

**2018/19 INTERNAL AUDIT MID-YEAR REPORT +  
QUARTER 3 & PLAN UPDATE**

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<p><b>KEY</b></p> <p><b>RED</b> assurance = 0-50% controls operating (O)/substantially operating (SO) with a significant number of high risk recommendations</p> <p><b>RED/AMBER</b> assurance = 51-60% controls operating/substantially operating with numerous high risk recommendations</p> <p><b>AMBER</b> assurance = 61-70% controls operating/substantially operating with more than one high risk recommendation</p> <p><b>AMBER/GREEN</b> assurance = 71-80% controls operating/substantially operating with one or less high risk recommendation</p> <p><b>GREEN</b> assurance = 81-100% controls operating/substantially with few recommendations and none high risk</p> <p>Where a review does not meet the above criteria the assurance rating is adjusted to reflect this e.g. a review may have 87% of controls operating or substantially operating and have one high risk recommendation therefore the assurance rating would be adjusted from green to amber/green to reflect this. Where adjustments have been made to assurance ratings additional information on recommendations is included in the tables below.</p>
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**Mid-year Results**

- Table 1 below details the follow ups completed in 2018/19 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 & Q2 of 2018/19**

Review	Audit Coverage	Original Assurance Rating		Follow Up Assurance Rating
		AMBER	GREEN	
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	GREEN	GREEN
		74% controls O/SO		89% O/SO
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	GREEN	GREEN
		87% controls O/SO One high risk recommendation		92% controls O/SO
Business Rates	Key control review	AMBER	GREEN	GREEN
		96% controls operating One high risk recommendation		99% controls O/SO
Help2Let	To review the adequacy and application of controls in place for the Help2Let Scheme to minimise the risk of fraud.	RED	AMBER	GREEN
		57% controls O/SO		85% controls O/SO

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<b>Review</b>	<b>Audit Coverage</b>	<b>Original Assurance Rating</b>	<b>Follow Up Assurance Rating</b>
Personal Budgets	To review the cash Personal Budgets system and the effectiveness of the controls in place to ensure clients have been appropriately financially assessed, that the spend is being monitored, any surplus is being recovered and a review of the care package takes place to minimise the risk of fraud and overpayment/loss to the authority.	<b>RED</b>	<b>AMBER</b>
		42% controls O/SO	64% controls O/SO

2. Table 2 below details all the reports issued in Q1/Q2 of 2018/19 from the 2017/18 audit plan with the report assurance rating and the follow-up assurance rating or follow-up due date.

**Table 2 – 2017/18 Plan Reports Issued in Q1 & Q2 of 2018/19**

<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>	<b>Follow-up Assurance Rating or Due Date</b>
Multi-Agency Safeguarding Hub (MASH)	The objective is to review the effective functioning of the Harrow's Multi Agency Safeguarding Hub (MASH) and its adherence to the five core elements.	<b>GREEN</b>	N/A
		95% control O/SO	
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.	<b>RED</b>	<b>AMBER</b>
		70% controls O/SO 16 high risk recommendations	In progress
Personal Budgets	To review the cash Personal Budgets system and the effectiveness of the controls in place to ensure clients have been appropriately financially assessed, that the spend is being monitored, any surplus is being recovered and a review of the care package takes place to minimise the risk of fraud and overpayment/loss to the authority.	<b>RED</b>	<b>AMBER</b>
		42% controls O/SO	64% controls O/SO
FB60	Review the use and compliance with agreed procedures	<b>GREEN</b>	N/A

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<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>		<b>Follow-up Assurance Rating or Due Date</b>
		90% controls O/SO		
Kenmore Park Infants Pay Policy / Performance Management Processes	The objective is to gain assurance that schools have appropriate Pay Policies in place that comply with the School Teachers Pay and Conditions Document and that performance management decisions are reflected in the pay increases specifically for the Senior Management Team and that starter salaries are appropriately determined and authorised.	<b>AMBER</b>	<b>GREEN</b>	In Progress
		97% controls O/SO 1 high risk recommendation		
Kenmore Park Junior Pay Policy / Performance Management Processes	As above	<b>AMBER</b>	<b>GREEN</b>	In Progress
		88% controls O/SO 2 high risk recommendations		
Major Works – Leaseholders	To review that where major works are carried out to Council Housing stock, leaseholders are consulted and relevant charges to leaseholders are apportioned correctly and fully recovered in accordance with the lease.	<b>AMBER</b>	<b>GREEN</b>	March 2019
		82% controls O/SO 2 high risk recommendations		
Council Tax SMI Exemption	The objective is to review of the adequacy, application and effectiveness of the internal controls in place to prevent fraud within Council Tax Exemption for the Severely Mentally Impaired (SMI).	<b>AMBER</b>		In progress
		64% controls O/SO		
Helix Centre Budgetary Control	The objective is to review the adequacy, application and effectiveness of the systems in place for the preparation, monitoring and control of school devolved budgets.	<b>AMBER</b>		In progress
		64% controls O/SO		
Hillview Nursery Budgetary Control	The objective is to review the adequacy, application and effectiveness of the systems in place for the preparation, monitoring and control of school devolved budgets.	<b>GREEN</b>		N/A
		100% controls O/SO		

