



HILLINGDON  
LONDON



## Audit Committee

### Councillors on the Committee

Rajiv P Vyas (Chairman)  
Scott Seaman-Digby (Vice-Chairman)  
George Cooper  
Susan O'Brien  
Tony Eginton (Labour Lead)

**Date:** TUESDAY, 12 JULY 2016

**Time:** 5.00 PM

**Venue:** COMMITTEE ROOM 3 -  
CIVIC CENTRE, HIGH  
STREET, UXBRIDGE UB8  
1UW

**Meeting  
Details:** Members of the Public and  
Press are welcome to attend  
this meeting

**Published:** Monday, 4 July 2016

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This Agenda is available online at:  
<http://www.hillingdon.gov.uk>

*Putting our residents first*

Lloyd White  
Head of Democratic Services  
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[www.hillingdon.gov.uk](http://www.hillingdon.gov.uk)

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# Terms of Reference

The Constitution defines the terms of reference for the Audit Committee as:

## Introduction

The Audit Committee's role will be to:

- Review and monitor the Council's audit, governance, risk management framework and the associated control environment, as an independent assurance mechanism;
- Review and monitor the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment;
- Oversee the financial reporting process of the Statement of Accounts.

Decisions in respect of strategy, policy and service delivery or improvement are reserved to the Cabinet or delegated to Officers.

## Internal Audit

1. Review and monitor, but not direct, Internal Audit's work programmes, summaries of Internal Audit reports, their main recommendations and whether such recommendations have been implemented within a reasonable timescale, ensuring that work is planned with due regard to risk, materiality and coverage.
2. Make recommendations to the Leader of the Council and Cabinet Member for Finance, Property and Business Services on any changes to the Council's Internal Audit Strategy and plans.
3. Review the Annual Report and Opinion and Summary of Internal Audit Activity (actual and proposed) and the level of assurance this can give over the Council's corporate governance arrangements.
4. Consider reports dealing with the management and performance of internal audit services.
5. Following a request to the Corporate Director of Finance, and subject to the approval of the Leader of the Council and Cabinet Member for Finance, Property and Business Services, to commission work from Internal Audit.

## External Audit

6. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
7. Monitor management action in response to issues raised by External Audit.

8. Receive and consider specific reports as agreed with the External Auditor.
9. Comment on the scope and depth of External Audit work and ensure that it gives value for money, making any recommendations to the Corporate Director of Finance.
10. Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
11. Following a request to the Corporate Director of Finance, and subject to the approval of the Leader of the Council / Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.
12. Monitor effective arrangements for ensuring liaison between Internal and External audit, in consultation with the Corporate Director of Finance.

### **Governance Framework**

13. Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations. And, where necessary, bring proposals to the Leader of the Council or the Cabinet for their development.
14. Review any issue referred to it by the Chief Executive, a Deputy Chief Executive, Corporate Director, or any Council body.
15. Monitor and review, but not direct, the authority's risk management arrangements, including regularly reviewing the corporate risk register and seeking assurances that action is being taken on risk related issues.
16. Review and monitor Council policies on 'Raising Concerns at Work' and anti-fraud and anti-corruption strategy and the Council's complaints process, making any recommendations on changes to the Leader of the Council and the Deputy Chief Executive and Corporate Director of Residents Services.
17. Oversee the production of the authority's Statement of Internal Control and recommend its adoption.
18. Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on necessary actions to ensure compliance with best practice.
19. Where requested by the Leader of the Council, Cabinet Member for Finance, Property and Business Services or Corporate Director of Finance, provide recommendations on the Council's compliance with its own and other published standards and controls.

### **Accounts**

20. Review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are

concerns arising from financial statements or from the auditor that need to be brought to the attention of the Council.

21. Consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Review and reporting**

22. Undertake an annual independent review of the Committee's effectiveness and submit an annual report to Council on the activity of the Audit Committee.

# Agenda

Prior to the meeting at 5.00pm, there will be a private meeting with the Corporate Director of Finance. This will be followed by a training item on the Statement of Accounts.

- 1 Appointment of Chairman
- 2 Apologies for absence
- 3 Declaration of Interest
- 4 To confirm that all items marked Part I will be considered in Public and that any items marked Part II will be considered in Private
- 5 Minutes of the Meeting held on 15 March 2016 and 12 May 2016 for approval **(Pages 1 - 10)**
- 6 Draft Annual Governance Statement 2016 - 17 **(Pages 11 - 20)**
- 7 Business Assurance - Annual Internal Audit Report & Head of Internal Audit Opinion Statement 2015/16 **(Pages 21 - 54)**
- 8 Business Assurance - Internal Audit 2016/17 Q1 Progress Report & Q2 Operational Internal Audit Plan **(Pages 55 - 78)**
- 9 Corporate Fraud Investigation Team Progress Report **(Pages 79 - 90)**
- 10 Audit Committee Forward Programme **(Pages 91 - 96)**

## **PART II**

- 11 Risk Management Report & Q4 Corporate Risk Register **(Pages 97 - 116)**

# Agenda Item 5



HILLINGDON  
LONDON

## Minutes

### Audit Committee

Tuesday 15 March 2016

Meeting held at Committee Room 3- Civic Centre,  
High Street, Uxbridge UB8 1UW

	<p><b>Members Present:</b> Councillors Richard Lewis (Vice-Chairman - In the Chair) Peter Davis, Tony Eginton and Susan O'Brien.</p> <p><b>Apology for Absence:</b> Rajiv Vyas (Chairman).</p> <p><b>Officers Present:</b> Kevin Byrne (Head of Policy and Partnerships), Garry Coote (Corporate Fraud Investigation Manager), Sarah Hydrie (Assistant Internal Audit Manager), Sian Kunert (Chief Accountant), Muir Laurie (Head of Business Assurance), Paul Whaymand (Corporate Director of Finance), Martyn White (Senior Internal Audit Manager) and Khalid Ahmed (Democratic Services Manager).</p> <p><b>Others Present:</b> Paul King and Alan Witty (External Audit - Ernst &amp; Young).</p> <p>Prior to the meeting, the Committee held a private meeting with the External Auditors.</p>
32.	<p><b>DECLARATION OF INTEREST</b></p> <p>Councillor Tony Eginton declared a Non-Pecuniary Interest in Agenda Item 6 - EY 2015/16 Annual Audit Plan and Pension Fund Audit Plan because he was a retired member of the Local Government Pension Scheme. He remained in the room during discussion on the item.</p> <p>Councillor Richard Lewis declared a Non-Pecuniary Interest in Agenda Item 6 - EY 2015/16 Annual Audit Plan and Pension Fund Audit Plan because he was a deferred member of the Local Government Pension Scheme. He remained in the room during discussion on the item.</p>
33.	<p><b>EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>It was agreed that all the items on the Agenda be considered in public with the exception of Agenda Item 13 - Business Assurance - Corporate Risk Register for Quarter 3 2015/16.</p>
34.	<p><b>MINUTES OF THE MEETING HELD ON 15 DECEMBER 2015</b></p> <p>Agreed as an accurate record.</p>
35.	<p><b>DELIVERING THE ANNUAL GOVERNANCE STATEMENT</b>      <b>Action By:</b></p>

	<p><b>(AGS) 2015-16</b></p> <p>The Committee was provided with an update on the process to be adopted and the approach to be taken in compiling the AGS 2015-16.</p> <p>Members were reminded that under the Accounts and Audit Regulations 2011, the Council was required to review and report annually on the effectiveness of its systems of internal control.</p> <p>Reference was made to the Member training programme and specifically the planned training for Audit Committee Members on Corporate Governance. Officers reported that training was provided at each meeting on specific areas and other training would be provided.</p> <p>The significant governance issues from 2014-15 which had not been resolved were detailed in the report.</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li><b>1. That the sources of management information, together with the assurance used to provide the AGS and procedure followed be noted.</b></li> </ol>	
36.	<p><b>ERNST YOUNG (EY) 2015/16 ANNUAL AUDIT PLAN AND PENSION FUND AUDIT PLAN</b></p> <p>Consideration was given to a report from the Council's external auditors, Ernst Young, which set out the initial plans for the 2015/16 audit. Included in this is the audit of the Pension Fund which forms part of the Council's published Financial Statement of Accounts.</p> <p><b>London Borough of Hillingdon Audit Plan</b></p> <p>The Committee was informed that the Audit Plan covered the work which the external auditors planned to perform to provide Members with EY's opinion on whether the financial statements of the London Borough of Hillingdon gave a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended. In addition it provided EY's conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.</p> <p>Detail was provided on Financial Statement Risks and Value for Money Risks. The conclusion of the Value for Money Risks was that there were no significant risks identified.</p> <p>Members were informed that the expected level of materiality, calculated on the basis of 2% of gross expenditure was</p>	



	<p>£13.6m and that EY planned to report on all uncorrected audit misstatements greater than £677,000.</p> <p>Reference was made to EY's fees, which were a 25% reduction from last year's audit.</p> <p><b>Hillingdon Pension Fund Audit Plan</b></p> <p>Detail was provided on Financial Statement Risks, together with an opinion detailed on the statement.</p> <p>The materiality was calculated on the basis of 1% of the net assets of the fund, which for 2016 was estimated as £8m. In respect of this, EY reported that they would expect to report on all unadjusted misstatements greater than £400,000.</p> <p>Also included in the report was a Local Government Audit Committee briefing paper which covered issues which impacted on local government and the audits which were undertaken by EY.</p> <p><b>RESOLVED –</b></p> <p><b>1. That the EY 2015/16 Annual Audit Plan and Pension Fund Audit Plan reports be noted.</b></p>	
37.	<p><b>BALANCES AND RESERVES STATEMENT 2016/17</b></p> <p>The Balances and Reserves Statement provided detail on the Council's approach to the management and measurement of unallocated balances.</p> <p>The Committee was informed that the recommended range for unallocated balances had increased to £15m to £31m in 2016/17, with the overall upper limit for balances £14m higher at £45m. This was to take account of the planning drawdown from reserves included in the Medium Term Financial Forecast from 2016/17.</p> <p>Reference was made to the key risks which determined the need to hold balances and reserves, particularly around supplier risk in relation to social care contracts.</p> <p><b>RESOLVED –</b></p> <p><b>1. That the contents of the report be noted.</b></p>	

