



LONDON BOROUGH OF
HARROW

Internal Audit Year-End Report 2023/24

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1. Introduction

This report outlines the internal audit work carried out for the year ended 31 March 2024.

The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management (Corporate Leadership Team) and approved by the Governance, Audit, Risk Management & Standards Committee (GARMS - Harrow's Audit Committee), designed to provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The Internal Audit Plan 2023/24 was based on 336 audit days, revised to reflect the departure of the Head of Internal Audit and an auditor at the beginning of the financial year, leaving only one auditor in post at that time. Since late summer two agency workers were recruited helping to ensure adequate coverage of the 2023/24 Annual Audit Plan. As a result of the vacancies the number of planned reviews undertaken in 2023/24 were less than if there a full complement of auditors.

Internal Audit work was performed in conformance with the Public Sector Internal Audit Standards.

2. Head of Internal Audit Opinion

The Head of Internal Audit's overall opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control based on the annual review of governance and the assurance work of Internal Audit throughout 2023/24 is:

Reasonable assurance can be given that the systems and processes in place throughout the Council support the achievement of its objectives and generally comply with Harrow's Local Code of Corporate Governance. The Council is currently aware of issues that could affect its financial position such as, but not limited to, ongoing cost pressures associated with the delivery of Children's and Adult Social Care Services, Temporary Housing costs and the cost of living crisis.

2.1 Framework for the Opinion

The opinion is based on:

- All audits undertaken as part of the 2023/24 Internal Audit Plan
- Recommendations made accepted/not accepted by management
- Number of high risk recommendations
- Follow-up of the implementation of audit recommendations
- The annual review of governance process.

2.2 Key Factors for the 2023/24 Opinion

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







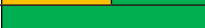









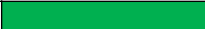







- 100% of assurance reviews undertaken during 2023/24 were given an amber, amber/green or green assurance;
- 100% of overall recommendations made during 2023/24 were agreed by management for implementation;
- 100% of recommendations due have been fully or partially implemented; 72% fully implemented, 2% substantially implemented, 17% partially implemented and 11% are planned.

3. Summary of Outputs

The year-end internal audit report is timed to inform Harrow's Annual Governance Statement. A summary of key outputs/findings from the programme of internal audit work for the year is recorded in the table below:

3.1 Key Outputs	
Description	Detail
<p>Completion of Audit Plan The plan was reduced this year to account for the lack of resources for the first half of the year, 93% of the plan was completed.</p>	<ul style="list-style-type: none"> • 24 audits completed to report stage • 2 audits fieldwork completed • AGS review completed • Grant returns reviewed
<p>Audit reports 24 internal audit reviews were undertaken resulting in an audit report.</p>	<ul style="list-style-type: none"> • 7 green, 11 amber/green and 6 amber reports were issued; • 16 high risk, 81 medium risk and 27 low risk recommendations were made to improve weaknesses identified in governance, risk management or control.
<p>Other audit work A number of other pieces of audit work have been undertaken as part of the 2023/24 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 2023/24 • Risk Management in Decision Making – clearance provided before reports are presented to Cabinet, outputs - cleared cabinet reports • Families First (Troubled Families Grant), outputs - validation of the Q1-Q4 grant claims • Professional Advice, outputs - the provision of independent professional internal audit advice • Grants certified, 4 signed off • SFVS, outputs - review of the school self-assessments against the School Financial Value Standard and an assurance report for the Chief Finance Officer.
<p>Annual review of governance The annual review of governance is primarily undertaken to provide evidence to support the production of the Annual Governance Statement and consists of a review of governance arrangements against the CIPFA Good Governance Framework and the Council's own governance structure looking back at the previous financial year.</p>	<ul style="list-style-type: none"> • Corporate Governance, annual review of governance 2022/23 outputs - An evidence table detailing the review of governance processes in place during 2022/23, a management assurance statement, and the 2022/23 Annual Governance Statement.

