

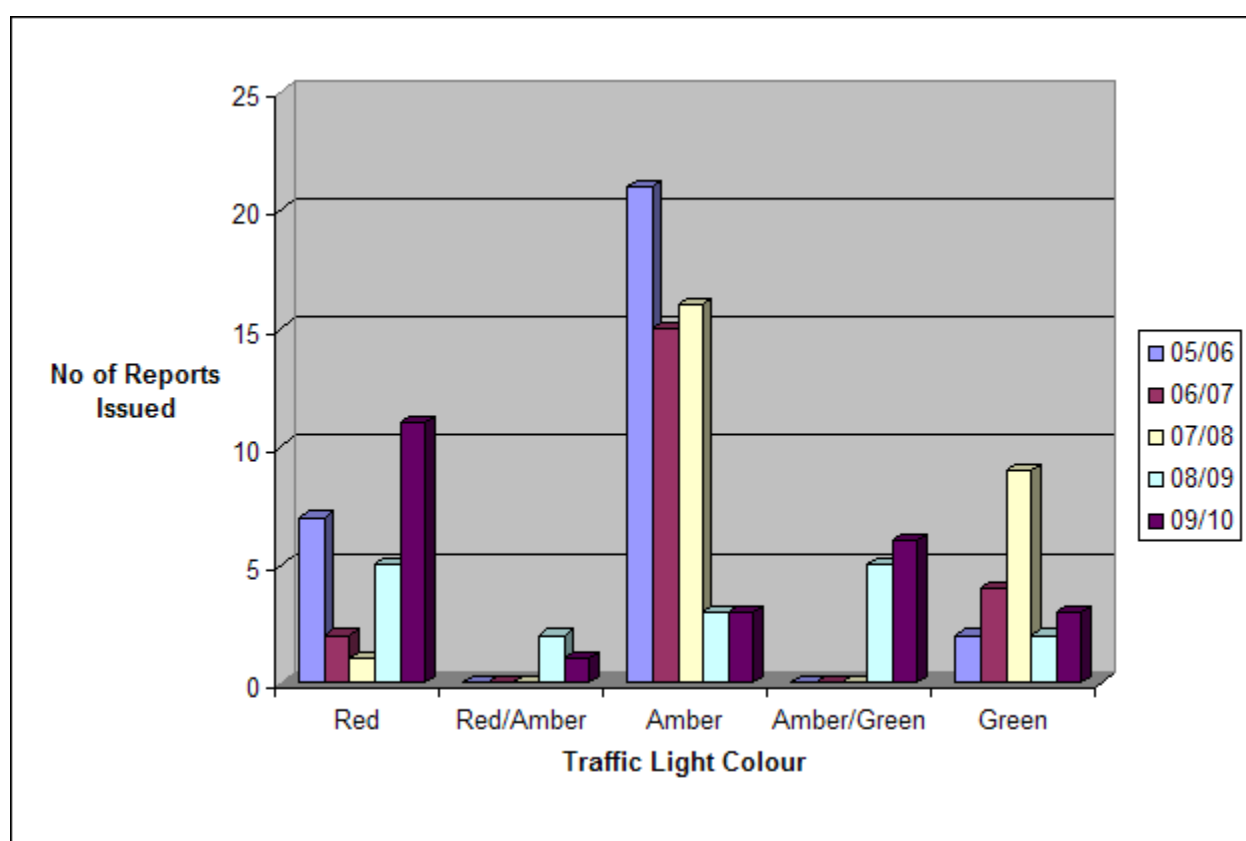
INTERNAL AUDIT YEAR-END REPORT 2009/10

OVERVIEW OF WORK UNDERTAKEN

1. Overall the Internal Audit Team achieved 93% of the 2009/10 Annual Audit plan, meeting the 90% target. This included 100% achievement of the core financial systems reviews relied upon by the council's External Auditors. 88 reviews/pieces of work were undertaken as part of the 2009/10 plan, 65 culminated in a formal report (see table 1 below). Of these 3 were green reports indicating low risk areas, 6 were amber/green reports indicating low/medium risk areas, 3 were amber reports indicating medium risk areas in need of attention to prevent them becoming high risk, 1 was red/amber indicating medium/high risk areas and 11 were red reports indicating systems/functions/establishments that represent a high risk to the authority needing immediate attention to improve the control environment. 35 reports were not subject to traffic-lighting as they were key control reviews of core financial systems, Suspected Financial Irregularities or Financial Management Standards In Schools (FMSIS) Assessments and a further 6 have yet to be issued. In addition 3 reports were issued which related to the 2008/09 plan.