<p>38.</p>	<p><b>REVISIONS TO THE TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2016/17 TO 2020/21</b></p> <p>Members were reminded that the draft Annual Treasury Management Strategy Statement and Investment Strategy for 2016/17 to 2020/21 had been considered at its meeting in December 2015. Members had asked that a further report be brought back to the Committee detailing the changes which had been made from the draft to the final version of the Statement.</p> <p>Reference was made to the number of minor changes which had been made to the final document to reflect updates to the Council's Capital Programme.</p> <p><b>RESOLVED -</b></p> <p><b>1. That the contents of the report be noted.</b></p>	
<p>39.</p>	<p><b>CORPORATE FRAUD INVESTIGATION TEAM PROGRESS REPORT - APRIL 2015 -FEBRUARY 2016</b></p> <p>The Committee was provided with a report which provided details of the work undertaken by the Corporate Fraud Investigation Team (CFIT) from April to February 2015.</p> <p>Members were informed that Corporate Fraud Investigation Team activities since April 2015 included the following:</p> <ul style="list-style-type: none"> <li>•Social Housing fraud</li> <li>•Council Tax/Business Rates inspections</li> <li>•Single Person Discount (SPD)</li> <li>•Temporary Accommodation and Housing Needs Reception</li> <li>•Right to Buy investigations</li> <li>•Proceeds of Crime investigations</li> <li>•Housing Waiting List</li> <li>•Enhanced Recruitment Verification</li> <li>•Blue Badge</li> <li>•Procurement fraud</li> <li>•Mobile working</li> <li>•Council Tax Reduction Scheme (CTR)</li> </ul> <p>The Corporate Fraud Investigation Manager reported that in relation to Social Housing Fraud, since April 2015, the Team had recovered 74 properties which were now available to be re-let to residents in genuine housing need.</p> <p>Reference was made to the work carried out in relation to</p>	<p><b>Action By:</b></p>

	<p>Single Person Discount for Council Tax which had resulted in successful results, with overpayments of around £69,000, which would be recovered as additional revenue to the Council.</p> <p>The Committee was provided with details of the work which had been carried out in relation to Temporary Accommodation and the Housing Needs Reception. Officers from CFIT were training Housing Officers on the identification of possible fraudulent claims.</p> <p><b>RESOLVED –</b></p> <p><b>1. That the Committee considered and noted the Corporate Fraud Investigation Team report.</b></p>	
<p><b>40.</b></p>	<p><b>BUSINESS ASSURANCE - DRAFT INTERNAL AUDIT PLAN 2016/17</b></p> <p>The Committee was informed that the Council's Internal Audit (IA) Plan sets out the planned IA approach and activity type for the forthcoming financial year and sought to:</p> <ul style="list-style-type: none"> <li>• Provide all Business Assurance key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes were being effectively managed;</li> <li>• Allow the Council to demonstrate it is complying with the relevant legislation and applicable professional standards;</li> <li>• Demonstrate the Council's commitment to good governance and compliance with the UK Public Sector IA Standards (PSIAS); and</li> <li>• Set out that Business Assurance IA resources were being properly utilised.</li> </ul> <p>Reference was made to an annual risk assessment which Business Assurance had carried out. Members were informed that the Head of Business Assurance would be carrying out the review of Internal Audit for the London Borough of Hackney.</p> <p><b>RESOLVED –</b></p> <p><b>1. That approval be given to the draft Internal Audit Plan for 2016/17.</b></p>	
<p><b>41.</b></p>	<p><b>BUSINESS ASSURANCE - INTERNAL AUDIT PROGRESS</b></p>	

	<p><b>REPORT FOR 2015/16 QUARTER 4 (INCLUDING THE 2016/17 QUARTER 1 INTERNAL AUDIT PLAN)</b></p> <p>The Head of Business Assurance presented the report which provided summary information on all Internal Audit work covered in relation to the 2015/16 Internal Audit Plan Quarter 4, together with assurance levels in this respect.</p> <p>Members were informed that 4 out of the 7 assurance audits which had been finalised this quarter had received a limited assurance opinion which was in line with the risk based approach taken by Business Assurance. Outstanding Internal Audit recommendations were down to just 2%.</p> <p>Reference was made to the consultancy and advisory work which had been carried out, and particular mention was made of the work carried out with the Home to School Transport Team and the assistance given to the Council's Corporate Fraud and Investigation Team on the Single Persons Discount scheme.</p> <p>In relation to Key Performance Indicators (KPI), the service was currently exceeding several KPI targets, with KPI 8 Client Satisfaction Rating, receiving positive feedback.</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li><b>1. That the Internal Audit progress report for 2015/16 Quarter 4 be noted and approval be given to the Internal Audit Plan for Quarter 1 2016/17.</b></li> <li><b>2. That the coverage, performance and results of the Internal Audit activity in Quarter 4 be noted.</b></li> </ol>	
42	<p><b>AUDIT COMMITTEE FORWARD PROGRAMME 2015/16 AND 2016/17</b></p> <p>Discussion took place on the Forward Programme and officers were asked to give consideration to including the following in the Committee's Forward Programme:- Review of Council's Constitution, Anti-Fraud and Corruption Strategy and the Council's Complaints Procedure.</p> <p>To be included for September 2016, Opinion of Financial Statement, and for December 2016, Annual Audit Letter.</p> <p>Noted.</p>	
43.	<b>RISK MANAGEMENT REPORT 2015/16</b>	<b>Action By:</b>

	<p><i>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).</i></p> <p>Members were informed that the Head of Business Assurance had taken over responsibility for the facilitation of the Council's Risk Management arrangements.</p> <p>The report presented to Members the Corporate Risk Register for Quarter 3 (October to December 2015). The report provided evidence about how identified corporate risks were being managed and the actions which were being taken to mitigate against those risks.</p> <p>Discussion took place on possible risks which should be included in the Corporate Risk Register and these were noted and would be considered by the Council's Corporate Risk Management Group..</p> <p><b>RESOLVED –</b></p> <p><b>1. That the Committee reviewed the Corporate Risk Register for Quarter 3 (October to December 2015), as part of the Committee's role to independently assure the risk management arrangements in the Council.</b></p>	<b>Muir Laurie</b>
	<p><b>The meeting which commenced at 5.30pm, closed at 6.15pm</b></p> <p><b>Next meeting: 30 June 2016 at 5.00pm</b></p>	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on 01895 250833. Circulation of these minutes are to Councillors, Officers, the Press and Members of the Public.

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## Minutes

### AUDIT COMMITTEE

12 May 2016

Meeting held at Council Chamber - Civic Centre,  
High Street, Uxbridge UB8 1UW



	<b>Committee Members Present:</b> Councillors Scott Seaman-Digby (Vice-Chairman), George Cooper, Susan O'Brien and Tony Eginton (Labour Lead)
1.	<b>ELECTION OF VICE CHAIRMAN</b> ( <i>Agenda Item 1</i> )  <b>RESOLVED: That Councillor Scott Seaman-Digby be elected as Vice Chairman of the Audit Committee for the 2016/2017 municipal year.</b>
	The meeting, which commenced at 9.05 pm, closed at 9.10 pm.

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on 01895 250833. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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## The Draft Annual Governance Statement 2015- 2016

Contact Officer: Kevin Byrne  
Telephone: 01895 250665

### SUMMARY

1. The Committee received an update on preparation of the Annual Governance Statement (AGS) for 2015/16 at its meeting on 15<sup>th</sup> March 2016. Good progress has been made draft the AGS, which has included collecting cross-council management assurance statements and reflecting progress in Internal Audit reviews of key processes. The AGS on schedule to be published alongside the Statement of Accounts in September 2016.
2. Governance issues identified during the review process are outlined in the attached draft AGS (Appendix A).

### REASON FOR REPORT

3. This briefing provides the Audit Committee with an update on the process and presents the draft 2015-16 AGS for review and comment.

### RECOMMENDATION

4. Members are invited to review the production of the draft 2015-16 AGS and offer comments on the process.
5. At this stage the AGS is draft and subject to possible amendment. The Committee will be invited to adopt the AGS once it is signed and agreed by the Leader of the Council and the Chief Executive, for publication alongside the annual accounts in September 2016.

## DRAFT

# London Borough of Hillingdon Annual Governance Statement 2015/16

### 1 Scope of Responsibility

The London Borough of Hillingdon (LBH) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. LBH also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, LBH is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions that include arrangements for the management of risk.

LBH follows an approach to corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework '*Delivering Good Governance in Local Government*'. The authority's constitution is on its website at [www.Hillingdon.gov.uk](http://www.Hillingdon.gov.uk). This statement explains how the authority has met the requirements of Regulation 6(1)(b) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

### 2 The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of LBH's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at LBH for the year ended 31 March 2016 and up to the date of approval of the 2015/16 Statement of Accounts.

### 3 The Governance Framework

LBH has brought together the underlying set of statutory obligations, management systems and principles of good governance to establish a formal governance framework. The key elements outlined below demonstrate how Hillingdon maintains effective internal controls and an effective governance system.

**3.1. The London Borough of Hillingdon's Constitution**, sets out how the authority operates, how decisions are made, and the procedures that are followed to ensure that they are efficient, transparent and accountable to local people. The constitution is regularly reviewed at full Council meetings and also more comprehensively on an annual basis at

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#### PART I – MEMBERS, PUBLIC AND PRESS

each AGM, as required.

3.2. Part 2 of the constitution outlines the **roles and responsibilities** of the Executive, Non-executive, Mayor, Overview and Scrutiny committees, Standards committee and officer functions. There is an ethical framework governing the conduct of Members and co-opted members, introduced by the Localism Act 2011. The governance arrangements for Hillingdon comprise:

- A structure of the Leader of the Council, a Cabinet and Policy Overview and Scrutiny Committees;
- A Corporate Management Team;
- Senior Management Teams;
- The Audit Committee, led by an independent chairman; and
- Standards Committee and a Code of Conduct for Members and Co-opted Members.

