

**REPORT FOR: Governance, Audit and Risk Management Committee**

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**Date of Meeting:** 29 June 2010

**Subject:** INFORMATION REPORT – Internal Audit Year-End Report 2009/10

**Responsible Officer:** Myfanwy Barrett, Corporate Director Finance

**Exempt:** No – except for Appendix B which is exempt by virtue of paragraphs 1 and 7 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) on the grounds that it contains information relating to individuals and information relating to actions taken in connection with the prevention, investigation and prosecution of crime.

**Enclosures:** Appendix A – Internal Audit Year-end Report 2009/10  
Appendix B – Suspected Financial Irregularities (Exempt)  
Appendix C – Delivery Plan Year-End Position

## **Section 1 – Summary**

This report sets out progress against the 2009/10 Internal Audit plan and key issues arising from work undertaken.

**FOR INFORMATION**

## **Section 2 – Report**

### **Background**

- 2.1. The Internal Audit Year-end 2009/10 report, Appendix A, covers progress against the internal audit annual work plan and information on suspected financial irregularities is provided in Appendix B.

### **Overview of Progress**

- 2.2. Overall, the Internal Audit team achieved 92% of the annual work plan for 2008/09, which included 100% of the key financial system reviews relied upon by the council's External Auditors. A total of 335 recommendations were made of which 327 (98%) were agreed for implementation exceeding the 95% target.
- 2.3 During the year work undertaken by the Internal Audit Team conformed with the section's Terms of Reference and a self-assessment against the CIPFA Code of Practice 2006 indicated that the section is complying fully with 83% of the standards and partially with a further 13%. All key service activities identified in the 2009/10 Internal Audit Delivery Plan (Appendix C) have been achieved although progress towards the achievement of tasks contributing to service improvement identified via the self-assessment against CIPFA Standards has been slower than originally anticipated.
- 2.4 The report provides a summary of work undertaken during the year including an overview of each review, details of follow-up work and detailed results of the team's performance indicators showing that all of these were either met or surpassed.

### **Overall Audit Opinion**

- 2.5 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 for 2009/10 exercise are available. The adequacy and effectiveness of organisation's control environment for the 2009/10 financial year has been assessed as "good" based on the following:
  - 50% of 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.

### **Financial Implications/Internal Audit Resources**

2.9 The 2009/10 annual audit plan was carried out within the existing Internal Audit budget. 5 of the 10 Internal Audit posts remained vacant throughout the year however temporary members of staff were brought in to help cover the FMSIS External Assessments and the Senior Professional post which was seconded during the year.

### **Performance Issues**

2.10 All the Internal Audit performance indicators for 2009/10 have been met or exceeded.

### **Risk Management Implications**

2.11 Support for managing risks across the council is the core business of the Internal Audit. The delivery planning process in Internal Audit manages and reflects the key risks facing the service.

## **Section 3 – Further Information**

2.12 The next report on the performance of the Internal Audit team will be the 2010/11 Mid-year Report to be submitted to GARM in November 2010.

## **Section 4 – Financial Implications**

2.13 There are no financial implications to this report.

## **Section 5 – Corporate Priorities**

2.14 Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities:

- Deliver cleaner and safer streets
- Improve support for vulnerable people
- Build stronger communities

Name: Myfanwy Barrett



Chief Financial Officer

Date: 17 June 2010

## **Section 6 - Contact Details and Background Papers**

**Contact:** Susan Dixson, Service Manager, Internal Audit,  
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**Background Papers:** None