**HARROW COUNCIL Appendix 1**

**Internal Audit Mid-Year Report and Quarter 3 Update**

**2019/20**

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**Introduction**

This report outlines the internal audit work carried out in the first half of the year ending 31/03/20 i.e. quarters 1 and 2 plus, given the timing of the report, an update of work undertaken in quarter 3.

The Internal Audit Plan 2019/20 was based on a level of internal audit input of 795 days and was agreed by the Governance, Audit, Risk Management and Standards Committee on 16/04/19. At the mid-year point 435 audit days have been delivered and 44% of the plan has been completed with 16% in progress.

Internal audit work has been performed in conformance with the Public Sector Internal Audit Standards.

**Head of Internal Audit Opinion**

The aim of the internal audit plan is to ensure that sufficient internal audit work is undertaken throughout the year to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and internal control across the Council.

The level of progress against the plan at mid-year indicates that sufficient work will be undertaken to allow an opinion to be given at year-end.

Key Factors at Mid-Year for the 2019/20 Opinion

The key factors that contributed to the opinion are summarised as follows:

* 100% of assurance reviews undertaken at mid-year 2019/20 were given an amber, an amber/green or a green assurance;
* 97% of overall recommendations made during 2019/20 were agreed by management for implementation;
* 62% of recommendations were implemented/substantially implemented, 20% were in progress and 18% were planned at time of follow-up thus it is expected that in due course 100% will be implemented;
* All follow-ups resulted in an improved assurance rating with 75% attaining an amber, amber/green or green assurance rating;

**Summary of Outputs**

A summary of key outputs/findings from the programme of internal audit work at mid-year is recorded in the table below:

|  |  |
| --- | --- |
| Key Outputs at Mid-Year |  |
| Description | Detail |
| **Audit reports**  15 internal audit reviews were undertaken resulting in an audit report. | * 6 green, 6 amber/green and 3 amber assurance reports were issued; * 4 high risk, 21 medium risk and 13 low risk recommendations were made to improve weaknesses identified in governance, risk management or control. |
| **Significant weaknesses**  No Red and Red/Amber assurance reports have been issued at mid-year 2019/20. |  |
| **Other audit work**  A number of other pieces of audit work have been undertaken as part of the 2019/20 Internal Audit Plan that did not result in a traditional audit report but none the less added value to the Council’s governance, risk management and control framework. | * Risk Management, outputs = Corporate Risk register for Q1, Q2 and Q3 of 2019/20; * Information Governance Board, outputs = pro-active audit input and advice on information governance policy, procedures, issues and data breaches; * Build a Better Harrow Governance, outputs = continued pro-active input into the development of the governance structure and the development of the corporate project management process; * SFVS, outputs = review of the school self-assessments against the school financial Value Standard and an assurance report for the Chief Finance Officer; * Families First (Troubled Families Grant), outputs = validation of the Q1 grant claim; * Professional Advice, outputs = the provision of independent professional internal audit advice on a range of topics e.g. Adult Social care Debt; Facilities Management; Joint Venture Governance; School Whistleblowing; Regeneration Manager’s Pay; School conflict of interest. |
| **Follow up**  So far during the year we have undertaken follow up work on the implementation of previously agreed actions. | * 4 follow-ups have been completed during 2019/20 so far. All completed follow-ups have resulted in an improved assurance rating. |
| **Good practice**  We also identified a number of areas where few weaknesses were identified. | * The Council’s core financial systems continue to be well controlled with the combined approach of periodic full audit reviews and annual evidence based self-assessments working well; * Overall schools also continue to demonstrate a strong level of control over their finances and budgets along with good governance procedures. |

Progress against the 2019/20 Internal Audit Plan at Mid-Year and Q3 including Assurance Results of Individual Assignments