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Review	Audit Coverage	Assurance Rating		Follow-up Assurance Rating or Due Date	
Welldon Park Governance & Financial Controls	The objective is the 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 Financial Regulations and Contract Procedure Rules	<b>RED</b>	<b>AMBER</b>	<b>AMBER</b>	<b>GREEN</b>
		63% controls O/SO 22 high risk recommendations		91% controls O/SO 6 high risk recommendations not yet fully implemented	
Welldon Park Teaching Assistants covering for Teachers - Investigation	To investigate the payments to Teaching Assistants for providing cover for teachers as there were a series of claims being held which the school were not sure about paying.	<b>RED</b>		<b>AMBER</b>	<b>GREEN</b>
		8 high risk recommendations		2 high risk recommendations not yet fully implemented	
Camrose Primary School Pay & SMT Performance Pay	The objective is to gain assurance that schools have appropriate Pay Policies in place that comply with the School Teachers Pay and Conditions Document (STPCD) and that performance management decisions are reflected in the pay increases specifically for the Senior Management Team and that starter salaries are appropriately determined and authorised	<b>GREEN</b>		N/A	
		88% controls O/SO			
Waste - Landfills, recycling and Weighbridge	The objective is to review the waste disposal arrangement and to ensure that waste is disposed off as per the statutory requirements and there are robust controls in place to protect the Council from Serious Organised crime following report from the Home Office. To review controls over income collection for the weighbridge including out of borough and any other income.	<b>RED</b>	<b>AMBER</b>	February 2019	
		53% controls O/SO			
Adult Residential Care	To review the commissioning of Adult Residential Care including assessments, allocations, payments and reviews.	<b>RED</b>		In progress	
		55% controls O/SO 9 high risk recommendations			

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<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>	<b>Follow-up Assurance Rating or Due Date</b>
Special Needs Transport	The objective of the review is to confirm that savings as detailed within the Business Case of Special Needs Transport (SNT) service are being achieved and that People Services are engaged in the Commissioning process to ensure cost effective delivery	<b>RED</b>	January 2019
		13% controls O/SO	
Planning	A review of the planning process to ensure sound, timely and transparent decisions are made	<b>AMBER</b>	May 2019
		79% controls O/SO	

3. Table 3 below details the completed assurance report reviews issued in Q1/Q2 of 2018/19 from the 2018/19 Plan and the assurance rating and the follow-up due date.

**Table 3 – 2018/19 Plan Completed Assurance Report Reviews in Q1/Q2 of 2018/19**

<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>	<b>Follow-up Due</b>
Corporate Accounts Receivable	Key Control Review	<b>GREEN</b>	In progress
		86% controls O/SO	
Corporate Accounts Payable	Key Control Review	<b>GREEN</b>	In progress
		80% controls O/SO	
St Anselms School-School Pay Policy & SMT Performance Pay	The objective is to gain assurance that schools have appropriate Pay Policies in place that comply with the School Teachers Pay and Conditions Document (STPCD) and that performance management decisions are reflected in the pay increases specifically for the Senior Management Team and that starter salaries are appropriately determined and authorised	<b>AMBER</b>	April 2019
		<b>GREEN</b>	
		92% controls O/SO 2 high risk recommendations	

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<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>		<b>Follow-up Due</b>
School Pay Policy and SMT Performance Pay - HR/Payroll report	The objective is to gain assurance that schools have appropriate Pay Policies in place that comply with the School Teachers Pay and Conditions Document (STPCD) and that performance management decisions are reflected in the pay increases specifically for the Senior Management Team and that starter salaries are appropriately determined and authorised.	<b>AMBER</b>	<b>GREEN</b>	April 2019
		89% controls O/SO 1 high risk recommendation		
Fuel Cards	To review the controls in place for managing fuel cards following an identified fraud	<b>RED</b>	<b>AMBER</b>	TBC
		53% controls O/SO DRAFT		

4. Table 4 below details the completed assurance non report reviews undertaken in Q1/Q2 of 2018/19 from the 2018/19 Plan.

