

**Internal Audit Mid-Year Report and Quarter 3 Update
2019/20****CONTENTS:****Introduction****Head of Internal Audit Opinion**

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

Summary of Outputs

- Key Outputs at Mid-year
- Progress against the 2019/20 Internal Audit Plan at Mid-Year and Q3 including Assurance Results of Individual Assignments
- Follow Up Work Conducted/Due

Performance of Internal Audit**Appendices:**

1. Audit Report Assurance Levels

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
<p>Audit reports</p> <p>15 internal audit reviews were undertaken resulting in an audit report.</p>	<ul style="list-style-type: none"> • 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.
<p>Significant weaknesses</p> <p>No Red and Red/Amber assurance reports have been issued at mid-year 2019/20.</p>	
<p>Other audit work</p> <p>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.</p>	<ul style="list-style-type: none"> • 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.
<p>Follow up</p> <p>So far during the year we have undertaken follow up work on the implementation of previously agreed actions.</p>	<ul style="list-style-type: none"> • 4 follow-ups have been completed during 2019/20 so far. All completed follow-ups have resulted in an improved assurance rating.
<p>Good practice</p> <p>We also identified a number of areas where few weaknesses were identified.</p>	<ul style="list-style-type: none"> • 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	2 nd 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 (2 nd 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

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.

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	Actual Mid-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%	Substantially 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.

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.