**HARROW COUNCIL Appendix 1**

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

**2020/21**

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**Introduction**

This report outlines the internal audit work carried out in the first half of the year ending 31/03/21 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 2020/21 was based on a level of internal audit input of 565 days and was agreed by the Governance, Audit, Risk Management and Standards Committee on 22/10/20. At the mid-year point 262 audit days have been delivered and 46% of the plan has been completed with 2% 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 2020/21 Opinion

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

* 90% of assurance reviews undertaken at mid-year 2020/21 were given an amber, an amber/green or a green assurance;
* 100% of overall recommendations made during 2020/21 were agreed by management for implementation;
* 79% of recommendations were implemented/substantially implemented, 15% were in progress and 6% 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 100% attaining an 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**  3 internal audit reviews were undertaken resulting in an audit report. | * 2 green and 1 red assurance report was issued. * 6 high risk, 8 medium risk and 1 low risk recommendation was made to improve weaknesses identified in governance, risk management or control. |
| **Significant weaknesses**  1 red assurance report has been issued at mid-year 2020/21. | * Major Projects - Depot Redevelopment Additional Works. (Presented to GARMS Committee at October 20 meeting.) |
| **Other audit work**  A number of other pieces of audit work have been undertaken as part of the 2020/21 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 * Families First (Troubled Families Grant), outputs = validation of the Q2 grant claim. * Professional Advice, outputs = the provision of independent professional internal audit advice on a range of topics e.g. * Schools: waivers for cleaning contract, declaration of interests, delegations, separation of duties and changes to online banking. * Resources Directorate: authorisations during pandemic, hardship payment fund policy review. * Brexit: risk management advice on EU Trade and Co-Operation Agreement; action points relating Settled Status and facilitation of the meetings of the Council’s Brexit Group. * Adults: applying carers premium to financial assessments, cash float. * Community: parking policy review. |
| **Follow up**  Follow up of the implementation of previously agreed actions taken as a result of audit recommendations. | * 5 follow-ups have been completed during 2020/21 at mid-year. All completed follow-ups have resulted in an improved assurance rating. |
| **Good practice**  A have been 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. |

Progress against the 2020/21 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** | | | | | |
| Contract Procedure Rules (Annual Assurance) |  | | | Due in Q3/4 | |
| Financial Regulations (Annual Assurance) |  | | | In progress | |
| Adults Financial Assessments (Residential + non-residential) |  | | | Due in Q4 | |
| Adult Social Care - Personal Budgets Monitoring |  | | | Due in Q4 | |
| Invoice Payments - adherence to Fin Regs VAT invoice requirements |  | | | Due in Q4 | |
| Purchase Card expenditure during Covid-19 | In progress | | | **AMBER** | |
| Fees & Charges (Annual Assurance) |  | | | Due in Q3 | |
| **IT Reviews** | | | | | |
| Replacement ERP System | Ongoing audit input to development of replacement ERP system. | | | Ongoing | |
| **Corporate Risk Based Reviews** | | | | | |
| Corporate Governance | 2019/20 annual review of governance completed, and Annual Governance Statement produced. | | | 2020/21 annual review of governance to commence Q4 | |
| Follow-up of minor governance gaps |  | | | In progress | |
| Risk Registers | Corporate Risk Register updated for Q1/Q2 | | | Corporate Risk Register updated for Q3 | |
| Risk Management Strategy review |  | | | In progress | |
| Risk Management in projects |  | | | Due Q4 | |
| Risk Management in Decision Making |  | | | Pro-active review of risk management implications in Cabinet reports commenced with December Cabinet. | |
| Information Governance | The Information Governance Board did not meet in Quarters 1 & 2 due to lead members being diverted to deal with consequences of the pandemic. | | | The Information Governance Board did not meet in Quarter 3. | |
| Social Value |  | | | In progress | |
| Income Collection |  | | | Due in Q4 | |
| **Resources Directorate + Core Financial Systems** | | | | | |
| Housing Benefit | **GREEN** | | |  | |
| Treasury Management | **GREEN** | | |  | |
| Housing Rents – evidenced based self-assessment (EBS-A) | **AMBER** | **GREEN** | |  | |
| Business Rates – EBS-A | **AMBER** | **GREEN** | |  | |
| Capital expenditure – EBS-A | **GREEN** | | |  | |
| Corporate Accounts Receivable – EBS-A | **GREEN** | | |  | |
| Corporate Accounts Payable – EBS-A | **GREEN** | | |  | |
| Payroll – EBS-A | **GREEN** | | |  | |
| Council Tax – EBS-A | **AMBER** | | **GREEN** |  | |
| Covid-19 Grants |  | | | In progress | |
| **Directorate Risk Based Reviews** | | | | | |
| **Community** | | | | | |
| Major Projects - Depot Redevelopment Additional Works | **RED** | | | Follow-up in progress | |
| Major Projects - Grange Farm/Depot |  | | | Due in Q2/3 | |
| Bus Subsidy Grant | Grant claim completed | | |  | |
| Empty Property Grant (VFM) |  | | | **AMBER** | **GREEN** |
| Discretionary Grants Fund |  | | | Due in Q3 | |
| **People** | | | | | |
| Together with Families Programme (Troubled Families Grant) | 1st claim completed in Q2 | | | 2nd claim completed in Q3 | |
| Test & Trace Grant |  | | | Due in Q4 | |
| Woodlands Investigation |  | | | **AMBER** | |
| Whitmore School Finance Review |  | | | **GREEN** | |
| Elmgrove School Budgetary Control & Management |  | | | In progress | |
| West Lodge School Budgetary Control & Management |  | | | In progress | |
| Kenmore Park Junior School Budgetary Control & Management |  | | | In progress | |
| Cedars Manor School Budgetary Control & Management |  | | | In progress | |
| Schools x3 |  | | | Due Q4 | |