**Table 4 – 2018/19 Plan Completed Assurance Non Report Reviews/work in Q1/Q2 of 2018/19**

<b>Review</b>	<b>Audit Coverage</b>	<b>Comments</b>
Housing Rents	Evidenced based self-assessment	<b>GREEN assurance</b>
Business Rates	Evidenced based self-assessment	<b>GREEN assurance</b>
Capital Expenditure	Evidenced based self-assessment	<b>GREEN assurance</b>
Payroll	Evidenced based self-assessment	<b>GREEN assurance</b>
Treasury Management	Evidenced based self-assessment	<b>GREEN assurance</b>
Housing Benefits	Evidenced based self-assessment	<b>GREEN assurance</b>
Council Tax	Evidenced based self-assessment	<b>GREEN assurance</b>
Corporate Governance	Annual governance review, drafting AGS, AGS Action Plan	2017/18 AGS finalised – 2 significant governance gaps identified
Information Governance Board (IGB)	To ensure that the Council has effective polices & management arrangements covering Information governance	Complete to end of Q2

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<b>Review</b>	<b>Audit Coverage</b>	<b>Comments</b>
Risk Management	Update of the Corporate Risk Register	Q1 (2018/19) refresh and update of Corporate Risk Register, no update was undertaken in Q2 due to insufficient resource.
SFVS Assurance Statement	Review of schools' SFVS assurance statements and completion of the statutory return to the Department Education to be signed by the s151 Officer	Completed Q1
Families First Grant	Testing and Grant certification	Complete to end of Q2
Irregularity Investigations + Control Reviews	Support & guidance to managers on investigations or the undertaking of investigations on behalf of management	2 investigations commenced in Q2 still in progress – see Table 8
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

**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 2017/18 plan and the 2018/19 plan issued in the first half of the year (i.e. up to 30/09/18).

**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%	99%
2	Follow up undertaken	100%	100%
3	Plan achieved for key control reviews	100%	100%
4	Plan achieved overall (key indicator)	45%	45%

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**Analysis of Results**

6. Overall all 4 (100%) of the performance targets have been met or exceeded. One (25%) of the performance targets has been exceeded and 3 (75%) have been fully met.

**Corporate Performance Indicators Results**

7. One key corporate indicator will be reported on for 2018/19 as shown below in Table 6:

**Table 6 – Corporate Performance Indicator Results**

	<b>Corporate Performance Indicator</b>	<b>Target</b>	<b>Mid Year Result</b>
1	Implementation of recommendations	90%	67%

8. The result for corporate performance indicator 1 shows that whilst 67% of recommendations had been implemented at the time of follow-up a further 33% are in progress of being implemented giving an expected implementation rate of 100% exceeding the 90% target.

**Quarter 3/4 Update**

9. Table 7 below details the reviews in draft/completed in Q3/Q4 2018/19 and the follow-up due date.

**Table 7 –2018/19 Plan Completed Assurance Reviews in Q3 & Q4 (so far) of 2018/19**

<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>	<b>Follow-up Due</b>
Empty Property Grants – VFM	To establish whether value for money is being achieved for Empty Property Grants and the Council is receiving the cost benefit of the grant.	<b>AMBER</b>	TBC
		DRAFT	
Regeneration Programme	To provide assurance that expenditure to date has been incurred in compliance with the Council’s Procurement Strategy; Contract Procedure Rules; Financial Regulations and in accordance with the Council’s Constitution and the principles of good governance.	<b>RED</b>	May 2019
		36% controls O/SO	

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<b>Review</b>	<b>Audit Coverage</b>	<b>Assurance Rating</b>		<b>Follow-up Due</b>
Audit Committee	Review against CIPFA Guidance	<b>AMBER</b>	<b>GREEN</b>	TBC
		71% of good practice O/SO DRAFT		
Museum & Great Barn	To review the income collection processes and reporting arrangements and ensure that stated savings from Trading Units are achieved.	<b>RED</b>		TBC
		43% controls O/SO DRAFT		
Grange Primary – Governance and 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>	<b>GREEN</b>	TBC
		91% controls O/SO 11 recommendations made DRAFT		
Roxeth Primary – Budgetary Control & Management	To review the adequacy, application and effectiveness of the systems in place for the preparation, monitoring and control of school devolved budgets.	<b>GREEN</b>		TBC
		93% controls O/SO DRAFT		
Vaughan Primary – Budgetary Control & Management	To review the adequacy, application and effectiveness of the systems in place for the preparation, monitoring and control of school devolved budgets.	<b>GREEN</b>		TBC
		87% controls O/SO DRAFT		

10. Table 8 below details the reviews in progress during Q3 & Q4 2018/19

**Table 8 –2018/19 Plan Reviews, Emerging Risks and Investigations in Progress in Q3 & Q4 (so far) of 2018/19**

<b>Review</b>	<b>Audit Coverage</b>	<b>Progress</b>
Review of Expenditure/Discretionary Spend	Analysis of a sample of budgets across the Council to ensure that resources are being used in accordance with agreed policy and Council priorities in order to achieve desired outcomes for service users	In progress
Glebe Primary School	Governance & Financial Control	Fieldwork complete
Roxbourne Primary School	Governance & Financial Control	Fieldwork complete