Table 1 – Year on Year comparison of Traffic Light Reports

Traffic Light Colour	05/06	06/07	07/08	08/09	09/10
Red	7	2	1	5	11
Red/Amber	N/A	N/A	N/A	2	1
Amber	21	15	16	3	3
Amber/Green	N/A	N/A	N/A	5	6
Green	2	4	9	2	3
NTL	8	17	28	29	35
Reports yet to be issued	0	2	3	3	6
Total Reports Issued	38	40	57	49	65



2. This five year comparison shows a significant increase in red reports for 2009/10 compared to previous years. As the Internal Audit Plan is risk based, i.e. audit reviews cover the Council's higher risk systems, the number of red reports is expected to vary year on year. An increasing number of red reports could in fact be an indication of the success of the audit planning process in targeting the high risk systems for review. It should also be noted that 6 of the 11 reports were FMSIS reports (there was only 1 red FMSIS report last year) and 5 of the 6 schools concerned went on to pass their FMSIS External Assessment.
3. A total of 335 recommendations were made of which 327 (98%) were agreed for implementation exceeding the 95% target. Of the recommendations followed-up 81% have been implemented, 11% were partially implemented/in the process of being implemented, 6% were planned for implementation and 2%, whilst originally agreed by management have not been implemented.

COMPLIANCE WITH STANDARDS/DELIVERY PLAN

4. A new CIPFA Code of Practice for Internal Audit in Local Government in the UK was published at the end of 2006 defining the way in which the internal audit service should undertake its functions. The code includes a checklist to test compliance with the code that was used as a self-assessment tool to review the IA service during 2008/09 as part of the Audit Delivery Plan. The results of this self-assessment indicated that the section is complying fully with 80% of the standards and partially with a further 13%. The results have been used to develop actions to ensure full compliance with the code and these actions were incorporated into the 2009/10 Internal Audit Delivery Plan. All key service activities identified in the 2009/10 Delivery Plan have been achieved however progress towards the achievement of tasks contributing to service improvement identified via the self-assessment against CIPFA Standards has been slower than originally anticipated (see Appendix C). The net result of this is that the 2009/10 self-assessment identified that the Internal Audit Service is now complying fully with 83% of the standards, an improvement of 3%. The Delivery Plan for 2010/11 (included with the report on the 2010/11 Internal Audit Plan) therefore reflects key services activities plus the outstanding tasks from the self assessment.

INTERIM OPINION ON THE OVERALL CONTROL ENVIRONMENT

5. This is an interim opinion based solely on internal audit risk based work carried out throughout the year and will be updated once the core financial systems work for 2009/10 has been completed and the results of the management assurance exercise for 2009/10 are available.
6. The adequacy and effectiveness of the organisation's control environment for the 2009/10 financial year has been assessed as "good" based on the following:
 - 50% of the traffic lighted systems reviewed during 2009/10 were given an amber, an amber/green or a green assurance rating;
 - 98% of recommendations made during 2009/10 were agreed for implementation;
 - 81% of recommendations followed-up have been implemented, (an increase of 9% from 2008/09), 10% were partially implemented/in the process of being implemented, 3% were planned for implementation and 3%, although originally agreed by management, were not implemented (a fall of 1% from 2008/09);

- 19 out of 23 (83%) of Harrow schools passed the Financial Management Standard in Schools set by the DFES;
- 28 suspected financial irregularities were reported to Internal Audit during 2009/10, the majority of irregularities investigated by Internal Audit were either caused by a break down/lack of control or where fraud was involved this was a contributing factor. 86% did not involve any significant loss to the Council.
- 67% of controls reviewed within the Council's core financial systems were either operating fully or substantially with a further 33% operating partially.

SUMMARY OF WORK UNDERTAKEN

Audit of Core Financial Systems – Updated Report

7. As part of the 2009/10 Annual Plan Internal Audit undertook a key control review on the following systems as part of the agreed approach to the audit of the Authority's core financial systems for the financial year 2008/2009 (reported in detail in the mid-year report):

- Housing Rents
- Creditors
- Debtors

8. Overall out of a total of 33 key controls reviewed 20 (61%) were fully operating, 2 (6%) were substantially operating, 11 (33%) were partially operating. In total 18 recommendations were made, 10 were rated as high risk, 7 were rated as medium risk and 1 was rated as low risk. All recommendations were agreed for implementation with the exception of 1 which was rated as a medium risk. This relates to Accounts Receivable identifying high value debtor balances on a regular basis and reconciling to third party documents statements to ensure that debt outstanding is accurate and reliable. This has not been agreed due to the fact that currently there are insufficient resources within CAP/CAR to achieve this.