3.3. Part 2, article 7 of the Constitution sets out the '**Cabinet Scheme of Delegations**'. This governs the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and individual Cabinet Members. This is regularly updated to reflect changes to Cabinet Member portfolio responsibilities in line with business priorities and Directors' responsibilities. Executive decision-making is transparent and undertaken in accordance with regulations and the law, with flexibility for urgent decisions. Cabinet meetings are open to the public and media to attend and report on and are available to watch through the Council's YouTube channel.

3.4. Part 2, articles 6 and 8 (including Part 4,E) set out how the Council's non-executive decisions by Members are taken. **Policy Overview and Scrutiny Committees** undertake regular monitoring of services, performance and the budget and an annual programme of major Member-led service reviews involving witness testimony aimed at influencing Executive policy. Statutory scrutiny of health and police bodies is undertaken annually. Regulatory decisions on planning, licensing and related matters are undertaken judiciously by experienced and trained elected Councillors, in accordance with the Council's high ethical standards.

3.5. Part 2, article 8 also sets out how the Authority works with its partners in Hillingdon through the **Health and Wellbeing Board**, which is chaired by the Leader of the Council and complies with requirements of the Health and Social Care Act 2012. The Health and Wellbeing Board seeks to improve the quality of life of the local population and provide high-level collaboration between the Council, NHS and other agencies to develop and oversee the strategy and commissioning of local health services.

3.6. Part 3 of the Constitution sets out the '**Scheme of Delegations to Officers**'. This governs the responsibility allocated to officers of LBH to perform the authority's activities. These include the Chief Executive, Borough Solicitor and Head of Democratic Services and the schemes are updated when required to reflect the changes to Directors' responsibilities in line with business priorities. Within this, each Directorate has individual Schemes of Delegations, setting out how Directors' responsibilities are sub-delegated.

3.7. Part 5 of the Constitution sets out formal '**Codes of Conduct**' governing the behaviour and actions of all Council Members, co-opted members and Council officers. A 'Code of Conduct for Members and Co-opted Members' was adopted in July 2012. The code requires that Councillors conduct themselves appropriately to fulfil their duties and that any allegations of misconduct are investigated. There is a separate 'Code of Conduct for Employees', which applies to all Council officers and is part of their contract of employment. The authority regularly reviews the code and guidance to ensure these requirements reflect

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## PART I – MEMBERS, PUBLIC AND PRESS

changes to the Council structure. A revised Code of Conduct for Officers and Protocol for Member / Officer Relations were approved by full Council in February 2015.

3.8. The Council, as opposed to adopting a formal Code of Corporate Governance, ensures that Hillingdon's governance structure, decision making process and areas of responsibility are covered in the Council's Constitution and Schemes of Delegation.

**3.9. A Member training programme** is devised for each municipal year. All new Members are trained on the Code of Conduct by the Borough Solicitor and Head of Democratic Services and refresher training delivered where appropriate. Complaints about alleged breaches of the Code are handled in accordance with the requirements of the Localism Act 2011. The Standards framework includes a Whips Protocol and complainants are expected to make use of it first, with complaints only escalated to the Monitoring Officer and Standards Committee if they cannot be resolved through this process. The Council has also put in place an induction and training programme for Members along with specific training on scrutiny, planning, audit and licensing rules.

**3.10. Member Register of Interests** records the interests of Members and co-opted members of the London Borough of Hillingdon. There is a separate 'Related Parties' register that all Members and relevant senior officers are required to complete each year declaring the relationship and nature of any related party transactions, which the authority has entered into.

**3.11. A Member / Officer Protocol** to govern and regulate the relationship between the London Borough of Hillingdon's elected Members and appointed officers is in place. This has been developed in consultation with the political leadership, all Council members and relevant senior officers. It was revised and re-adopted by Council in February 2015.

**3.12. A formal Whistleblowing policy**, which sets out how the Council complies with the Public Interest Disclosure Act 1998, allows Council staff and contractors working for the authority to raise complaints regarding any behaviour or activity within the authority, ranging from unlawful conduct to possible fraud or corruption. The Monitoring Officer has overall responsibility for maintaining and operating the policy, along with reporting on outcomes to the Standards Committee. An Internal Audit assurance review in September 2014 identified some areas requiring improvements relating to the process surrounding the recording of whistleblowing allegations to ensure the right officers are promptly notified and sufficient records are maintained. Work to strengthen arrangements in this area is planned for 2016/17.

**3.13. The London Borough of Hillingdon** has set out its vision of 'Putting Our Residents First' and established four priority themes for delivering efficient, effective and value for money services. The priority themes are; 'Our People, 'Our Heritage, 'Our Environment' and 'Sound Financial Management'. The delivery of these priorities will be achieved through a combination of strategic management programmes, which include: the Hillingdon Improvement Programme, Business Improvement Delivery programme and the financial and service planning process (Medium Term Financial Forecast).

**3.14. The Hillingdon Improvement Programme (HIP)** is Hillingdon's strategic improvement programme which aims to deliver excellence as set out in the Council vision – 'Putting Our Residents First'. The HIP Vision is to build a more customer focused organisation, to modernise business processes and to free up resources to provide improved services for our residents. HIP has helped to change the culture of the organisation and to improve the services delivered to residents. This can be evidenced through the high satisfaction rates received from residents about customer care, waste and recycling services, libraries, our primary and secondary schools and how well they feel

informed, through regular feedback. HIP is consistently trying to improve Hillingdon by continuing to deliver a range of innovative projects, drive forward major cultural change and enhance Hillingdon's reputation. The programme is led by the Leader of the Council, and the Chief Executive and Corporate Director for Administration is the Programme Director. Cabinet members and directors are also responsible for specific HIP projects.

**3.15. The Business Improvement Delivery (BID)** programme is a key part of HIP and has been designed to fundamentally transform the way the Council operates. Through the programme, savings of £10.034 million were delivered in 2015/16 taking total savings since 2010 to over £94 million. The BID programme delivery and expenditure is overseen by the Leader of the Council, and the Deputy Chief Executive and Corporate Director of Residents Services.

**3.16. The Medium Term Financial Forecast (MTFF)** process is the system of service, financial and annual budget planning. This runs from the preceding March to February with a robust challenge process involving Members and Corporate Directors. Monthly reports on key financial issues are produced and communicated through the finance management team.

**3.17. Hillingdon Partners** aims to bring together the local public, private, voluntary and community sector organisations to improve the quality of life for all those who live in, work in and visit Hillingdon. The Partnership works to promote the interests of Hillingdon beyond the borough's boundaries with external organisations, regional bodies and central government. The Partnership has agreed 9 priority areas for the focus of its work, with actions to address local priorities delivered through theme groups.

**3.18. A Joint Strategic Needs Assessment (JSNA)** outlines the current and future health and wellbeing needs of the population over the short-term (three to five years) and informs service planning, commissioning strategies and links to strategic plans such as Hillingdon's Joint Health and Wellbeing Strategy. The JSNA is 'live' and can be accessed via the Council's website and as such is updated throughout the year rather than refreshed annually.

**3.19. An Independently Chaired Audit Committee** operates to oversee financial reporting, provide scrutiny of the financial and non-financial systems, and provide assurance on the effectiveness of risk management procedures and the control environment. The Audit Committee has been set up with terms of reference which are generally consistent with CIPFA's 'Audit Committees – Practical Guidance for Local Authorities 2005'. Following a rigorous recruitment process, Council appointed a new, independent Chairman of the Committee in September 2015. The Audit Committee is subject to an annual review of its effectiveness.

**3.20. The Performance Management Framework** is a Council-wide framework requiring service areas and teams to set annual plans, targets, identify risk and report performance against Council priorities. Key aspects of performance is monitored on a regular basis through a combination of reporting against service targets and performance scorecards, the results of which are regularly presented to Senior Management Teams and reported quarterly to the Corporate Management Team.

**3.21. The London Borough of Hillingdon** has established an effective **risk management system**, including:

- **A corporate risk management framework** outlining the, roles, responsibilities and processes for capturing, reporting and taking action to mitigate key corporate and group risks. The Corporate and Group Risk Registers enable the

identification, quantification and management of strategic risks to delivering the Council's objectives. Group Risk Registers are updated quarterly, reviewed by each Senior Management Team and the most significant risks are elevated to the Corporate Risk Register. The Council's Risk Management framework is reviewed annually. During 2014/15 Internal Audit highlighted a number of areas for further improvement including a gap in the identification of lower level, operational risks, that may not be considered as much of a high priority as the group and strategic risks. The Head of Business Assurance has recently taken over responsibility for the facilitation of the Council's Risk Management Framework. Work is now planned to strengthen the arrangements in place to identify and manage operational risks.

- **A Corporate Risk Management Group (CRMG)**, chaired by the Corporate Director of Finance, reviews the Corporate and Group Risk Registers on a quarterly basis and advises the Cabinet and Corporate Management Team on the significant risks. The Corporate Risk Register is presented to the Audit Committee in the following quarter. Where appropriate, the Medium Term Financial Forecast (MTFF) embraces the potential financial impact of significant risks.
- **Risk management training** has been provided to Audit Committee members during 2015/16. Risk Management training for staff is available via an e-learning training package although the completion rate is low. The Head of Business Assurance has recently taken over responsibility for the facilitation of the Council's Risk Management Framework. Work is now planned to provide bite size training sessions for staff in relation to risk management.

3.22. The Council acknowledges that there is a continued need for robust and effective risk management processes and procedures that will help to mitigate against the financial and reputation risks arising from the broad range of **insurance risks** to which it is exposed. It is anticipated that the new Insurance contracts will support this through using a mixed portfolio of suppliers specialising in particular insurance sectors, alongside internal actions to raise awareness of such risks.

**3.23. Occupational Health and Safety Services** provide advice and support to the Corporate Safety Forum, Group Health and Safety Advisors and managers regarding health and safety issues. The Corporate Safety Forum assists in ensuring a consistent approach to health and safety management is adopted throughout the Council. It reviews health and safety performance across the Council and discusses matters of topical and strategic interest that have corporate health and safety consequences.