Final red and red/amber assurance reports are presented to the GARMS Committee individually for review and comment with relevant managers attending the meetings.

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 Red, Red/Amber & Amber 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 2020/21.

| Review | Original Assurance Rating | | | Re-Assessed Assurance Rating at Mid Year / Comments | | | Re-Assessed Assurance Rating at Q3 / Comments |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Parking Whistleblowing[[1]](#footnote-1) | **RED** | | | **AMBER** | **GREEN** | |  |
| Pinner Park School – Gov & FIn Controls | **AMBER** | **GREEN** | | **GREEN** | | |  |
| Council Tax KC | **AMBER** | **GREEN** | | **AMBER** | | **GREEN** |  |
| Harrow Arts Centre | **AMBER** | | | **GREEN** | | |  |
| Kenmore Park Infants Pay Policy | **AMBER** | | **GREEN** | **GREEN** | | |  |
| Grange School – Gov & Fin Controls | **AMBER** | | **GREEN** |  | | | **GREEN** |
| Fostering | **AMBER** | | |  | | | **GREEN** |
| Payroll | **GREEN** | | |  | | | **GREEN** |
| IT Access Control – CapitaOne | **AMBER** | | **GREEN** |  | | | **GREEN** |
| Housing Landlord Responsibilities |  | | |  | | | In progress |
| Personal Budgets CYAD (0-18) |  | | |  | | | In progress |
| Homelessness Preventative Work |  | | |  | | | In progress |
| Empty Property Grant Process |  | | |  | | | In progress |

**Summary (as at end Q2)**

79% of recommendations were implemented/substantially implemented at the time of follow-up, with a further 15% in progress and 6% 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/green or green assurance rating by the end of Q2.[[2]](#footnote-2)

3 follow ups are currently on hold due to the current situation as staff have either been deployed on to other areas or there is a reduced workforce.

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

**Introduction**

A number of Key Performance Indicators (KPIs) were agreed as part of the 2020/21 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%** | **100%** | **Exceeded** |
| 2 | Follow up undertaken – Red & Red/Amber Assurance Reports | **100%** | **100%** | **Met**  1 completed |
| 3 | Follow up undertaken – Amber Assurance Reports | **35%**  (70% full year) | **38%** | **Exceeded**  5 out of 13 follow ups completed at the end of Q2.  A further 4 have been issued in Q3/Q4 and the remaining 4 are in progress however there have been some difficulties obtaining the information. |
| 4 | Plan achieved for key control reviews | **100%** | **100%** | **Met**  3 full reviews and 6 evidence based self- assessments undertaken |
| 5 | Plan achieved overall (key indicator) | **45%**  (90% full year) | **46%** | **Exceeded**  21 out of 46 projects complete to end of Q2. |
|  | **Corporate**  **Performance Indicator** |  |  |  |
| 1 | Implementation of recommendations | **90%** | **79%** | **Exceeded (in due course)**  79% of recommendations were implemented/substantially implemented, 15% were in progress and 6% were planned at time of follow-up thus it is expected that in due course 100% will be implemented. |

**Summary**

Of the 6 internal audit performance indicators 4 were exceeded and 2 were 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. See confidential Appendix 2 [↑](#footnote-ref-1)
2. 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-2)