The table below sets out the results of the internal audit work undertaken so far:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Review | Assurance Rating/Mid Year Position | | | Q3 Progress | |
| **Corporate Compliance Checks** | | | | | |
| Financial Regulations | Likely to be c/f to 20/21 as training not yet undertaken | | |  | |
| Contract Procedure Rules | Planning stage | | | In progress | |
| IR35 | In progress | | | In progress | |
| Corporate Project Management | Process not yet implemented therefore may be c/f to 20/21 | | |  | |
| **Corporate Risk Based Reviews** | | | | | |
| Corporate Governance | 2018/19 annual review of governance completed in Q1 | | | 2019/20 annual review of governance to commence Q4 | |
| Risk Management | Corporate Risk Register updated for Q1 | | | Corporate Risk Register updated for Q2 & 3 | |
| Information Governance Board (IGB) | HIA’s attendance of the Q1 & Q2 IGB meetings providing pro-active audit input and advice on information governance policy, procedures and issues. | | | HIA’s attendance of the Q3 IGB meeting | |
| Budget Process | Ongoing support and advice to the S151 Officer | | | Ongoing support and advice to the S151 Officer | |
| Build a Better Harrow Governance | On- going input to the development of governance arrangements | | | On-going | |
| Corporate Health & Safety - Schools | Due in Q3 | | | Schedule to be undertaken Q4 | |
| Social Value | Planning stage | | | In progress | |
| GDPR c/f 2018/19 | **AMBER** | | **GREEN** |  | |
| IT System Security – PAWS | Planning stage | | | In progress | |
| Devolved Application Teams | Management requested a delay to Q4 | | | Planned for Q4 | |
| SAP Replacement Project | Ongoing support and input | | | Ongoing support and input | |
| Sancroft c/f 2018/19 | In progress | | | In progress | |
| **Resources Directorate + Core Financial Systems** | | | | | |
| Payroll | **GREEN** | | |  | |
| Council Tax | **AMBER** | **GREEN** | |  | |
| Corporate Accounts Receivable | **GREEN** | | |  | |
| Corporate Accounts Payable | **GREEN** | | |  | |
| Business Rates | **AMBER** | **GREEN** | |  | |
| Capital Expenditure | **AMBER** | **GREEN** | |  | |
| Housing Benefit | **GREEN** | | |  | |
| Housing Rents | **GREEN** | | |  | |
| Treasury | **GREEN** | | |  | |
| Emergency Planning | Due in Q3 | | | Slightly behind schedule to be undertaken Q4 | |
| Debt Collection | Due in Q3 | | | In progress | |
| Cashiers | In progress | | | In progress | |
| **Directorate Risk Based Reviews** | | | | | |
| **Community** | | | | | |
| Empty Property Grant | **AMBER** | | |  | |
| Major Projects - Grange Farm | Due for Q3/4 | | | Planning stage | |
| Major Projects – Depot | Due for Q3/4 | | | Planning stage | |
| Housing Service Charges | Planned for Q4 | | |  | |
| Property Acquisition | In progress | | | In progress | |
| Domestic Waste Collection | Due Q3 | | | Slightly behind schedule to be undertaken Q4 | |
| HMO Management & Enforcement | Planned for Q4 | | |  | |
| Parking Operations | In progress | | | **AMBER** | |
| **People** | | | | | |
| Camrose Primary School | **AMBER** | **GREEN** | |  | |
| Norbury Primary School | **AMBER** | **GREEN** | |  | |
| Whitchurch Primary School | **AMBER** | | |  | |
| Other schools x 6 | Planned for Q4 | | | School visit’s booked | |
| SFVS Assurance Statement | Assurance provided to S151 Officer responsible for signing off statutory return | | |  | |
| Together with Families Programme (Troubled Families Grant) | 1st claim complete | | | 2nd claim in progress (new team) | |
| School Admissions | Due Q3 | | | Slightly behind schedule to be undertaken Q4 | |
| First Response Team | In progress | | | **AMBER** | **GREEN** |
| Youth Offending Team | Planned Q4 | | | Planned Q4 | |
| Learning Disability Focus Group/Partnership | Planned Q4 | | | Planned Q4 | |
| Adult Social Care – Personal Budgets | Due in Q3 | | | Planning stage | |
| IT System Security – Mosaic | In progress | | | **GREEN** | |
| Schools SLA c/f 2018/19 | In progress | | | **AMBER** | |
| Fostering c/f 2018/19 | **AMBER** | | |  | |

Final red and red/amber assurance reports are presented to the GARMS Committee individually for review and comment with relevant managers attending the meetings. No red or red/amber assurance reports have been issued in Q1, Q2 or Q3 of 2019/20.