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Pinner Park Nursery & Infants	Governance & Financial Control	Fieldwork complete
Kingsley High School	Budget Management	Fieldwork complete
Depot Security (Emerging Risk) <sup>1</sup>	Management request to review security arrangement of the temporary depot building and confidentiality of data and security of vehicles on site.	In progress
Parking CEO (Investigation)	Investigation into an allegation made by a member of the public	In progress
Parking Whistleblowing (Investigation)	Investigation into whistleblowing allegations	In progress
Housing Landlord Responsibilities (Emerging Risk)	To ensure that controls are in place to mitigate the risk of non-compliance with legislation leading to corporate manslaughter, financial implications and reputational damage.	In progress

11. Table 9 below shows work on the 2018/19 plan not yet started. A number of these will commence in Q4 as planned however a number will also be considered for carry forward to 2019/20 for one of the following reasons:
- to create capacity to deal with emerging risks (see Table 8);
  - to reflect the reduction in overall internal audit (or CAFT) resources as a result of a vacant post(s);
  - as a result of a planned action in another part of the Council not being completed on which the review was reliant;

**Table 9 – 2018/19 Plan Reviews to be undertaken in Q4 of 2018/19 or to be considered for carry forward**

<b>Review</b>	<b>Audit Coverage</b>	<b>Comments</b>
IT System Security (to cover SFMS & EMS)	Review of access controls across a number of devolved systems e.g. passwords and their adherence to corporate policies	To be started in Q4
Devolved Application Teams	Audit of the Governance process to ensure that the same procedures are followed as main IT Team – if remain devolved	Decision on centralisation/devolution has not yet been made therefore consideration to be given to carrying forward to 2019/20 plan
Schools Fraud Risk Workshops	Pro-active fraud risk workshops to raise awareness in schools	Lack of capacity in IA/CAFT to undertake this work therefore consideration to be given to carrying forward to 2019/20 plan
Personal Budget Sample Testing	Following on from the 2017/18 review that identified significant issues.	To be started in Q4

<sup>1</sup> During the course of a year it is expected that there will be a number of emerging risks/irregularities that need to be reviewed as part of the plan

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<b>Review</b>	<b>Audit Coverage</b>	<b>Comments</b>
Financial Regulations	Sample check that Financial Regulations are being adhered to	Updated Financial Regulations have not yet been approved or disseminated therefore consideration to be given to carrying forward to 2019/20 plan
Schools SLA Traded Services	Governance and robustness of SLA's with schools plus the impact of acadamisation	To be started in Q4
Debt Collection	Review of the implementation of the work undertaken by Finance & Head of Collections to consolidate the Council's debt collection	To be started in Q4
Cashiers	Review of robustness and application of income collection/ allocation / banking procedures	Delayed initially due to sickness within Cashiers Service consideration to be given now to carrying forward to 2019/20 plan as new proposals (e.g. cashless parking) may impact on the scope of the review
HB Subsidy - SAP/Northgate Imbalance	To investigate cause of £400k discrepancy between SAP and Northgate	External resource to be engaged Q4
Homelessness Preventative Work	Cost, effectiveness and vfm of preventative work to be undertaken in response to the Homelessness Reduction Bill	To be started in Q4
SMART Lettings / Sancroft	Assurance on achievement of the Business Plans and governance arrangements of wholly own subsidies.	To be started in Q4
Trade Waste Collection	Review of processes and controls in place prevent fraud	To be started in Q4
Fly Tipping	Controls in place to minimise fly tipping	To be started in Q4
Regeneration Contract Management / Payment to Contractors	Review of early contracts management on project and payments to contractors	As the Regeneration Programme has been paused this review will be considered for carry forward to 2019/20 plan
Watson Care Manager	Post implementation review in stages of Watson Care Manager	Various advice has been provided but service not yet ready for a post implementation review – to be started in Q4 if possible
Client Billing	Review of processes in place for Client Billing for Adult Services (including commitments) - sample test	To be started in Q4
Fostering	Review of controls for fostering including implementation of new policy	To be started in Q4

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<b>Review</b>	<b>Audit Coverage</b>	<b>Comments</b>
Personal Budgets – Children with Disabilities	Review of Personal Budget process to include Financial Assessments, Monitoring, Reviews	To be started in Q4
GDPR Readiness/compliance	Readiness/compliance	To be started in Q4
Civic Centre Security Advice (Emerging Risk)	To provide advice on improving security following a recent security incident	To be started in Q4

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