of bribery and corruption for which there was insufficient evidence. However weaknesses in control were identified.	<b>RED</b> <b>16</b> <b>Recommendations</b>	<b>RED</b> <b>38%</b> <b>Implemented</b>	<b>AMBER</b> <b>19%</b> <b>Substantially</b>	<b>GREEN</b> <b>88%</b> <b>Implemented</b>

**2017/18 INTERNAL AUDIT MID-YEAR REPORT +  
QUARTER 3 & PLAN UPDATE**

**APPENDIX 1**

2. Table 2 below details all the reports issued in Q1/Q2 of 2017/18 from the 2016/17 audit plan with the report assurance rating.

**Table 2 – 2016/17 Plan Reports Issued in Q1&2 of 2017/18**

Review	Audit Coverage	Assurance Rating		Follow-up Due
HBPL Service Charging +HBPL Ltd Governance	To review the governance arrangements for the HBPL Ltd and the charging arrangements for the HBPL Service.	<b>AMBER</b> 69% O	<b>GREEN</b> 9% SO	January 2018
NRPF	To ensure timely identification and assessment of NRPF cases enabling the allocation of only appropriate funds that are fully accountable.	<b>RED</b> 20% O	<b>AMBER</b> 40% SO	In progress

3. Table 3 below details the completed assurance report reviews issued in Q1/Q2 of 2017/18 from the 2017/18 Plan and the assurance rating.

**Table 3 – 2017/18 Plan Completed Assurance Report Reviews in Q1/Q2 of 2017/18**

Review	Audit Coverage	Assurance Rating		Follow-up Due
NNDR	Key control review	<b>AMBER</b> 88% O	<b>GREEN</b> 8% SO (D)	In draft
Capital Expenditure	Key control review	<b>GREEN</b> 65%O 26% SO		In draft
Welldon Park Primary School Governance and Financial Controls Review	Review the adequacy, application and effectiveness of the systems in place to control schools delegated and standards fund budget and to assess the level of compliance with FR and CPR.	<b>RED</b> 34% O	<b>AMBER</b> 29% SO (D)	In draft
Welldon Park Primary School Teaching Assistants Report (Emerging Risk)	To investigate the payments to Teaching Assistants for providing cover for teachers and the methods of payments both historic and pending.	<b>RED</b>		In draft

**2017/18 INTERNAL AUDIT MID-YEAR REPORT +  
QUARTER 3 & PLAN UPDATE**

**APPENDIX 1**

<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>	<b>Follow-up Due</b>
100 Homes	To provide assurance that properties have been purchased in accordance with the agreed model, that probity can be demonstrated and that benefits of the project in terms of savings are being realised.	<b>N/A</b>	Interim report

4. Table 4 below details the completed assurance non report reviews undertaken in Q1/Q2 of 2017/18 from the 2017/18 Plan.

**Table 4 – 2016/17 Plan Completed Assurance Non Report Reviews/work in Q1/Q2 of 2016/17**

<b>Review</b>	<b>Audit Coverage</b>	<b>Comments</b>
Housing Rents	Self assessment	<b>GREEN assurance</b>
Corporate Accounts Payable (CAP)	Self assessment	<b>GREEN assurance</b>
Corporate Accounts Receivable (CAR)	Self assessment	<b>GREEN assurance</b>
Payroll	Self assessment	<b>GREEN assurance</b>
Treasury Management	Self assessment	<b>GREEN assurance</b>
Housing Benefits	Self assessment	<b>GREEN assurance</b>
Council Tax	Self assessment	<b>GREEN assurance</b>
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
Risk Management	Q1 (2017/18) & Q2 (2017/18) update of Corporate Risk Register	Complete to end of Q2
Families First Grant	Testing and Grant certification	Complete to end of Q2
Suspected Financial Irregularities + Control Reviews	Various – HB New Claims Fraud (See table 7 for further information)	Complete to end of Q2
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

**2017/18 INTERNAL AUDIT MID-YEAR REPORT +  
QUARTER 3 & PLAN UPDATE**

**APPENDIX 1**

**Internal Audit Performance Indicators**

5. Table 5 below outlines the four 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 2016/17 plan and the 2017/18 plan issued in the first half of the year (i.e. up to 30/09/17).