Follow Up Work Conducted/Due

**Introduction**

In order for the Council to derive maximum benefit from internal audit, agreed actions should be implemented. Whilst management is responsible for implementing recommendations, in accordance with the internal audit protocol follow-ups of recommendations are undertaken for all but Green assurance reports and report recommendations are followed-up until at least an Amber assurance rating is achieved. The table below summarises the follow up work performed during 2019/20.

| Review | Original Assurance Rating | | Re-Assessed Assurance Rating at Mid Year / Comments | | Re-Assessed Assurance Rating at Q3 / Comments | |
| --- | --- | --- | --- | --- | --- | --- |
| Fuel Cards | **RED** | **AMBER** | **AMBER** | **GREEN** |  | |
| Regeneration Programme (2nd f/up)\* | **RED** | **AMBER** | **AMBER** | **GREEN** |  | |
| Planning | **AMBER** | | **GREEN** | |  | |
| SNT (2nd f/up)\*\* | **RED** | | **RED** | **AMBER** | **AMBER** | |
| Museum & Great Barn | **RED** | |  | | **AMBER** | |
| Empty Property Grant – vfm | **AMBER** | |  | | **AMBER** | **GREEN** |
| Helix Centre – Budgetary Control | **AMBER** | |  | | **GREEN** | |
| Homelessness – Preventative Work | **AMBER** | | Follow-up due February 2020 | |  | |
| Trade Waste Collection | **AMBER** | | Issued in draft 24/06/19 – there has been a delay in the response to this review due to a change in personnel however the majority of the responses have now been received and the final report will be issued shortly. | |  | |
| Fly Tipping | **AMBER** | | Follow-up due May 2020 | |  | |
| Depot Security (Emerging Risk) | **AMBER** | |  | | In progress – awaiting reply | |
| Parking – CEO Shifts | **AMBER** | |  | | Follow up in progress | |
| Housing Landlord Responsibilities - Health & Safety Compliance | **AMBER** | | Follow-up due Jan 2020 | |  | |
| Waste – Landfill, Recycling & Weighbridge | **RED** | **AMBER** | Follow-up commenced January 2019, initial response provided in May by the Head of Environment & Waste Strategy however evidence never received. Change in personal has caused difficulty in obtaining this evidence, but progress has been made in the last week. | |  | |
| Grange Primary School – Governance & Financial Control | **AMBER** | **GREEN** | In progress- awaiting reply | |  | |
| Pinner Park Infants & Nursery - Governance & Financial Control | **AMBER** | **GREEN** | In progress – awaiting reply (new Head) | |  | |
| Roxbourne Primary - Governance & Financial Control | **AMBER** | | In progress – awaiting reply | |  | |
| Kingsley - Budget Management | **RED** | | Follow-up due January 2020 | |  | |
| Fostering | **AMBER** | | Follow up due May 2020 | |  | |
| Personal Budgets - Children with Disabilities | **AMBER** | | Follow-up Feb 2020 | |  | |
| Personal Budgets - Sample Testing | **AMBER** | | Follow up May 2020 | |  | |
| Parking Whistleblowing | **RED** | |  | | Follow up in progress | |

\* **Regeneration Programme:** An initial follow-up was undertaken in May 2019 with a re-assessed assurance rating of Amber, a second follow-up was undertaken, following a request from the Building a Better Harrow Board, in August 2019 that resulted in an Amber/Green assurance rating.