9. The position for each system reviewed is shown below.

SYSTEM	NUMBER OF CONTROLS	FULLY OPERATING	SUBSTANTIALLY OPERATING	PARTIALLY OPERATING	NOT OPERATING	OVERALL RATING ¹
Housing Rents	9	5	2	2	0	83%
Creditors	10	7	0	3	0	85%
Debtors	14	8	0	6	0	79%
Overall	33	20 (61%)	2 (6%)	11 (33%)	0 (0%)	82%

9. For the Housing Rents system overall, 71% (17) of the elements of the controls were operating effectively, 8% (2) were substantially operating and a further 21% (5) were partially operating. Each of the 9 key controls is made up of a number of individual elements that were each tested. Therefore 5 key controls are fully in place 2 key controls are substantially in place and 2 key controls are partially in place. Six recommendations have been made to address the weaknesses identified, 3 were within high risk, 2 were within medium risk and 1 within low risk.

10. For the Creditors system overall, 81% (17) of the elements of the controls were operating effectively, and a further 19% (4) were partially operating. Each of the 10 key

¹ Operating controls given a weighting of 2 and partially operating controls given a weighting of 1

controls is made up of a number of individual elements that were each tested. Therefore 7 key controls are fully in place and 3 key controls are partially in place. Of the weaknesses identified 2 were within the high risk category and 2 were within the medium risk category.

11. For the Debtors system overall, 48% (12) of the elements of the controls were operating effectively and a further 52% (13) were operating partially. Each of the 14 key controls is made up of a number of individual elements that were each tested. Therefore 8 key controls are fully in place and 6 key controls are partially in place. Of the weaknesses identified 5 were within the high risk category and 3 were within the medium risk category.
12. In addition to satisfy additional requirements of the External Auditors, Control self-assessments were obtained from the relevant managers for the following core financial systems:
 - Housing Benefits
 - NDR
 - Council Tax
 - Payroll

and systems documentation was reviewed/updated and walkthrough tests were undertaken to confirm the actual system in operation for all the above core financial systems.

Reliance

13. The Authority's External Auditor's, Deloitte & Touche, placed reliance on the work undertaken by Internal Audit as part of the 2009/10 Annual Plan in relation to the Authority's core financial systems in operation during 2008/09.

Other Reliance Reviews undertaken in 2009/10 (NB SFI reports are shown in Appendix B)

Quarter 1

14. In the first quarter of every financial year the work of the Internal Audit team concentrates on the authority's core financial systems. The 7 systems are reviewed on a 3 year risk based cycle. 3 of the 7 systems were reviewed in the first quarter of 2008/09. In addition, to satisfy the requirements of the External Auditors, managers were asked to review and update systems documentation, Internal Audit undertook walkthrough tests to confirm the actual system in operation for all core financial systems and control self-assessments were obtained for the 4 systems not reviewed.
15. Other work undertaken annually in the first quarter includes the completion of the annual Management Assurance exercise and the annual review of governance arrangements feeding into the authority's Annual Governance Statement (AGS).
16. Quarter 1 is also the time that reviews undertaken in the final quarter of the previous year are completed/finalised. The following review was finalised in Q1 of 2008/09:

REPORT	ISSUE DATE	ASSURANCE RATING/CONTROLS OPERATING
Emergency Planning	12.06.09	Amber report. Overall 50% of the expected controls were found to be in place and operating effectively, 20% were substantially operating, 25% were partially in place with a further 5% not operating. Five recommendations have been made to address the weaknesses identified, 4 were rated as high risk and 1 was rated as medium risk.

Quarter 2

17. Quarter 2 of each year is generally less productive as it covers the main holiday period. Following a successful programme of school reviews during 07/08 and 08/09 to support schools towards achieving the DCSF Financial Management Standard in Schools (FMSiS) resulting in a 95% pass rate over the two years a programme of similar reviews was undertaken during 2009/10 to support the 11 schools being assessed for the first time and 10 High Schools being re-assessed (after 3 years) during 09/10. This includes reviews at 11 individual schools plus support visits for 9 High Schools (the remaining High School did not take advantage of this arrangement). In addition 2 schools who had failed in 08/09 received support visits in 09/10 to assist them towards re-assessment. All reviews and support visits were begun in quarter 2 (September).