**Table 5 – Internal Audit Performance Indicator Results**

	<b>Performance Indicator</b>	<b>Target</b>	<b>Mid Year Result</b>
1	Recommendations agreed for implementation	95%	100%
2	Follow up undertaken	100%	71%
3	Plan achieved for key control reviews	100%	100%
4	Plan achieved overall (key indicator)	45%	42%

**Analysis of Results**

6. Overall 2 (50%) of the performance targets have been met or exceeded. One (25%) of the performance targets has been exceeded and 1 (25%) has been fully met.
7. Two (50%) of the targets were not met. Target 2, follow up undertaken – 10 of 14 follow ups were issued, a conscious decision was taken to postpone the remaining four until October 2017 on the return to work (after maternity leave) of the Assistant Auditor responsible for follow-ups hence it is expected that the full year target will be met. These have now all been sent to the clients. Target 4, plan achieved overall is down 3% at mid-year – this is due to the impact of 3 new emerging risks during the first half of 2017/18 (as shown in table 10) and the loss of the temporary risk management resource requiring Internal Audit resources to be diverted to update the Corporate Risk Register for Q1&2.

**2017/18 INTERNAL AUDIT MID-YEAR REPORT +  
QUARTER 3 & PLAN UPDATE**

**APPENDIX 1**

**Corporate Performance Indicators Results**

8. One key corporate indicator will be reported on for 2017/18 as shown below in Table 6:

**Table 6 – Corporate Performance Indicator Results**

	<b>Performance Indicator</b>	<b>Target</b>	<b>Mid Year Result</b>
1	Implementation of recommendations	90%	88%

9. The result for performance indicator 1 shows that whilst 88% of recommendations had been implemented at the time of follow-up a further 12% are in progress of being implemented giving an expected implementation rate of 100% exceeding the 90% target.

**Quarter 3 Update**

10. Table 7 below details the reviews completed in Q3 2017/18.

**Table 7 – 2016/17 & 2017/18 Plan Completed Assurance Report Reviews in Q3 of 2017/18**

<b>Review</b>	<b>Audit Coverage</b>	<b>ASSURANCE RATING</b>		<b>Follow-up Due</b>
NNDR	Key control review	<b>AMBER</b> 88% O	<b>GREEN</b> 8% SO (D)	February 2018
Capital Expenditure	Key control review	<b>GREEN</b> 65%O 26% SO		January 2018
Help2Let	To review the adequacy and application of controls in place for the Help2Let Scheme to minimise the risk of fraud.	<b>RED</b> 38% O	<b>AMBER</b> 19% SO	January 2018
Emergency / Temporary Accommodation	To review adequacy and application of controls in place for applicants in emergency / temporary accommodation to minimise the risk of fraud.	<b>AMBER</b> 63% O	<b>GREEN</b> 11% SO	April 2018

**2017/18 INTERNAL AUDIT MID-YEAR REPORT +  
QUARTER 3 & PLAN UPDATE**

**APPENDIX 1**

Review	Audit Coverage	ASSURANCE RATING		Follow-up Due
Housing Benefit Fraud Risk – Revised Report	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.	<b>RED</b> 57%	<b>AMBER</b> 13% (D)	In draft
Housing Benefits New Claims SFI	Loss of £26,753 being investigated by DWP – claim form plus supporting evidence reviewed by IA to determine improvement in controls required – 7 recommendations made.	<b>N/A – Briefing Note</b>		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.	<b>AMBER</b> 58% O	<b>GREEN</b> 29% SO (D)	May 2018
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.	<b>RED</b> 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.		January 2018

**2017/18 INTERNAL AUDIT MID-YEAR REPORT +  
QUARTER 3 & PLAN UPDATE**

**APPENDIX 1**

11. Table 8 below details the reviews in progress during Q3 2017/18

**Table 8 –2017/18 Plan Reviews in Progress in Q3 of 2017/18**

<b>Review</b>	<b>Audit Coverage</b>	<b>Progress</b>
Agency Staff - ID's/Right to Work/References	A review of the robustness of checks undertaken by Pertemps to prevent fraud	Fieldwork in progress
Contract Management	Per-temp's Contract or sample of medium contracts (to be determined by risk assessment)	Planning in progress
Commercialisation	A review to determine if the key aims and objectives of the Commercialisation Strategy are being met, that governance is adequate and lessons are learnt	Planning in progress
Financial Regulations	Feeding into the review and update of Financial; Regulations	In progress
Council Tax - Severely Mentally Impaired (SMI) Exemption	To review the application , assessment and review process	Fieldwork in progress
Schools Fraud risk (c/fwd from 16/17)	Raise the level of fraud risk awareness in schools through a workshop approach, in a sample of schools that helps schools to identify preventative and detective controls and how to refer any fraud for further investigation	Workshops in progress
Schools Landlord and Tenant Responsibilities (c/fwd from 16/17)	Scheme for Financing Schools sets out generic responsibilities but schools keeping maintenance up to date is a concern (e.g. issues with flooding)	Fieldwork in progress
Schools Pay Policy/ Performance Management processes	Review to cover Schools Pay Policy/ Performance Management processes and in particular approvals for Headteachers Pay increases (authority for increase, level of increase) and starting salary levels - from a fraud as well as an assurance perspective.	Fieldwork in progress
Schools Budget Management	Increased budget pressures and funding changes making it harder for schools to set and maintain balanced budgets. An emphasis on setting balance budgets and monitoring and taking suitable action to avoid a deficit. (The Helix Centre and Hillview Nursery).	In progress
Multi-Agency Safeguarding Hub (MASH)	Follow-up of external review undertaken in 2015/16 Deferred from 16/17 plan due to Ofsted	Fieldwork in progress