\*\* **SNT:** An initial follow-up was undertaken in September 2019 with a re-assessed assurance rating of Red/Amber, a second follow-up was undertaken in November 2019 that resulted in an Amber assurance rating.

**Summary (as at end Q3)**

70% of recommendations were implemented/substantially implemented at the time of follow-up, with a further 15% in progress and 15% planned. All of the recommendations were still considered appropriate by management and thus it is expected that in due course 100% will be implemented.

All follow-ups undertaken resulted in an improved assurance rating with 100% attaining an amber, amber/green or green assurance rating by the end of Q3.[[1]](#footnote-1)

**Performance of Internal Audit at Mid-Year**

**Introduction**

A number of Key Performance Indicators (KPIs) were agreed as part of the 2019/20 Internal Audit Plan and performance against these is set out in the table below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Internal Audit**  **Performance Indicator** | **Target**  **Mid-Year** | **ActualMid-Year** | **Comments** |
| 1 | Recommendations agreed for implementation | **95%** | **97%** | **Exceeded**  1 low risk recommendation partially agreed. |
| 2 | Follow up undertaken | **100%** | **100%** | **Met** |
| 3 | Plan achieved for key control reviews | **100%** | **100%** | **Met**  2 full reviews and 7 evidence based self- assessments undertaken |
| 4 | Plan achieved overall (key indicator) | **45%** | **44%** | **Substaintially Met**  27 out of 61 projects complete to end of Q2. |
|  | **Corporate**  **Performance Indicator** |  |  |  |
| 1 | Implementation of recommendations | **90%** | **62%**  **(100% in due course)** | **Exceeded (in due course)**  62% of recommendations were implemented/substantially implemented, 20% were in progress and 18% were planned at time of follow-up thus it is expected that in due course 100% will be implemented. |

**Summary**

Of the 4 internal audit performance indicators 1 was exceeded, 2 were met and 1 was substantially met.

Audit Report Assurance Levels **Appendix 1**

Internal audit reports are given a red, red/amber, amber, amber/green or green assurance rating.

Red reports will indicate systems/functions/establishments with a low overall percentage of controls in place that represent a high risk to the authority needing immediate attention to improve the control environment;

Red/amber reports will indicate systems/functions/establishments that represent a high to medium risk to the authority needing immediate attention to improve the control environment;

Amber reports will indicate a fair level of controls operating that represent a medium risk in need of attention to prevent them becoming high risk;

Amber/green reports will indicate medium to low risk in need of attention to prevent them becoming high risk and

Green reports will indicate a high level of controls operating, including all critical controls, that represent low risk areas

A formula for converting audit findings into a red, red/amber, amber, amber/green or green rating has been developed as follows:

Red reports will essentially be those where there is one or more of the following:

* A low overall percentage of controls in place (0-50%)
* An absence of critical controls (reflected as high risk recommendations)
* A significant deterioration in control systems
* Poor progress with implementation of previous recommendations

Red/Amber reports will be those that have 51-60% of controls operating and no more than 40% of controls absent are critical (40% of recommendations made).

Amber reports will be those that have 61-70% of controls operating and no more than 25% of controls absent are critical (25% of recommendations made).

Amber/Green reports will be those that have 71-80% of controls operating and no more than 10% of controls absent are critical (10% of recommendations made).

Green reports will be those having 81-100% of controls operating including all critical controls and no absence of critical controls (no high risk recommendations).

Controls operating and substantially operating will be combined to give the overall assurance rating.

1. The impact of recommendations implemented, substantially or partially implemented at follow-up on the expected controls are assessed to provide the re-assessed assurance rating and assumes that previous controls that were operating and still operating. It should be noted the correlation between control weaknesses and recommendations is not 1:1 i.e. one weakness identified may result in a number of recommendations being made and alternatively a number of weaknesses identified may result in only one recommendation being made. [↑](#footnote-ref-1)