3.24. A Council-wide officer group, the **Hillingdon Information Assurance Group (HIAG)**, chaired by the Senior Information Risk Owner (the Head of Business Assurance) on behalf of the Corporate Management Team, meets every quarter to review progress on the agreed Information Governance Action Plan (IGAP). The relevant policies, procedures and guidelines for staff are updated in line with the IGAP. An updated data protection e-learning training module has been rolled out to staff and briefings have been delivered to some Elected Members. Where identified, learning from data protection incidents that have occurred are integrated into the IGAP.

3.25. The London Borough of Hillingdon has an **Anti-Fraud and Anti-Corruption Strategy** approved by Cabinet and made available to all staff, although this is need of significant updating and there is scope to improve staff awareness in this area. It is underpinned by and refers to the full range of policies and procedures supporting corporate governance arrangements such as Codes of Conduct, Standing Orders, Register of Interests and the Whistleblowing Policy. Work is planned to implement a new Anti-Fraud and Anti-Corruption

Strategy by December 2016, which will help ensure that all staff are made aware of their responsibilities and the procedures for reporting fraud or corruption.

**3.26. The Committee Standing Orders** (Part 4B), Procurement & Contract Standing Orders (Part 4H) & Scheme of Delegation to Officers (Part 3) are incorporated in the Constitution and reviewed annually. The Scheme of Delegation specific to each Group is available on the Hillingdon's internal web pages: 'Horizon'.

3.27. The London Borough of Hillingdon **monitors legislative changes**, considers implications and opportunities and ensures that the authority is substantially compliant with laws and regulations. The Policy Team leads on briefing the Corporate Management Team on upcoming changes and agreeing actions, reporting to Cabinet on specific issues as required. Legal Services review Member and Cabinet decisions for legal compliance.

**3.28. Hillingdon's training and development programme** enables staff and senior officers to access and complete a wide range of learning and development opportunities through the internal Learning & Development pages on 'Horizon' to ensure they have the skills, knowledge & behaviours to deliver the Council's priorities. This includes induction programmes, e-learning packages and a range of vocational development courses under the Qualifications and Credit Framework. In addition, the Hillingdon Academy is now well established as a leadership programme aimed at providing the Council's future leaders. The Council also offers staff the opportunity to achieve professional qualifications and meet their continuing professional development (CPD) requirements.

3.29. The **Performance and Development Appraisal (PADA)** process requires all officers and senior managers to record employee's key objectives and tasks, set targets for when these must be delivered and identify staff learning and development needs. There are competency frameworks for staff, managers, senior officers and Directors, with descriptors outlining the performance that is expected at each level. Performance reviews are required to be completed on a bi-annual basis against the relevant competency framework and PADA guidance is available to support both staff and managers through the process. A planned Internal Audit review in 2016/17 will consider the links between learning and development needs identified in the PADA and the delivery of training to staff.

3.30. Hillingdon has a set of **consultation/engagement standards** that demonstrate a commitment for building strong relationships with residents, visitors and businesses throughout the borough. The standards set out Hillingdon's commitment to engage, consult and respond to the views of local communities. The standards also support Hillingdon's commitment to transparency and the need for sharing information with residents. Resident and stakeholder feedback supports and informs corporate intelligence, which drives business planning, policy and decision making including commissioning and procurement of services. An annual customer engagement plan is in place covering all Council services to align customer engagement to support the delivery of Council priorities.

**3.31. Hillingdon's Pride of Place** initiative encourages residents to contribute their ideas on neighbourhood improvements so that they can feel PROUD to live in Hillingdon. The aim is to raise civic pride by showing how residents can make a real difference and contribute directly to a range of activities and specific projects to improve their local area. The initiative brings together other successful programmes such as 'Street Champions' and 'Chrysalis', and gives residents the opportunity to meet informally with their ward councillors and discuss improvements directly with Council officers through a variety of community engagement events across the borough.

3.32. The Council has in place a well-established **Petition Scheme**, including e-Petitions. This is widely used by people in the borough to submit their views on local matters directly

to decision-makers.

## 4 Review of Effectiveness

4.1. The London Borough of Hillingdon has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Business Assurance's annual Internal Audit report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2. Overall the review of effectiveness concluded that internal control/governance systems have been in place for the financial year ended 31 March 2016 and, except where identified in section 5, the management and control systems are operating effectively in accordance with good practice.

4.3. The review has been informed by a range of management information and improvement action, including:

4.3.1. A comprehensive annual programme of scrutiny and review by the Policy Overview and Scrutiny Committees and the Audit Committee.

4.3.2. The role and responsibilities of the Corporate Director of Finance, detailed in the Finance Schemes of Delegation. As a key member of the Corporate Management Team leadership, his role is to act as, and exercise the functions of, the "Chief Finance Officer" meaning the officer designated under section 151 of the Local Government Act 1972. As such he is actively involved in all material business decisions to safeguard public money and sound financial management on behalf of the authority.

4.3.3. The work of the external auditors (Ernst & Young) as reported in their Annual Audit Letter.

4.3.4. The work of the Business Assurance service, which develops its quarterly Internal Audit plans after an assessment of risk and priorities including discussions with relevant senior managers. The Head of Business Assurance (& Head of Internal Audit) reported quarterly during the year to both the Corporate Management Team and the Audit Committee. Overall he has provided a REASONABLE level of assurance on the Council's internal control environment for 2015/16.

4.3.5. Management Assurance Statements (MASs) were received from all Deputy Directors and Heads of Service covering the financial year 2015/16. The MASs provide confirmation that the control environment is operating effectively to safeguard the delivery of services and that governance issues other than those identified in Section 5 (below) have been raised and are being dealt with appropriately.

4.3.6. The London Borough of Hillingdon has continued to maintain effective financial management throughout the financial year, with unallocated reserves increasing to £39 million by 31 March 2016.

4.3.7. The London Borough of Hillingdon has a clear commitment to a capable and fit for purpose procurement function. Working to a Category Management approach, Procurement ensures a best value approach to expenditure commitment. By engaging with groups, Procurement supports the delivery of financial and service level requirements to meet the wider corporate objectives with a 'Resident First' approach.



## 5 Significant Governance Issues

5.1. The London Borough of Hillingdon has implemented a range of improvement actions, as part of its overall continuous improvement programme, to strengthen governance arrangements and control systems.

5.2. All internal control/governance issues reported in the 2014/15 AGS and in previous years have been resolved except that:

5.2.1 Good progress has been made during the last year to establish a school-led improvement approach in Hillingdon working closely with Head Teachers and Governing Bodies in the Borough. However, as at 1st April 2016, there were 17 schools in Hillingdon judged by Ofsted as 'requiring improvement' and 1 Academy school judged as 'inadequate'.

The Council is working closely with all schools to ensure all children in Hillingdon receive a 'good' or better education. Five maintained schools have been targeted for six weekly reviews by the Local Authority to challenge plans and check on progress to address areas of concern. Warning notices have been served on maintained schools which are a cause for concern and / or fail to make sufficient progress. For Academy Schools any concerns have and continue to be escalated to the Regional Schools Commissioner for action.

More schools judged previously as 'requiring improvement' have converted to a 'good' judgement over the last 12 months. Five improvement and innovation networks have recently been established with support from the Local Authority to address five cross-cutting themes of school improvement aligned to local priorities, including raising attainment for disadvantaged pupils. The networks are being led and funded by schools and will build collaboration, share expertise and develop local practice to raise educational standards for Hillingdon's residents.

5.2.2 An Internal Audit assurance report on the Council's Corporate Anti-Fraud and Anti-Corruption arrangements identified a number of governance issues requiring improvement. Work is planned to strengthen arrangements in this area during 2016/17.

5.3. Following a review of the effectiveness of the system of internal control including the corporate governance arrangements, the following significant governance issues have been identified in 2015/16:

5.3.1. A review of the Passenger Transport Service in 2015-16 identified a number of issues including a lack of contract monitoring that impacted on the quality of service provided. A routine Health and Safety Audit also highlighted a lack of training and monitoring of H&S issues in the service including lone working, manual handling and S19 permits in transport vehicles. The review of the service is ongoing and actions are in place to resolve those issues identified which include a staff restructure and the implementation of robust risk management processes.

5.3.2. Further to a revisit by the Health and Safety Executive to Harlington Road Depot and an initial visit to New Years Green Lane Civic Amenity Site, a number of site improvements and operational deficiencies were identified for action. These included signage improvements, driver training and the wearing of appropriate Personal Protective Equipment work-wear. The visits did not result in the service of Prohibition or Improvement Notices and appropriate management action is being put in place to improve performance, including a review of staffing arrangements and competencies.

5.3.3. Following a serious incident in the Older People's Housing Service in August 2015, a safeguarding investigation was carried out with Adult Social Care. The investigation

concluded that the incident was the result of an individual member of staff's behaviour and was not indicative of any wider safeguarding issues in the service. Recommendations from an Individual Management Review included the implementation of a programme of safeguarding training for staff in the service and the development of internal escalation processes. These will be monitored to ensure compliance.

5.3.4. During the year an Internal Audit review of the homelessness and housing allocations service found opportunities to strengthen management controls and assurance of decision making. These are being addressed through changes to the management of staff performance and oversight of decision making. The Corporate Fraud Team is now responsible for verification of client information prior to any offer of housing being made. Further work to review policies and practice will be undertaken during 2016/17.

5.3.5. The Council is currently restructuring the Corporate Procurement Team which will be implemented by the end of July 2016. This will address a number of contract management improvement issues raised during the year. This team will take a leading role in contract management across the Council; there will be a number of strategic contracts managed by the Corporate Procurement Team and the team will provide support and training to staff across the Council for all other contracts not covered by procurement the team. The new procurement team will also provide continued support for officers to run compliant procurement projects.

5.3.6. With the facilitation of Business Continuity now falling within the remit of Business Assurance, work has been undertaken which has highlighted it as an area which requires urgent management attention. Work is ongoing to ensure all critical (priority 1) Council services have an up-to-date Business Continuity Plan in place.

5.3.7. The Council continues to attach the highest importance to Data Protection and Information Governance. During the year a number of recommendations raised by Internal Audit during their review in 2014/15 have been implemented by the Council. Work is ongoing through HIAG to address the remaining outstanding recommendations. There has been one significant data breach over the last year but prompt and effective remedial action was taken to protect the privacy of the individuals concerned. This breach was reported to the ICO, who did not consider it appropriate to take any action.