**2017/18 INTERNAL AUDIT MID-YEAR REPORT +  
QUARTER 3 & PLAN UPDATE**

**APPENDIX 1**

Regeneration Programme	Procurement Process/ Financial Management/ Land Deals to be determined via a risk process in consultation with management c/f 16/17	Fieldwork complete
New Supplier Set Up	To review the new system to set up suppliers to ensure robust controls in place	Fieldwork complete
Business Rates on Empty properties + Small Business Rate Relief	A review of the robustness of controls in place to prevent fraud	Planning in progress
Personal Budgets	Financial Assessments, Monitoring/Recovery of Funds, Review of Care Packages	Planning in progress
Planning	A review of the planning process to ensure sound, timely and transparent decisions are made	Planning in progress

12. Table 9 below shows work on the 2017/18 Plan not yet started. A number of these will commence in Q3/4 as planned however a number will also be considered for c/f to 2018/19 to allow time for dealing with emerging risks (see Table 10) and an earlier review of Corporate Governance to meet new reporting deadlines. An update on proposed changes to the plan will be provided at the next GARMS Committee meeting.

**Table 9 –2016/17 Plan Reviews to be undertaken in Q4 of 2016/17**

Review	Audit Risk Rating	Quarter	Days in Plan	Comments
Cyber Security Response	M	Q1	10	PwC – earlier system review to be finalised before commencement possible c/f to 2018/19 as medium risk
Spending Controls	H	Q2	20	To be implemented by Finance before review can commence
Access Harrow - Supporting Documents	H	Q3	15	To be considered for c/f to 2018/19
Waste - Landfill, recycling, weighbridge	H	Q3	15	To be commenced Q3
Review of Expenditure	H	Q3	20	To be commenced Q3
Homelessness – preventative work	H	Q3	10	To be considered for c/f to 2018/19 as new regulations not yet in
Adult Residential Care	H	Q3	20	To be commenced Q3
Homelessness Data on Northgate	H	Q3/4	10	To be considered for c/f to 2018/19
Schools Financial Management System + Education Management System	H	Q4	10	To be commenced Q4



**2017/18 INTERNAL AUDIT MID-YEAR REPORT +  
QUARTER 3 & PLAN UPDATE**

**APPENDIX 1**

School Funding	H	Q4	10	To be considered for c/f to 2018/19
Financial Regulations	H	Q4	10	To be considered for c/f to 2018/19 as new regs not yet drafted
Corporate Policies	M	Q4	5	To be considered for c/f to 2018/19 as medium risk
Culture	H	Q4	20	To be considered for c/f to 2018/19
FB60	H	Q4	5	To be commenced Q4
Facilities Management Contract	H	Q4	10	To be commenced Q4
Major Works - Leaseholders	H	Q4	15	To be commenced Q4
IGB	M	Q3/4	2.5	Ongoing throughout year
Families First	M	Q3/4	2.5	Ongoing throughout year
Risk Management	Requirement	Q3/4	35	Ongoing throughout year, temporary resources to be secured to cover work
Corporate Governance	Requirement	Q4	+30	Additional days required in plan due to changing reporting deadlines requiring annual review of governance to be undertaken in Q4 2017/18 instead of Q1 2018/19
Suspected Financial Irregularities + Control Reviews	n/a	Q1-Q4	20	Ongoing throughout year
Professional Advice	n/a	Q1-Q4	10	Ongoing throughout year
Liaison with External Audit	n/a	Q1-Q4	4	Ongoing throughout year

13. Table 10 below shows emerging risks to be reviewed as part of the 2017/18 plan

**Table 10 – Emerging Risks to be reviewed as part of the 2017/18 Plan**

<b>Review</b>	<b>Reason Added</b>
Parking Ticket Overpayments	Investigation of concerns raised by staff – Q2/3 ongoing
Harrow Arts Centre	Review agreed following SFI 2016/17 – Q3 ongoing
Welldon Park Primary School Teaching Assistants Report	To investigate the payments to Teaching Assistants for providing cover for teachers and the methods of payments both historic and pending. (See table 3 above) – Q2

14. This equates to 44 extra audit days to date with a further estimated 15 days totaling an extra 59 days in the 2017/18 plan.

Susan Dixon  
Head of Internal Audit  
21/11/17