18. The following reports were finalised in Quarter 2:

REPORT	ISSUE DATE	ASSURANCE RATING/CONTROLS OPERATING
Housing Rents – 08/09 Key Control Review	28.08.09	Overall, 71% (17) of the elements of the controls were operating effectively, 8% (2) were substantially operating and a further 21% (5) were partially operating. Each of the 9 key controls is made up of a number of individual elements that were each tested. Therefore 5 key controls are fully in place 2 key controls are substantially in place and 2 key controls are partially in place
NI 195 – SFI Report	07.07.09	See Appendix B for further details

Quarter 3

19. Quarter 3 is dominated by the FMSiS reviews of schools. The following reports were finalised in quarter 3:

REPORT	ISSUE DATE	ASSURANCE RATING/CONTROLS OPERATING
Key Control Review – Accounts Payable (Creditors) 2008/09	7.10.09	Overall, 81% (17) of the elements of the controls were operating effectively, and a further 19% (4) were partially operating. Each of the 10 key controls is made up of a number of individual elements that were each tested. Therefore 7 key controls are fully in place and 3 key controls are partially in place.

REPORT	ISSUE DATE	ASSURANCE RATING/CONTROLS OPERATING
Key Control Review – Accounts Receivable (Debtors) 20008/09	7.10.09	Overall, 48% (12) of the elements of the controls were operating effectively and a further 52% (13) were operating partially. Each of the 14 key controls is made up of a number of individual elements that were each tested. Therefore 8 key controls are fully in place and 6 key controls are partially in place.
Whitefriars F&M School – FMSiS Review	21.10.09	Red report. The school has met or substantially met (44%) of the criteria/ controls reviewed. There are a number of criteria where further action is needed to prepare for the external assessment of the standard. 20 recommendations are made to assist with this process.
West Lodge School – FMSiS Review	23.10.09	Amber/Green report. The school has met or substantially met 30 (77%) of the criteria/ controls reviewed. There are a number of criteria where further action is needed to prepare for the external assessment of the standard. 11 recommendations are made to assist with this process.
Weald Middle School – FMSiS Review	4.11.09	Red report. The school has met 15 (39%) of the criteria/ controls reviewed. There are a number of criteria where further action is needed to prepare for the external assessment of the standard. 21 recommendations are made to assist with this process.
Belmont School – FMSiS Review	4.11.09	Amber report. The school has met or substantially met 25 (64%) of the criteria/ controls reviewed. There are a number of criteria where further action is needed to prepare for the external assessment of the standard. 13 recommendations are made to assist with this process.
Cedars Manor School – FMSiS Review	6.11.09	Green report. The school has met or substantially met 33 (87%) of the criteria/ controls reviewed. There are a number of criteria where further action is needed to prepare for the external assessment of the standard. 15 recommendations are made to assist with this process.
Pinner Wood School – FMSiS Review	11.11.09	Red report. The school has met 19 (49%) of the criteria/ controls reviewed. There are a number of criteria where further action is needed to prepare for the external assessment of the standard. 18 recommendations are made to assist with this process.
Vaughan School – FMSiS Review	11.11.09	Red report. The school has met or substantially met 14 (36%) of the criteria/ controls reviewed. There are a number of criteria where further action is needed to prepare for the external assessment of the standard. 23 recommendations are made to assist with this process.

REPORT	ISSUE DATE	ASSURANCE RATING/CONTROLS OPERATING
Little Stanmore F&M School – FMSiS Review	13.11.09	Red report. The school has met 12 (33%) of the criteria/ controls reviewed. There are a number of criteria where further action is needed to prepare for the external assessment of the standard. 25 recommendations are made to assist with this process.
Shaftesbury High School – FMSiS Review	17.11.09	Red/ Amber report. The school has met or substantially met 21 (54%) of the criteria/ controls reviewed. There are a number of criteria where further action is needed to prepare for the external assessment of the standard. 25 recommendations are made to assist with this process.
Krishna Avanti School – FMSiS Review	25.11.09	Red report. The school has met or substantially met 17 (43%) of the criteria/ controls reviewed. There are a number of criteria where further action is needed to prepare for the external assessment of the standard. 24 recommendations are made to assist with this process.
Registration Services – Legal Services – SFI	30.11.09	See appendix B for further details

20. In addition the following follow-up review was undertaken in quarter 3:

REPORT	DATE OF FOLLOW-UP MEMO	CONCLUSION
Emergency Planning	17.12.09	It was established that the action agreed to address 4 of the 5 recommendations have been fully implemented and evidence was obtained to support this. For the remaining agreed action an alternative action was implemented.