5.3.8. Following a recent Employment Tribunal hearing, a review of the Council's HR policies is underway to ensure that they are consistently applied in practice.

5.3.9. The Council continues to operate in an environment of declining financial support from government while managing increasing demand for a broad range of services, which in the absence of any response would result in a rising annual deficit that would reach £42m by 2021/22. In response the Council continues to review and transform services to drive improvement and efficiency through initiatives such as the successful BID programme, which is on-track to bridge the budget gap by delivering £13.3m savings in 2016/17. This proven approach is set to be continued beyond 2016/17, enabling the Council to continue 'putting our residents first' despite the challenging financial conditions.

Fran Beasley  
Chief Executive  
XX September 2016

Cllr Ray Puddifoot MBE  
Leader of the Council  
XX September 2016

# Agenda Item 7

## **Business Assurance - Internal Audit Annual Report & Opinion Statement 2015/16**

**Contact Officer:** Muir Laurie  
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### **REASON FOR ITEM**

The UK Public Sector Internal Audit Standards (PSIAS) requires the Head of Business Assurance, as the Council's Head of Internal Audit (IA), to deliver an Annual Internal Audit Report and Opinion Statement that can be used by the Council to inform and support its Annual Governance Statement. Therefore, in setting out how it meets the reporting requirements, this report and opinion statement also outlines how Internal Audit (IA) has supported the Council in meeting the requirements of the Accounts and Audit (England) Regulations 2015. The report also summarises the main findings arising from the 2015/16 IA assurance and consultancy work.

This report provides the opportunity for the Head of Business Assurance to highlight to the Committee any significant matters arising from the work of IA during 2015/16. The draft report was considered by CMT on 29<sup>th</sup> June 2016 to allow comment by the officer body responsible for the Council's internal control, corporate governance and risk management arrangements.

### **OPTIONS AVAILABLE TO THE COMMITTEE**

The Audit Committee are asked to note the Annual IA Report and Opinion Statement 2015/16.

### **INFORMATION**

IA provides an independent appraisal and consultancy service that underpins good governance, which is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit (England) Regulations 2015 that the Council undertakes an adequate and effective IA of its accounting records and of its system of internal control in accordance with the proper practices.

The PSIAS, which came into force on the 1<sup>st</sup> April 2013, promote further improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. They stress the importance of robust, independent and objective IA arrangements to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement (AGS).

### **LEGAL IMPLICATIONS**

There are no legal implications arising directly from this report.

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# BUSINESS ASSURANCE

## Annual Internal Audit Report & Opinion Statement 2015/16

30<sup>th</sup> June 2016



# Contents

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## 1. Introduction

### 1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA), which is part of the Council's Business Assurance (BA) service, provides an independent assurance and consultancy service that underpins good governance. This is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit (Amendments) (England) Regulations 2011 that the Council undertakes an adequate and effective IA of its accounting records and of its system of internal control in accordance with proper practices.
- 1.1.2 IA gives an objective opinion to the Council on whether the control environment is operating as expected. In 'traditional' IA teams this usually means compliance testing of internal controls. However, the IA service at Hillingdon fully embraces the risk based approach which means IA give greater assurance to the Council because it is based on the key risks to the achievement of the organisation's objectives. As a result, IA does not just comment on whether the controls operate, but whether they are the right controls to achieve the overall aims of the service.
- 1.1.3 The UK Public Sector IA Standards (PSIAS), which came into force on the 1<sup>st</sup> April 2013, promote further improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. They stress the importance of robust, independent and objective IA arrangements to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement (AGS).

### 1.2 The Purpose of the Annual Internal Audit Report and Opinion Statement

- 1.2.1 This annual report summarises the main findings arising from all of the 2015/16 IA assurance and consultancy work. The report also provides IA key stakeholders including the Council's Corporate Management Team (CMT) and the Audit Committee, with an opportunity to hold the Council's Head of Business Assurance (HBA) [as the Council's statutory Head of Internal Audit (HIA)] to account on delivery of the 2015/16 IA Plan and on the effectiveness of the IA service.
- 1.2.2 The UK PSIAS require the HIA to deliver an annual IA report and opinion statement that can be used by the organisation to inform its AGS. Therefore, in setting out how it meets the reporting requirements, this report and opinion statement also outlines how IA has supported the Council in meeting the requirements of the Accounts and Audit (England) Regulations 2011.

## 2. Executive Summary

- 2.1 Despite a significant reduction in IA capacity during the year, the HBA is pleased to report that **the 2015/16 IA plan was 91% complete to draft report stage by 31<sup>st</sup> March and 100% complete by 30<sup>th</sup> June 2016.** This is an excellent achievement for IA and the Council and highlights the continued collaborative approach that IA is taking in working with management to help achieve positive outcomes for the Council.
- 2.2 Delivery of the IA plan for 2015/16 has been achieved in a relatively timely manner against a backdrop of continuous change and improvement for the BA service and the Council. These improvements have included continuing to embed a risk based approach to help focus IA resources, restructuring the IA team to generate greater front line capacity and enhancing the application of lean auditing principles to the IA process. This has incorporated the evolution of IA software (TeamMate) which continues to improve the efficiency of the IA service, in particular the IA follow-up process. Further details of IA performance can be found at section 6 of this report.

2.3 From the work undertaken and from the other sources of assurance referred to in para 3.7:

*It is the HIA's opinion that overall IA can provide **REASONABLE** assurance that the system of internal control that has been in place at Hillingdon Council for the year ended 31<sup>st</sup> March 2016 accords with proper practice, except for the significant internal control issues referred to in para 3.8 (see para 3.12 for further details).*

2.4 In total **77** pieces of IA work have been delivered as part of the 2015/16 IA plan. This included **33** assurance reviews, **5** follow-up reviews, **27** consultancy reviews, **6** grant claim audits, **5** investigations and **1** External Quality Assessment (EQA) review. Nearly half of the **33** assurance reviews resulted in a **LIMITED** (45%) or **NO** (3%) assurance IA opinion. Whilst this may appear concerning, this provides assurance to the Audit Committee and CMT that IA resource is focused on the right areas, often highlighted by management as known areas of concern. **All of the 2015/16 HIGH and MEDIUM risk recommendations raised by IA were accepted by management with positive action proposed to TREAT the risk, including the issues highlighted in the audits detailed at para 2.5 below**, with the exception of **1 HIGH** and **2 MEDIUM** risk recommendations where management chose to **TOLERATE** the risk [*refer to para. 2.5 for details*]. Further analysis of the IA assurance levels issued in 2015/16 along with a breakdown of the risk recommendations raised can be found at section 4 of this report.

2.5 The key findings from these **LIMITED** or **NO** assurance reviews were as follows:

(i) Home to School Transport - Safeguarding - **NO** Assurance

- Our review identified a number of significant gaps within the home to school safeguarding arrangements with **1 HIGH** and **8 MEDIUM** risk recommendations raised, as detailed at **Appendix A**. The combination of these control gaps across all scope areas reviewed, magnified the likelihood of a serious safeguarding incident occurring, which subsequently could have gone undetected, or not be dealt with and escalated in an effective, compliant and timely manner. Particular areas of concern related to monitoring systems for taxi drivers and passenger assistants, pre-employment checks, training, escalation procedures and reporting processes.
- This audit was requested by management in response to a number of safeguarding incidents. During the course of this review we noted the diligent work undertaken by management to review working practices and were encouraged by management's awareness of the fundamental issues within the service. We are also pleased to report that at the time of finalising this audit, significant progress had been made to improve processes. This is further supported by the recent IA follow-up work in this area, as reported within the 2016/17 Q1 IA Progress Report.

(ii) Music Service – **LIMITED** Assurance

- As detailed at **Appendix A**, the final report for this audit issued in June 2015 raised **14** recommendations including **8 MEDIUM** and **5 LOW** risk recommendations and **1 NOTABLE PRACTICE**. Our testing identified control weaknesses surrounding the inventory of musical instruments and gaps relating to some teachers providing tuition to pupils having not undertaken appropriate safeguarding training. Further, we identified that the designated safeguarding officer had not received advanced training (as required by the Children Act 1989 and 2004).

(iii) Deprivation of Liberty Safeguards (DoLS) – **LIMITED** Assurance

- As detailed at **Appendix A**, the final report issued in July 2015 raised **6 MEDIUM** and **2 LOW** risk recommendations. At the time of undertaking this review, we found there to be considerable staff capacity issues in the delivery of this service. This lack of staff resources had impacted upon the ability to complete the necessary paperwork at the supervisory body decision making stage. This had resulted in a bottleneck of DoLS authorisation requests awaiting a final decision as well as authorisation requests exceeding statutory timelines.



(iv) Disabled Facilities Grant (DFG) and Adaptations – **LIMITED** Assurance

- As detailed at **Appendix A**, the final report for this audit issued in September 2015 raised **13** recommendations including **8 MEDIUM**, **4 LOW** risk recommendations and **1 NOTABLE PRACTICE**. We found there were multiple internal teams involved in the process as well as external contractors and it appeared that there was a lack of effective communication between these parties. This problem was compounded due to a lack of clarity surrounding processes and procedures which was causing confusion. Further, resource changes had impacted on service delivery creating a backlog of cases which had resulted in some statutory timescales being breached.
- Management proposed to 'Treat' 7 of the 8 **MEDIUM** risk recommendations raised. The Head of Service opted to 'Tolerate' the risk arising from the current process for managing client contributions to adaptations, exploring options such as using Corporate Debtors to manage this. Our view was where additional work such as debt collection was undertaken by staff involved in the adaptations process, there was a risk of a potential financial loss, particularly as a central debt collection team already exists. However, the Head of Service view was that changing this process would unnecessarily complicate the Adaptations process; particularly given there have been no unpaid client contributions to date in the year.

