

Meeting:	Audit Committee
Date:	25 th September 2006
Subject:	Internal Audit Full Year Report 2005-06 (Final)
Key Decision: <i>(Executive-side only)</i>	No
Responsible Officer:	Myfanwy Barrett
Portfolio Holder:	David Ashton
Status:	Part I (N.B. Appendix B to the report is a Part II Information Circular and is attached for Members' information only).
Encs:	Appendix A: Summary of audit work and findings. Appendix B: Investigation reports

SECTION 1 – SUMMARY AND RECOMMENDATIONS

This report sets out progress against the 2005/06 Internal Audit plan and key issues arising from work undertaken.

RECOMMENDATIONS:

The Committee is requested to:

Consider the findings of the report and decide on any action it wishes to take in monitoring management progress with implementing improvements to the council's control environment.

REASON: The Code of Practice for Internal Audit in Local Government requires regular reports on audit work undertaken to be brought to the attention of the Audit Committee.

SECTION 2 - REPORT

Background

- 2.1.1 At its meeting on 27th June 2006 the Audit Committee considered an interim Internal Audit Full Year Report for 2005-06 which set out the findings of the management assurance exercise. This is the final version of the report and includes progress against the internal audit work plan and information on financial irregularities.

Overview of Progress

- 2.1.2 Overall, the Internal Audit team achieved 71% of the annual work plan for 2005-06, which included 100% of the key financial system reviews relied upon by the council's External Auditors. A total of 453 recommendations were made, with 448 of these agreed for implementation (99%).
- 2.1.3 A number of factors, the main ones listed below, had a detrimental impact on the level of Internal Audit resources, as calculated as part of the annual planning process, and consequent performance against the annual plan, which fell short of the 90% target:
- A reduction in the resource input of the Group Manager as a result of a change of personnel and a broadening of the post's responsibilities;
 - A delay in the appointment of the Senior Professional (3 months);
 - The loss of an experience Auditor who was replaced by a 'trainee' Auditor;
 - Lack of implementation of a additional Auditor post previously agreed as a growth item;
 - Unfilled Auditor post held vacant;
 - Long term sickness of one Auditor;
 - Lack of predicted significant reduction in suspected financial irregularity work;
 - A delay in the formation of the Corporate Anti-Fraud Team resulting in an inability to take on work relating to the National Fraud Initiative as planned, leading to an additional 57.9 days of unplanned work for the Internal Audit Team.

Overall Audit Opinion

- 2.1.4 Key issues emerging from work undertaken are:
- The management assurance framework introduced in 2005-06 was a major success in supporting the internal audit work programme and the results (which were reported to the Committee in June) will help inform future audit plans and improvement plans across the council.
 - Improvements are needed in respect of the council's web publishing protocols to mitigate the risk of inappropriate or poor quality content being posted on the www.harrow.gov website.

- Controls need to be strengthened in respect of the new arrangements for administering grants to voluntary organisations.
- Governance arrangements to prevent conflict of interest issues of employees, temporary staff and consultants need to be addressed.
- Monitoring arrangements for the Housing Repairs Partnership should be strengthened.
- Pre-employment checks for new staff should be more robust, to reduce the risk of identity fraud.
- Progress with implementing internal audit recommendations still needs to improve.
- The majority of irregularities investigated continue to be of a systems / procedural nature (see appendix B).
- The transition to the new (BTP) management systems will create audit challenges in 2006-07.
- Numerous positive outcomes were also established through the audit findings and the management assurance exercise.

2.1.5 Overall, the Internal Audit service made good contribution to the council's control and governance risk environments during a challenging year and a number of improvements were made within the service (as set out in the interim report).

2.1.6 The annual audit plan was carried out within the existing budget.

2.1.7 Section 66 of the Local Government and Housing Act 1989 requires Local Authorities to follow proper accounting practices with regard to revenue accounts and accounting for capital expenditure. This is supplemented by Section 21 of the Local Government Act 2003, which confirms that proper accounting practices should apply not only to the capital finance function but to other provisions within the Act, to some specified retrospective and to future legislation. Compilation of this information from internal audit assists the Authority to gauge its performance in line with the comprehensive performance assessment requirements as set out in Section 99 of the Local Government Act 2004.

SECTION 3 - STATUTORY OFFICER CLEARANCE

Chief Financial Officer	<input checked="" type="checkbox"/>
Monitoring Officer	<input checked="" type="checkbox"/>

SECTION 4 - CONTACT DETAILS AND BACKGROUND PAPERS

Contact: David Ward, Group Manager, Audit & Risk Tel: 020 8420 1781

Background Papers: None.