Quarter 4

21. Work in quarter 4 centres around the management assurance exercise and FMSiS external Assessments. The following final reports were issued in quarter 4 of 2009/10:

REPORT	ISSUE DATE	ASSURANCE RATING/CONTROLS OPERATING
Heathland School FMIS Review	05.01.10	Amber report. The school has met or substantially met 25 (64%) of the criteria/ controls reviewed. There are a number of criteria where further action is needed to prepare for the external assessment of the standard. 23 recommendations are made to assist with this process.
Income Collection & Banking – Community & Cultural Services – Harrow Arts Centre	04.01.10	Amber/Green report. Overall 67% of the expected controls were found to be in place and operating effectively, 7% were substantially operating, 13% were partially in place with a further 13% not operating. 7 recommendations have been made to

REPORT	ISSUE DATE	ASSURANCE RATING/CONTROLS OPERATING
		address the weaknesses identified, 2 were rated as high risk, 4 were rated as medium risk and 1 was low risk
Income Collection & Banking – Community & Cultural Services – Harrow Museum & Heritage Site	04.01.10	Red report. Overall 32% of the expected controls were found to be in place and operating effectively, 11% were substantially operating, 18% were partially in place with a further 39% not operating. 11 recommendations have been made to address the weaknesses identified, 6 were rated as high risk, 4 were rated as medium risk and 1 was rated as low risk.
Income Collection & Banking – Community & Cultural Services – Under One Sky	07.01.10	Amber/Green report. Overall 71% of the expected controls were found to be in place and operating effectively, 5% was substantially operating and 24% were partially in place. 6 recommendations have been made to address the weaknesses identified, 2 were rated as high risk, 2 were rated as medium risk and 2 were low risk
GR/IR Account - Financial Accounts	18.01.10	Amber/Green report. The clearing exercise undertaken by Corporate Finance and the monthly exercise undertaken in quarter 4 by the Finance Teams was reasonably robust. Internal Audit testing identified a total of £231,690.50 still on the GR/IR account at 2008/09 year-end that should have been cleared however only £127,803.24 could reasonably have been expected to be picked up by the year-end process. During the course of the review it was also identified that SAP guidance states that the GR/IR may be cleared at the end of the fiscal year and thus on this basis control over the GR/IR account for 2008/09 was adequate and does not have a detrimental impact on the overall internal control environment for the year.
Homelessness	12.02.10	Amber report. Overall 63% of the expected controls were found to be in place and operating effectively, 13% were partially in place with a further 25% not operating. Three recommendations have been made to address the weaknesses identified, which were all rated as high risk
Salvatorian College – 2 nd Suspected Financial Irregularity – Follow up	12.02.10	It was identified that 7 of the recommendations made in the previous SFI report have been implemented, 3 have been partially addressed and 3 have not been implemented. The review has made a further 8 new recommendations in addition to reiterating 3 which were not previously implemented. The continuing lack of communication between the School Manager and the Finance Officer appears to have exacerbated some of the issues identified as this matter in particular has not been resolved. Some new issues were highlighted, which, together with the outstanding matters from the previous review need to be actively addressed to assist the school with ensuring that robust financial management

REPORT	ISSUE DATE	ASSURANCE RATING/CONTROLS OPERATING
		processes are in place and avoid the potential risk of fraudulent practices
Asbestos Management Briefing Note	16.12.09	This briefing note was designed to fulfil the initial stage of a review on Asbestos Management specifically in the relation to the Housing stock. There are significant weaknesses in the systems and processes in place for asbestos management in relation to the Housing stock and robust and strong action has been recommended to address these issues. Work is currently taking place to establish the level of implementation to the recommendations.
Data Management	04.11.09	Green Report. Overall 78% of the expected controls were found to be in place and operating effectively, 4% were substantially operating, 9% were partially in place with a further 9% not operating. Of the weaknesses identified 2 were rated as High Risk, and 3 were rated as Medium Risk.