(v) Corporate Procurement & Commissioning – **LIMITED** Assurance

- As detailed at **Appendix A**, we issued the final report for this audit on 3<sup>rd</sup> November 2015 and raised **10** recommendations including **1 HIGH**, **5 MEDIUM** and **4 LOW** risk recommendations. We found that whilst, in general, procurement was conducted in line with internal regulations and legislation, there were weaknesses which were impacting on the internal control environment. There were several historical non-compliant 'contracts' where formal contracts were not in place and/or spend sometimes significantly exceeded original approval levels authorised. Further, key documents sometimes contradicted each other and there was a mixed approach to training and record keeping. As a result, there was the potential for a combination of these weaknesses to have a significant impact on the objectives of corporate procurement.

(vi) Schools ICT arrangements – **LIMITED** Assurance

- From the 5 schools assessed as part of this thematic review, IA raised **16** recommendations including **4 HIGH** risk, **5 MEDIUM** risk and **7 LOW** risk recommendations as well as **4 NOTABLE PRACTICE**. The **HIGH** risk recommendation raised with 4 schools related to **the lack of statutory information** required on school websites which includes how grant monies are spent and how expenditure made a difference to the attainment of disadvantaged pupils.

(vii) Domiciliary Care (HomeCare) – **LIMITED** Assurance

- This audit was finalised in December 2015 and raised **6** recommendations including **1 HIGH** and **5 MEDIUM** risk recommendations. As part of this audit we identified several areas of contractual non compliance by providers which was having a significant impact upon the intended delivery of homecare within the Borough. We undertook substantial data analytic work including variance analysis of care visit times. This identified that several homecare providers were charging the Council on planned homecare hours instead of actual hours of care delivered. Further, our analysis identified additional concerns in relation to:
  - instances of large variances in hours indicated;
  - unsuitable care packages being commissioned;
  - care visit times being coded to incorrect unrecognised Care Package Line Item (CPLI) codes;
  - suspensions to care packages not being ended in a timely manner; and
  - cases where double up care being provided had not been commissioned.

(viii) Records Management and Document Retention Policy – **LIMITED** Assurance

- As detailed at **Appendix A**, the final report for this audit was issued on 18<sup>th</sup> February 2016 with **1 HIGH**, **4 MEDIUM** and **2 LOW** risk recommendations and **1 NOTABLE PRACTICE** raised. We found that records management at the Council was supported by an out-of-date policy and there was a lack of corporate ownership with no co-ordinated approach in relation to records management or document retention.
- It was evident that the contract in place with the external storage provider tasked with external storage for retention and destruction of Council records was not being managed effectively by the Council. We found over 1,000 boxes of unidentified records held in offsite storage with a lack of officer oversight. The lack of records management meant that records were being retained longer than necessary, potentially increasing the likelihood of data protection breaches and the cost of storage. Our audit also found a significant variation in how different services managed their document retention arrangements.

(ix) Housing Repairs – **LIMITED** Assurance

- As detailed at **Appendix A**, we issued the final report on 25<sup>th</sup> February 2016 raising **4 HIGH**, **6 MEDIUM** and **1 LOW** risk recommendations. The Housing Repairs function has been through a period of significant change since being brought back in-house in 2010, having previously been run by an arm's length management organisation. It is worth noting that this assurance review was conducted following a major transformation review. As the service was busy restructuring, the key points in our review were captured as part of a 70 point action plan which we understand is actively being monitored by the Deputy Director Development, Assets and Procurement.
- During our audit we found that the period of significant change since being brought back in-house in 2010 had resulted in some inefficient and inconsistent processes arising, including out of date documentation i.e. the tenants' handbook. Further, day to day repairs as well as void recharges were being processed in an inconsistent manner with the underlying cause for this found to be the three computer systems involved in the booking process and the varying staff knowledge regarding their functionality. This had resulted in some non recovery of recharges to tenants. Following our audit, and as part of the ongoing management improvements to the service, all recharges have been identified and Management are in the process of taking this matter forward.
- Finally, an analytical review of the Service's workload established that the department currently had a backlog of repair jobs and were unable to fully meet the demand for current repair work or clear the backlog at that time. These issues are being actively progressed by Management.

(x) Housing Needs Allocations and Assessment – **LIMITED** Assurance

- As detailed at **Appendix A**, we issued the final report for this audit in March 2016 raising **3 HIGH**, **7 MEDIUM** and **2 LOW** risk recommendations as part of this audit. We were aware that the service was in the process of a restructure and the team had been operating at a reduced staffing capacity, which had significantly affected performance and the internal control framework. The lack of governance, during a period of major reorganisation and transformation, had led to inconsistent operational process, as a result of historical insufficient succession planning and a limited staff induction process.
- During our testing we found there were many inconsistencies in relation to the recording of evidence and assessment of applications. As a result, due to a lack of quality control throughout the assessment process, the likelihood of ineligible applicants joining the Locata Register or receiving some form of housing support from the Council was increased. In addition, we found that performance management of staff and the service was not fully embedded within this area.

(xi) Officers' Scheme of Delegations – **LIMITED** Assurance

- As per **Appendix A**, we issued the final report for this audit on 3<sup>rd</sup> March 2016, raising **1 HIGH** and **1 MEDIUM** risk recommendations. Our testing identified control weaknesses concerning non-permanent members of staff undertaking financial and employment decisions in contradiction of the Council's Group Scheme of Delegations and legislation. We also concluded there are some significant gaps in the awareness and understanding of the SDs by staff in parts of the Council.

(xii) Occupational Therapy Equipment – **LIMITED** Assurance

- We issued the final report for this audit on 23<sup>rd</sup> March 2016 and raised **2 HIGH**, **6 MEDIUM** and **3 LOW** risk recommendations. Our testing highlighted improvements required in terms of defining roles and responsibilities in relation to help provide clear accountability. In addition, we highlighted issues around the lack of scrutiny and suggested improvements to ensure Mediquip invoices are checked for completeness, accuracy and validity prior to payment.

(xiii) Housing Planned Maintenance – **LIMITED** Assurance

- This audit resulted in **2 HIGH**, **5 MEDIUM** and **2 LOW** risk recommendations. Control gaps were identified in relation to updating the asset management system and full adherence to the Council's Financial Regulations in relation to compliance with the project management handbook (**1 HIGH** risk to be 'Tolerated'). It is worth noting that this assurance review was on the back of a period of major transition and was conducted at a time when the service were undergoing a restructure, implementing and embedding new ways of working and improving areas that previously had limited or no control.

(xiv) Fleet Management – **LIMITED** Assurance

- This assurance review resulted in **1 HIGH** and **8 MEDIUM** risk recommendations. The main issues were regarding the lack of procedures which provide operational guidance and direction to Fleet Management (FM) staff and internal clients, particularly around the disposal of vehicles. Further, we found there were no Service Level Agreements between client services and FM resulting in a high level of uncertainty in the understanding of roles and responsibilities between both parties. We also found significant discrepancies and inaccuracies within the information system utilised by FM in relation to vehicle records including disposals, MOT, road tax and insurance.

(xv) PerTemps Contract Management– **LIMITED** Assurance

- For the IA assurance review of PerTemps Contract Management we raised **7 MEDIUM** and **1 LOW** risk recommendations. This IA review primarily focused on compliance with the requirements stipulated within the contract agreed between both the Council and PerTemps. The key issues related to a lack of clarity over governance arrangements; in particular the roles and responsibilities of both parties. We also found several instances where changes to the contract have been agreed verbally and were not subjected to official contract variation processes in line with the contractual requirements and good practice. Further, agreed key performance indicators were not being actively enforced, reviewed or routinely monitored. Overall, we found there were opportunities for substantial improvements which could help ensure adherence with the contract and drive greater efficiencies as the contract nears its renewal date in September 2016.

(xvi) ICT Data Centre Resilience– **LIMITED** Assurance

- **1 HIGH**, **6 MEDIUM** risk recommendations and **2 NOTABLE PRACTICE** were raised as part of this audit, which highlighted that Disaster Recovery Plans have not been tested and no Recovery Time Objective for individual critical systems has been defined. A key issue identified was that back-ups of Council systems have not been tested for restorability in the event of a major incident. In addition, our review of the current back-up site (Breakspear) has highlighted significant deficiencies.

- 2.6 Focussing dedicated IA resource to the process of **following-up recommendations** raised by IA that are due to have been implemented, has helped to continue to achieve a positive outcome for the Council during the 2015/16 year. Specifically, as at 30<sup>th</sup> June 2016, **100%** (8/8) of the **HIGH** risk IA recommendations raised in 2015/16 (due to have been implemented by now) have been confirmed by management as in place, or management has agreed a reasonable extension to the implementation date. IA verification work is ongoing to confirm these recommendations are embedded and operating as intended. Further details of the work done on the follow-up of previous IA recommendations can be found at section 5 of this report.

### 3. Head of Internal Audit Opinion Statement 2015/16

#### 3.1 Background

- 3.1.1 The HIA opinion statement is provided partly to help inform the Chief Executive and Leader of the Council to assist them in completing the AGS, which forms part of the statutory Statement of Accounts for the 2015/16 year. The AGS provides public assurances about the effectiveness of the Council's governance arrangements, including the system of internal control. The HIA opinion statement meets the Council's statutory requirement under Regulation 4 of the Accounts and Audit (Amendments) (England) Regulations 2011 and is in line with the UK PSIAS.

#### 3.2 Scope of Responsibility

- 3.2.1 The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.2.2 In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. Specifically, the Council has a statutory responsibility for conducting a review of the effectiveness of the system of internal control on at least an annual basis.

#### 3.3 The Purpose of the System of Internal Control

- 3.3.1 The Council's system of internal control is designed to manage risk to a reasonable level rather than to completely eliminate the risk of failure to achieve policies, aims and objectives. Consequently, it can only provide a reasonable, and not absolute, assurance of effectiveness.
- 3.3.2 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's vision, strategic priorities, policies, aims and objectives. It also is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

#### 3.4 Annual Opinion Statement on the Effectiveness of the System of Internal Control

- 3.4.1 The HIA opinion is based primarily on the work carried out by the Council's IA service during 2015/16, as well as a small number of other assurance providers. Where the work of the Corporate Fraud Investigations Team (CFIT) has identified weaknesses of a systematic nature that impact on the system of internal control, this has been considered in forming the HIA opinion.

3.4.2 The IA Plan for 2015/16 was developed primarily to provide CMT and the Audit Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, including an assessment of the Council's corporate governance arrangements and risk management framework.