3.2 Internal Audit Work Conducted: Results of Individual Assignments (resulting in an audit report/assurance rating)

Review	Assurance Rating	Number of Recommendations			Comment
		H	M	L	
Corporate Risk Based/Governance Reviews					
Annual Corporate Governance Assurance (AGS)	N/A				Completed
Asset Management Assurance					Cancelled
Financial Management Assurance					Cancelled
Human Resources					Cancelled
Information & Data Management					Cancelled
Performance Management					Cancelled
Programme & Project Management					Cancelled
Tell Us Once/Legacy Systems		0	2	2	Completed
Fees & Charges		0	4	0	Completed
Core Financial Systems (2023/24)					
Business Rates		0	4	0	Completed
Capital Expenditure		0	1	0	Completed
Treasury Management		0	0	0	Completed
Housing Rents		0	2	0	Completed
Housing Benefit		0	0	0	Completed
Corporate Accounts Receivable		0	1	1	Completed
Corporate Accounts Payable		0	4	0	Completed
Payroll		0	1	0	Completed
Council Tax		0	4	0	Completed
IT					
Loss of Social Care Data					Deferred to 24/25
Legacy File Storage					Deferred to 24/25
Audit Needs Assessment					Deferred to 24/25
Resources & Assurance					
Financial Resilience		0	6	2	Draft Report
HR Policies (Evaluations & Honorariums)		1	3	4	Completed
Employee Expenses		0	5	2	Draft Report
HBPL		0	1	0	Draft Report
Place					
Facilities Management Statutory Compliance		2	3	3	Completed
HSDP/Council Owned Companies Governance					Cancelled
Housing Planned Investment		0	1	2	Completed
Licensing		2	3	2	Completed
Aids & Adaptations		1	4	1	Completed
Highways					Fieldwork completed
People					
Children's Placements					Fieldwork completed
Safeguarding Team					Cancelled
Occupational Therapy		0	4	1	Completed
Schools					
Glebe Primary		6	9	5	Completed
Marlborough Primary					Deferred to 24/25
Weald Rise Primary		2	5	0	Completed
Shaftesbury High School		2	8	0	Completed
St John's C of E School		0	6	2	Completed
Grant Assurance					
Together with Families Grant	N/A				Completed
SVFS	N/A				Completed
Bus Subsidy Grant	N/A				Completed
TOTAL RECOMMENDATIONS		16	81	27	

3.3 Results of Other Audit Work on the 2023/24 Plan

Work Undertaken	Results/Output
Corporate Governance	Each year the Council undertakes a review of its governance arrangements to meet the requirements of the CIPFA/SOLACE Framework <i>Delivering Good Governance in Local Government</i> and to fulfil its statutory duty as outlined in the Accounts and Audit Regulations 2015. The annual review process undertaken as part of the 2023/24 plan covering the 2022/23 financial year identified no significant governance gaps.
Risk Management	The Corporate Risk Register was updated quarterly throughout 2023/24 with each update presented and agreed with CLT. The risk registers were also presented to the GARMS Committee for review in September 2023 and March 2024. A review of Risk Management in Decision Making - a real-time pro-active review, with clearance provided before reports are presented to Cabinet was completed during 2023/24. This involved ensuring the risk implications of proposed decisions were consistently and robustly included in Cabinet reports.
Families First (Troubled Families Grant)	Four claims were submitted during the year. For each Grant Submission, a 10% and one 20% sample of the cases were reviewed by Internal Audit to ensure that: <ul style="list-style-type: none"> the cases are eligible for claim the criteria and the outcomes are accurately identified and evidenced where applicable the case has not been re-opened for further work the closure report on the Mosaic system clearly identifies the outcomes achieved the spreadsheet has been checked for duplicates
Professional Advice	A range of professional advice has been provided to managers during 2023/24 including: Housing Rent Refunds; Adults Financial Assessments; Schools.
Grants	Testing was undertaken on the following grants in 2023/24 to provide assurance that grant conditions had been met in compliance with the grant requirements: <ul style="list-style-type: none"> Changing Places Toilet Grant Future High Street Funding BSOG (Bus Service Operator Grant) Biodiversity Net Gain Grant

3.4 Follow Up Work Conducted







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 plan 2023/24, follow-ups of recommendations made and agreed by management in amber, red/amber and red assurance reports previously issued were due to be undertaken. The table below summarises the follow up work performed during 2023/24.