22. In addition the following follow-up reviews were undertaken in quarter 4:

REPORT	DATE OF FOLLOW-UP MEMO	CONCLUSION
ICT Budget Management	19.01.10	It was established that the action agreed to address the 7 recommendations has been fully implemented and evidence was obtained to support this
Housing Rents	03.02.10	The action agreed to address 3 of the 6 recommendations has been fully implemented and evidence was obtained to support this. The remaining 3 agreed actions are planned for implementation. Two recommendations are due to be implemented as part of the 2009/10 rent increase which will take place in April 2010, and 1 recommendation relates to write off forms and there have been no recent write off forms to evidence implementation.
Accounts Payable (Creditors)	30.03.10	It was established that the action agreed to address all of the recommendations has been fully implemented and evidence was obtained to support this.
Accounts Receivable (Debtors)	30.03.10	It was established that the action agreed to address 5 of the 7 recommendations has been fully implemented and evidence was obtained to support this. Whilst the remaining 2 agreed actions have not been implemented. These relate to a financial limit across the council not being agreed for invoices produced by direct input onto SAP and Service departments have not been reminded/made aware of the Council's debt management and recovery framework 'Improvement to Debt Management'

23. The following FMSIS External Assessments were also completed in quarter 4:

School Name	Pass	Fail	Best Value or developmental recommendations made	Recommendations made to schools that have failed the standard
Bentley Wood High School	Pass		3	
Canons High School	Pass		3	
Harrow High School	Pass		5	
Hatch End High School		Fail		8
Nower Hill High School		Fail		4
Park High School	Pass		3	
Rooks Heath College for Business and Enterprise	Pass		6	
The Sacred Heart Language College	Pass		2	
Salvatorian College		Fail		18
Whitmore School	Pass		0	
Belmont School	Pass		4	
Cedars Manor School	Pass		1	
Krishna Avanti School	Pass		5	
Little Stanmore F&M School		Fail		Action plan to be finalised
Pinner Wood School	Pass		7	
Heathland School	Pass		6	
Vaughan F&M School	Pass		4	
Weald Middle School	Pass		6	
West Lodge School	Pass		4	
Whitefriars F&M School	Pass		10	
Shaftesbury High School	Pass		2	
Weald First School	Pass		4	
Welldon Park First School	Pass		8	

24. Where the school has passed the Standard a number of External Assessment recommendations were made. These are not considered significant enough for the school to have failed to meet the individual standard, however they should ensure that the financial systems remain robust or that areas of development are fully completed. The overall number of failures and recommendations made is higher this year than in previous years reflecting that generally this group of schools have found it more challenging to meet the Standard and in particular there have been more issues relating to Contract Procedure Rules. Each school has been issued with an action plan to complete to confirm the action that they intend to take for each recommendation.

25. For those schools that have failed to meet the Standard the number of recommendations is higher but also some of these recommendations are significant enough to mean that the school does not meet the particular standard that they relate to. This year one of the schools failed on five standards. Another school did not have a formal External Assessment as both the school and an Internal Audit investigation had identified weaknesses in financial controls as well as changes in key personnel and it was therefore agreed with the school in question that they would be failed without a

formal assessment. Each of the schools will complete an action plan which will guide their preparation for re-assessment which needs to occur within 12 months.

26. The FMSiS External Assessments were undertaken by a temporary auditor employed to undertake 15 assessments with the remaining 7 undertaken in-house. The schools were recharged for these assessments.

27. The following 2009/10 reviews have been issued in draft:

REPORT	ASSURANCE RATING/CONTROLS OPERATING
GR/IR System	Red report. Overall 6% of the expected controls were found to be in place and operating effectively, 47% were partially in place with a further 47% not operating. Nine recommendations have been made to address the weaknesses identified, which were all rated as high risk.
Libraries Stock Review	Red report. Overall 32% of the expected controls were found to be in place and operating effectively, 15% were substantially operating, 29% were partially in place with a further 24% not operating. 18 recommendations have been made to address the weaknesses identified, 7 were rated as high risk and 9 was rated as medium risk with a further 2 rated as low risk.
Leaseholders Electricity	Red report. Overall 9% of the expected controls were found to be in place and operating effectively, 27% were partially in place with a further 64% not operating. 23 recommendations have been made to address the weaknesses identified, 21 were rated as high risk and 2 were rated as medium risk.
National Indicator Set	Red report. Overall 42%% of the expected controls were found to be in place and operating effectively, 8% were substantially operating, 27% were partially in place with a further 23% not operating. 13 recommendations have been made to address the weaknesses identified, 8 were rated as high risk and 5 were rated as medium risk.
Vehicle Management	Amber report. Overall, 66% of the expected controls were found to be in place and operating or substantially operating, 13% were partially in place with a further 21% not operating. 12 recommendations have been made to address the weaknesses identified, of which 6 are rated as high risk, 4 are medium risk and 2 are rated as low risk.
Little Stanmore Income & Expenditure	Amber/Green report. Overall 66% of the expected controls were found to be in place and operating effectively, 10% were substantially operating, 14% were partially in place with a further 10% not operating. 10 recommendations have been made to address the weaknesses identified, 4 were rated as high risk, 4 was rated as medium risk with a further 2 rated as low risk.
Capability Process	Amber/Green report. Overall 71% of the expected controls were found to be in place and operating effectively, 3% were substantially operating, 23% were partially in place with a further 3% not operating. 9 recommendations have been made to address the weaknesses identified, 5 were rated as high risk and 4 were rated as medium risk.
ContactPoint	Green report. Overall 89% of the expected controls were found to be in place and operating effectively with a further 11% partially in place.
Income Collection & Banking Parking	Green report. Overall 81% of the expected controls were found to be in place and operating effectively, 6% were substantially