### 3.5 Basis of Assurance

3.5.1 All 2015/16 IA reviews have been conducted in accordance with the UK PSIAS. A self-assessment assurance review of the IA service conducted in May 2015 confirmed that Hillingdon's IA service has overall met the requirements of the UK PSIAS in 2015/16. A 2016/17 review of effectiveness of the IA service is due to commence shortly as part of the Quarter 2 IA Plan.

3.5.2 In line with the UK PSIAS, the HIA is professionally qualified and suitably experienced. The skills mix within the rest of the in-house IA team has been strengthened during the year with **every single member of the team either fully qualified or actively studying for a relevant professional IA qualification**. This has been supported by our external IA partner provider Mazars. As a result, the 2015/16 IA resources fulfilled the UK PSIAS requirements in terms of the combination of professionally qualified and suitably experienced staff.

### 3.6 Qualifications to the Opinion

3.6.1 During 2015/16 the Council's IA service:

- had **unrestricted access to all areas and systems** across the authority;
- received **appropriate co-operation from officers and members**; and
- had **sufficient resources to enable it to provide adequate coverage** of the authority's control environment to provide the overall opinion (refer to para 3.12.3).

Consequently, **there are no qualifications to the HIA opinion statement for 2015/16**.

### 3.7 Other Assurance Providers

3.7.1 In formulating the HIA overall opinion on the Council's system of internal control, the HBA has taken into account the work undertaken by other sources of assurance, and their resulting findings and conclusions which included:

- Coverage of the Corporate Fraud Investigations Team;
- The work of the Corporate Risk Management Group (refer to para 3.10);
- The work of the Corporate Governance Working Group (refer to para 3.11);
- The work of the Business Continuity Management Group;
- The work of the Hillingdon Information Assurance Group;
- The Audit Committee - an IA assurance review of the effectiveness of the Audit Committee was reported in June 2015. The 2016/17 annual review of the effectiveness of the Audit Committee is due to commence shortly as part of the Quarter 2 IA Plan.
- External inspections i.e. Ofsted; and
- Coverage by External Audit including grant claim certification i.e. Housing Benefits Subsidy.

### 3.8 Significant Internal Control Weaknesses

3.8.1 IA is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise during the year.

3.8.2 **There were a number of significant control weaknesses identified by IA during 2015/16.** Work is ongoing to strengthen the Council's control environment in relation to the significant control weaknesses identified. These included (but are not limited to):

1. During 2015/16, several audits have been undertaken across Housing including Assessment and Allocation, Repairs and Planned Maintenance, all of which have resulted in a limited assurance opinion. We are aware that during 2015/16 the Housing service has undergone significant transformation. Additional resource has been provided in order to ensure improvements are made and to enhance risk management across this area.
2. As previously reported in the IA Annual Report for 2014/15, our assurance and consultancy work continues to identify some contract management shortcomings across the Council. Generally, weaknesses identified stem from a lack of clarity over strategic and operational contract management roles and responsibilities. IA recommendations have been raised with the intent of reducing ambiguity in these areas.
3. In addition to contract management, the IA review of Corporate Procurement and Commissioning identified a few historical non-compliant 'contracts' where formal contracts are not in place and/or spend sometimes significantly exceeds original approval levels authorised. Further, some key documents contradicted each other and there is a mixed approach to training and record keeping.
4. Similarly the IA review of Records Management and Document Retention concluded that, although the Council is supported by a policy, it is in need of updating and there was a lack of ownership corporately and no co-ordinated approach in this area. Again, providing greater clarity over agreed processes and defining roles and responsibilities should help to ensure future compliance in this area.
5. Following a series of safeguarding incidents, Home to School Transport was subject to an IA review in which we identified a number of control gaps in relation to monitoring systems for taxi drivers and passenger assistants, pre-employment checks, training, escalation procedures and reporting processes. Further, there were issues regarding invalid permits for vehicles used within the Transport Service. This demonstrated an overarching lack of robust processes in place.
6. With the facilitation of business continuity now falling within the remit of Business Assurance (BA), work has been undertaken which has highlighted it is an area which requires urgent attention. Specifically, initial BA work has highlighted that the Council has defined 64 services as critical (priority 1), however only 14 (22%) of the critical services have a Business Continuity Plan (BCP) in place.
7. Following the decision taken by Schools Forum in October 2015, IA no longer carries out thematic audits or cyclical reviews in local authority (LA) maintained schools. Our IA service in this area is now reduced to the statutory minimum and as a result Hillingdon maintained schools are only be subject to IA coverage where there is a known major risk. Known major risks in schools will be considered and identified with LA partners including Members, Schools Finance and the Schools Improvement Team. There of course remains an obligation for all maintained schools to appropriately manage risk and comply with their policies and financial regulations. Given that accountability for the internal control environment rests with School Management and their Governing Body, risk management, internal control and policy compliance should continue to be monitored appropriately within the existing school's governance and committee structures. However, where there are sufficient concerns raised regarding practice or risk management at a Hillingdon maintained school, the Council (via IA) retains the authority to carry out an audit of that school at any reasonable time.

### 3.9 Internal Control Improvements

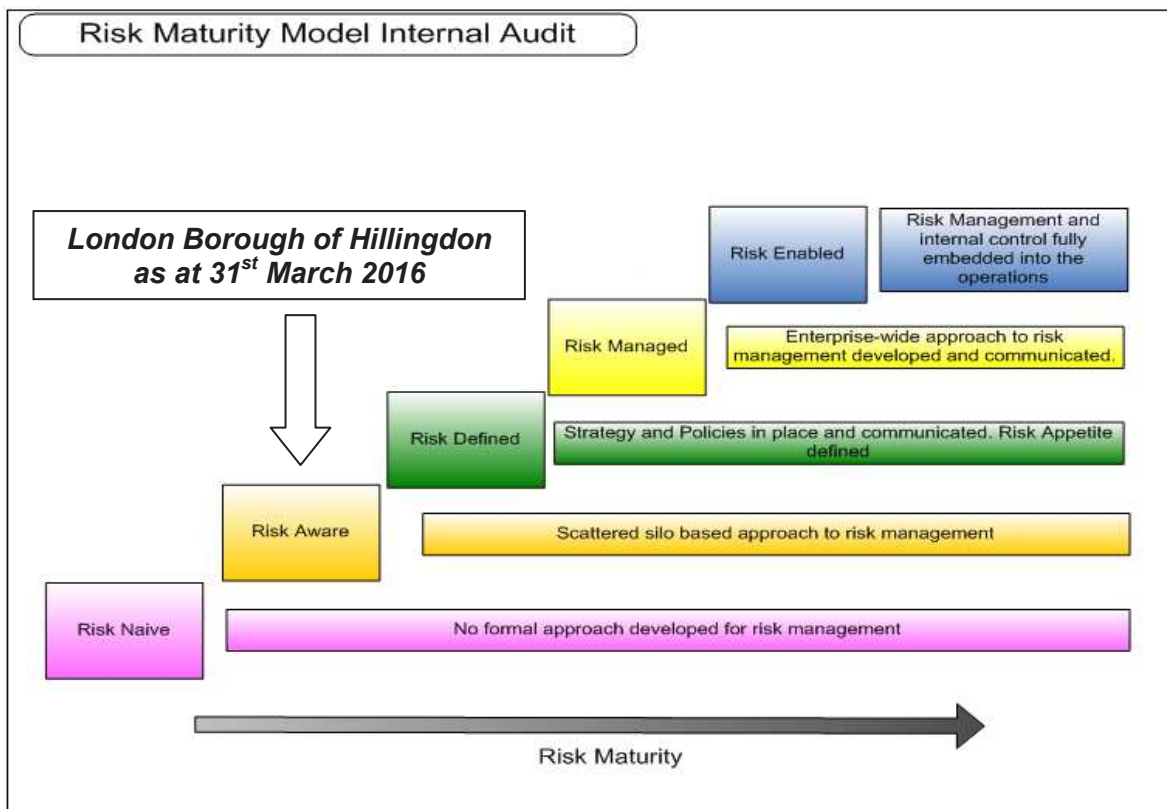
3.9.1 In addition to the action taken by senior management to address the significant control weaknesses, IA has identified during the year a number of areas where other improvements have strengthened the control environment. These include:

- The **controls surrounding the Council's core financial systems are strong**. There was a significant change in 2015/16 relating to the upgrade of the Oracle Financials system. Substantial work in this area was undertaken to safeguard the integrity of data through the transition to the upgraded system. Assurance over the upgrade and associated changes in controls will be built into the 2016/17 plan.
- The Council has been successful at continuing to **achieve transformational savings and improve its financial resilience**. This has been done whilst at the same time continuing to deliver a range of innovative projects to help drive forward major change across the Council. The Hillingdon Improvement Programme (HIP) has been a fundamental part of this success and helped **improve the services delivered to residents** in line with the Council's vision of *'Putting Our Residents First'*.
- The Council's **response to fraud continues to be robust** which has achieved positive results for the Council and its residents. At the same time, the CFIT's good work has helped develop a relatively strong anti-fraud culture in the Council.