Review	Original Assurance Rating	Re-Assessed Assurance Rating ¹	No. of Agreed Recs	Status of agreed actions				
				I	SI	PI	PL	NI
Capital Expenditure			4	2	0	1	1	0
Business Rates			3	1	0	1	1	0
Leaseholder Service Charges			8	7	0	1	0	0
HMO 2 nd F/UP			15	11	0	1	3	0
Woodlands Investigation			5	5	0	0	0	0
Cedars Manor Investigation			12	7	1	4	0	0
TOTAL			47	33 70%	1 2%	8 17%	5 11%	0

¹ The impact of recommendations implemented, substantially or partially, at follow-up are assessed to provide the re-assessed assurance rating and assumes previous controls assessed as operating are still operating.

4. Direction of Assurance Travel

The direction of travel of assurance ratings over the last 3 years is included here for information.

Assurance Ratings (including follow-ups)	Direction of Travel between 2022/23 & 2023/24	% of Assurances (including Follow-Ups)		
		2023/24	2022/23	2021/22
GREEN	No change 	29% (7)	29% (7)	50% (8)
AMBER GREEN	Up 	46% (11)	25% (6)	19% (3)
AMBER	Down 	25% (6)	33% (8)	12% (2)
RED AMBER	Down 	0	12.5% (3)	12% (2)
RED	No change 	0	0	6% (1)
% of Amber, Amber/Green or Green	Up 	100% (24)	87.5% (21)	81% (13)

One of the key factors used in the Head of Internal Audit Opinion is the percentage of assurance reviews undertaken during the year that were given an amber, amber/green or green assurance. The 100% figure shown above also includes results of follow up reviews during the year hence the difference in the figure used for the audit opinion. The direction of travel between 2022/23 and 2023/24 increased.

5. Performance of Internal Audit

Internal Audit performance against Key Performance Indicators (KPIs) agreed as part of the 2023/24 Internal Audit Plan is set out in the table below:

Internal Audit Performance Indicator	Target	Year-End	Comments
Recommendations agreed	95%	100%	Exceeded
Follow up undertaken – Red, Red/Amber	100%	100%	Met
Follow up undertaken – Amber	70%	71%	Met
Plan achieved for key control reviews	100%	100%	Met
Plan achieved overall (key indicator)	90%	93%	Met
Corporate Performance Indicator			
Implementation of recommendations due at the time of review	90%	100%	Exceeded - 70% implemented, 2% substantially implemented, 17% partially implemented, 11% planned at time of follow-up.

Of the six performance indicators two were exceeded and four were met.

6. Opinion Types

Head of Internal Audit Opinion

Substantial Assurance	There is a good system of internal control which demonstrates that the Council's framework of governance, risk management and control is good and that there are adequate and effective governance, risk management and control processes to enable the related risks to be managed and objectives to be met.
Reasonable Assurance	There is a satisfactory system of internal control however, in some areas, weaknesses have been identified in the design and/ or operating effectiveness, which could potentially put the achievement of objectives in these areas at risk.
Limited Assurance	There is a compromised system of internal control due to weaknesses identified in the design and/or operating effectiveness, which demonstrates that the Council's framework of governance, risk management and control require major improvement
No Assurance	There is an inadequate system of internal control due to weaknesses identified in the design and/or operating effectiveness, demonstrate that the Council's framework of governance, risk management and control is unsatisfactory.

7. Limitations and Responsibilities

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibility for the design and operation of these systems of work, in elements of systems that were not included in the scope of individual internal audit assignments or that were not brought to internal audit's attention. The risk of this is mitigated by implementing a risk-based approach to the development of the internal audit plan and to individual audit assignments.

8. Audit Report Assurance Levels

Internal audit reports are given Red, Red/Amber, Amber, Amber/Green or Green assurance ratings as follows: -

Assurance Rating	Description
Red	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	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	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	Amber/Green reports will indicate medium to low risk in need of attention to prevent them becoming high risk.
Green	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: -

Assurance Rating	Description
Red	Red reports will be those where there is one or more of the following: <ul style="list-style-type: none"> • 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	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	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	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	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/substantially operating will be combined to give an overall assurance rating.