	operating, 10% were partially in place with a further 3% not operating. 7 recommendations have been made to address the weaknesses identified, 1 was rated as high risk, 5 were rated as medium risk and 1 was rated as low risk.
Decent Homes Self Referral SFI	See appendix B for details
Nower Hill Conflict of Interest	See appendix B for details

Overview of Schools FMSIS Reviews

28. 11 audit reviews (for the schools being assessed for the first time) and 9 support visits for High Schools (being re-assessed after 3 years) were completed to support the schools in their progress towards the FMSIS Standard reflecting the more limited Internal Audit resources available during 2009/10. In addition support was given by Internal Audit to the 2 schools who had previously failed the assessment to assist them towards a successful re-assessment. They met the standard this year but one will need the continuing support of the LA with its Governing Body membership.
29. Of the 10 High Schools re-assessed 3 failed the standard. Whilst each failed for different reasons there were some similarities in that 2 of the schools had inconsistencies in their delegations and terms of reference that affected the understanding of their roles and responsibilities and 2 had weaknesses in relation to their Registers of Interests. Overall there was a higher degree of weaknesses in relation to the correct application of Contract Procedure Rules than previously even though in all but one case this did not result in the standard on value for money not being met. It is thought this is in part due to higher than normal expenditure in some areas of school budgets. As a result Internal Audit in the forthcoming year will be ensuring that schools are aware of the new Contract Procedure Rules and will be undertaking some work to verify the correct application of them (other than at the External Assessment stage). It is understood that the Procurement Team also intend to provide some training for schools on the new Contract Procedure Rules.
30. From an analysis of the 11 schools that received an audit report and the outcome of the External Assessments 7 received a red or red/amber report 6 of which went on to pass the assessment. It can therefore be concluded that at least 55% of the schools audited prior to the assessment were assisted to achieve the Standard by the audit and without it would have been likely to have had a borderline pass or in some cases a fail. This is based on the progress they had made at the time of audit compared to the final External Assessment outcome.
31. The pass rate was affected by this mixed group of first time and re-assessments. The overall pass rate was reduced to 83%.

Other Work

31. **Management Assurance:** Completion of the 2008/09 annual management assurance exercise including preparation of the summary report, reality checking and input to the 2008/09 Annual Governance Statement plus follow - up of action planned and the development and instigation of the 2009/10 exercise.

32. **Corporate Governance Working Group:** Organisation of the working group, development of governance processes, collection of governance evidence to support the Annual Governance Statement, drafting of the Annual Governance Statement and support for the Corporate Governance Group and the Governance, Audit and Risk Committee.
33. **Improvement Boards:** Provision of information on the production of draft and final IA reports and follow-ups undertaken to support quarterly improvement boards.
34. **Deletions/Additions to the 2009/10 Plan:** During the course of the year 6 reviews were dropped from the plan and 11 were added. The changes reflect emerging risks facing the Council during the year e.g. the Delivery Planning review was dropped to enable more audit time to be spent on the review of National Indicators.

Professional Advice

35. A range of professional advice was provided by the IA Team across the council during the year covering controls, risks, compliance with Financial Regulations and Contract Procedure Rules and systems' development. Areas covered included advice to schools, Libraries, Parking, use of purchase/fuel cards, advice on the tenancy change procedure, input to the Housing 'lean review' and advice on safeguarding vulnerable adults from financial abuse.

Suspected Financial Irregularities

36. During 2009/10, 28 suspected financial irregularities were reported to Internal Audit (see Appendix B). Investigations into 86% of these have been concluded with no significant loss to the Council. Three of the 28 SFIs have resulted in the issue of an Internal Audit report.

FOLLOW-UP OF AUDIT RECOMMENDATIONS

37. The Internal Audit policy on follow-up is to follow-up red and red/amber reports after 3 months and to follow-up amber and amber/green reports after 6 months, reassessing the traffic light of each report. In total for 2009/10, 10 audit reviews were followed up to establish progress with the implementation of audit recommendations 6 of these have been completed and 4 are ongoing. Of those completed a total of 36 recommendations were followed-up, of these 29 (81%) have been implemented, 4 (11%) were partially implemented/in the process of being implemented, 2 (6%) was planned for implementation and 1 (2%), although originally agreed by management, was not implemented.
38. Of the 6 reviews followed-up, 2 were amber reports and 3 were reports that had not been traffic lighted. In accordance with the Internal Audit policy on follow-ups the reports shown in table 2 below were reassessed as part of the follow-up and a new audit opinion issued showing the updated traffic light position:

Table 2 – Re-issued Audit Opinions

Report	Original Traffic-light	Re-assessed Traffic Light
Emergency Planning	Amber	Green
ICT Budget Management	Amber	Green

39. Of the 4 follow-up reviews in progress unsatisfactory progress has been made on 2 of these due to a lack of response from management and these will now be referred to the appropriate Corporate Directors.

PERFORMANCE INDICATORS

40. The Internal Audit Quality Assurance and Performance Indicators Framework was developed during 2006/07 in compliance with the new CIPFA Code of Practice and fully implemented during 2007/08. The aim of the framework is to demonstrate that the internal audit service is:
- meeting its aims and objectives
 - compliant with the CIPFA Code of Practice
 - meeting internal quality standards
 - effective and efficient, continuously improving
 - adding value and assisting the organisation in achieving its objectives.
41. The performance and the effectiveness of internal audit is monitored by the Service Manager Internal Audit to ensure that it improves over time, in terms of both the achievement of targets and generally in terms of the quality of the service provided to the user and to identify areas for improvement.
42. Table 3 below outlines the eight indicators agreed for 2009/10, including the key indicator covering achievement of the IA operational plan and the results achieved.

Table 3 – Performance Indicator Results 2009/10

	Indicator	Target	Mid Year Results	Year End Results
1	Overall client satisfaction (2 questionnaires)	95%	100%	100%
2	Recommendations agreed for implementation	95%	100%	98%
3	Final reports issued on/ahead of time	85%	100%	100%
4	Projects completed within budgeted time allowance	85%	100%	95%
5	Target met for issue of draft report after end of fieldwork	85%	86%	86%
6	Follow-up undertaken	100%	100%	100%
7	Plan achieved for Key Control reviews	100%	100%	100%
8	Plan achieved overall (Key indicator)	90%	57 %	93%

Analysis of Results

43. All 8 (100%) of the performance indicators have been met or exceeded. The key indicator, plan achieved overall, was exceeded and it should be noted that the outstanding 6 reviews are in progress and once completed 100% of the plan will have been achieved.

44. In 2009/10 the process for obtaining feedback via client questionnaires did not work well due to the lack of responses received (the indicator is based on only 2 returned questionnaires) and this process will be reviewed in 2010/11. However, no negative feedback was received from clients during the year and below are some of the positive comments received during the year from satisfied clients:

“Many thanks for your outstanding work which as usual has been much appreciated.”

“Thank you for being so helpful and supportive and quick to respond through the FMSIS process.”

“Thank you and your team for all your support over the last year to help us achieve this.”

“Thank you very much! I would also like to thank you for the excellent support that you have provided. We found the gathering of evidence quite stressful but would certainly not have got through without the support and guidance that was available to us.”

“Thanks for an excellent response to my request. I am sure we will be calling on your service again.”

“Thank you for a really thorough briefing and report.”

“Thank you for all your hard work it is very much appreciated. The review was really helpful.”

“I would also like to formally thank you and your team for all your help and support that you have given to enable us to be able to meet the standard required.”

“I write to express my very significant appreciation for your outstanding work, to investigate the Chase/Tayck fraud, to work with the Police in compiling the evidence portfolio, and perhaps most importantly to present over a number of days the key evidence at Crown Court.

I fully appreciate the demands and frustrations that this case presented to you, but as each new issue arose you dealt with it in your normal calm, thorough and professional way. Many thanks for your outstanding work which as usual has been much appreciated.”

“I am very happy with this report - it is a very thorough and constructive review.”

Susan Dixson
Service Manager, Internal Audit
June 2010