### 3.10 Risk Management

- 3.10.1 Risk Management (RM) is the process by which risks are identified and evaluated so that appropriate risk treatment measures can be applied to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Council to achieve its objectives and fulfil its strategic priorities.
- 3.10.2 The IA opinion on the effectiveness of the Council's RM arrangements is based on **the Chartered Institute of Internal Auditors' Risk Maturity Model**. IA has identified that there is good RM practice in some areas of the Council's operations but that there are areas where the understanding of the RM policy was poor. Further, IA's review of the Council's RM arrangements concluded that whilst the approach to RM at a strategic level was generally good, risk identification and management at a more operational level has remained a scattered silo based approach.
- 3.10.3 The RM policy and guidance was updated and approved in July 2014 with comprehensive detail as well as the clarity of roles, responsibilities and accountabilities of Members and Officers in relation to RM. The Council has an established Corporate Risk Management Group (CRMG) in place which meets quarterly and discusses strategic risk issues in a sufficient manner. Strategic risks are monitored and reviewed by CMT as well as the Audit Committee on a quarterly basis. In addition, there are designated risk champions at SMT level for each Group (Directorate) and each identified strategic risk has been delegated to a Chief Officer to own and manage, in liaison with the lead Cabinet Member.
- 3.10.4 The responsibility for the Council's RM arrangements has recently been transferred to Business Assurance with a clear action plan in place to further enhance RM practices. Further, the 2016/17 IA review of risk management arrangements is currently being undertaken by the Council's external IA partner provider (Mazars), the findings of which will be taken forward to enhance the robustness of RM throughout the Council.
- 3.10.5 However, it is our opinion that the Council needs to further improve the process for identifying and recording risks at an operational level. In particular, IA's judgement in this area is that risks below Group level are not being treated consistently across the organisation. Further, service risk registers, whilst encouraged, are not in place for the majority of services across the Council. We have therefore concluded that the approach to managing operational risks still requires significant work if the Council is to achieve its objective of a **Risk Defined** maturity level.
- 3.10.6 Finally, whilst the Council's risk appetite has been defined, it is our opinion that it is currently too vague and unclear to be able to drive forward the RM practices and processes. As a result, the IA assessment of **the Council's Risk Management maturity is** that the Council was **RISK AWARE** as at 31<sup>st</sup> March 2016 (same as 2014/15).

**CHARTERED INSTITUTE OF INTERNAL AUDITORS' RISK MATURITY MODEL**



**3.11 Corporate Governance**

3.11.1 The 2015/16 IA opinion on the effectiveness of the Council’s corporate governance arrangements is based on the **Langland’s Report on 'Good Governance Standard for Public Services'**. The Langland’s report contains best practice governance in the public sector and IA’s assessment is highlighted in the table below:

Langland’s Governance Principles	IA Assessment of Hillingdon
1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users.	<b>SUBSTANTIAL Assurance</b> - The Council's vision and strategic priorities are clearly communicated and understood by officers. The Council's vision ' <i>putting our residents first</i> ' provides the clear direction that is required to fulfil the Council's purpose and achieve positive outcomes for residents. Even without a formal corporate business plan, the overarching strategies of the Hillingdon Improvement Programme/ Business Improvement Delivery programme and Medium Term Financial Forecast provides the steer and focus to achieve the Council's vision and strategic priorities.
2. Good governance means performing effectively in clearly defined functions and roles.	<b>REASONABLE Assurance</b> - The Council's Constitution comprehensively sets out how the Council is governed. However, it contains some outdated information relating to a number of policies. The function/role of the Cabinet is clearly defined and documented within the Council's Constitution. However, the roles and responsibilities for the HIP Steering Group and CMT have strengthened during the year. (ctd/)



Langland's Governance Principles	IA Assessment of Hillingdon
	(\ctd) As a result, it is IA's opinion, that the Council's organisational structure is fit for purpose to deliver the Council's vision and priorities. Nevertheless, there is scope to further improve understanding of governance across the Council and to provide additional clarity relating to roles and responsibilities.
3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour.	<b>REASONABLE Assurance</b> - The Council has a Code of Conduct in place for both officers and Members to ensure values and behaviours are upheld consistently across the Council. Member and officer relations were found to be good with no significant concerns. Anti-Fraud and Anti-Corruption policies (including Whistleblowing and Gifts & Hospitality arrangements) were generally found to be in place but out of date. IA established the Council does not maintain a Local Code of (Corporate) Governance. In IA's opinion, this would assist the Council to demonstrate that the Council adheres to the desired CG culture. It would also help improve accountability to stakeholders and allow staff to better understand the benefits of good governance.
4. Good governance means taking informed, transparent decisions and managing risk.	<b>REASONABLE Assurance</b> - The Cabinet operates as an effective Member decision making body which is known by officers for usually making swift decisions. IA confirmed that a Cabinet Scheme of Delegations (SD) was in place and Group SDs are in place. However, following structural reorganisation the SD for Residents Services is in the process of being redrafted and is yet to be fully finalised. This presents a potential risk that accountability for decisions may be unclear. RM arrangements were found to be in place and have been reviewed separately by IA. The Council's AGS process was overall found to be adequate, although there remains scope for further improving understanding across the Council of what governance is and what it means.
5. Good governance means developing the capacity and capability of the governing body to be effective.	<b>REASONABLE Assurance</b> - The Council's Cabinet brings direction and stability to the organisation. It has demonstrated that it provides continuity of knowledge and relationships, with minimal change to the Cabinet Members/ roles this year. There are induction, training and development arrangements in place to help ensure Members have the rights skills and knowledge to perform their Cabinet duties effectively. Member performance is evaluated by their respective political groups. Officers were positive about the role and clear direction that the Cabinet provides.
6. Good governance means engaging stakeholders and making accountability real.	<b>REASONABLE Assurance</b> - The Council engages with stakeholders using a vast array of engagement and consultation activities to make accountability real. (ctd/)

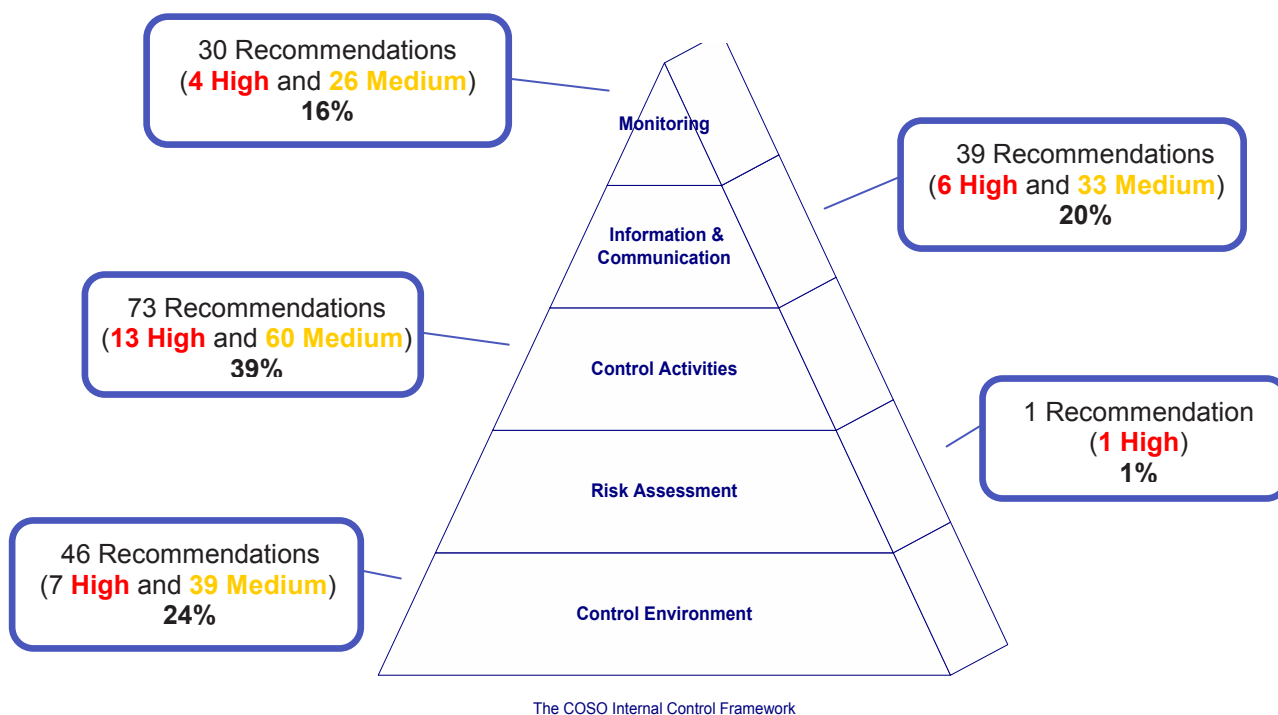
Langland’s Governance Principles	IA Assessment of Hillingdon
	<p>(\ctd)</p> <p>There is clear accountability between the Cabinet and its Executive Committees. Policy Overview and Scrutiny arrangements are in place and appropriately reported. The recommendations proposed by Policy Overview Committees are generally endorsed by the Cabinet. Various mechanisms are in place to obtain feedback and engage with officers, residents and service users. Petition and consultation arrangements were also found to be in place. A staff survey has been conducted during the year. However, IA identified there is further scope for improvement with regards to reporting of key information in relation to the Council's Vision, Strategic Priorities, Strategies, financial position, performance, achievements, outcomes and satisfaction of service users. This will improve accountability and enhance stakeholder confidence, trust and interest.</p>

- 3.11.2 As a result, **Hillingdon’s overall Governance arrangements were assessed by IA as REASONABLE**. The Council's vision and strategic priorities provides both officers and Members with a very clear direction. This is complimented by a strong and stable political leadership that controls and leads the organisation to achieve positive outcomes for residents. The Council's governance arrangements are underpinned by its Constitution which explains how the Council is governed and how it operates.
- 3.11.3 IA also noted the Cabinet is collectively viewed as highly effective and renowned for generally quick decision making. In IA's opinion, although the Council's CG arrangements are not fully in line with more traditional CG models, **the outcomes the Council has achieved within a period of austerity measures and constant change are exceptionally good**. This demonstrates that the overall direction and control is a good fit for the organisation at this time. It is clear that the Council put their residents at the forefront of all activity that it engages in, maintaining a high resident satisfaction rating.
- 3.11.4 The Council exemplifies strong financial management and control that is illustrated by the relatively healthy reserves balances. The Council continues to uphold a 0% council tax increase for Hillingdon residents for the 8<sup>th</sup> consecutive year (for the over 65s, it has been frozen for 12 years).
- 3.11.5 Hillingdon is also ensuring every child in the borough has a quality school place close to where they live and the £315 million school building and expansion programme, one of the largest in London, has expanded, built or rebuilt many primary schools in the borough. The Council’s focus will now turn to secondary schools, with £145 million earmarked for new buildings, classrooms and facilities. The borough’s parks and open spaces have been awarded with 34 Green Flag Awards, making it the local authority with the highest number of top-quality parks and green spaces in the UK for the third year running.

**3.12 Internal Control**

- 3.12.1 The IA opinion on the Council’s internal control system is **based on the best practice on Internal Control from the Committee of Sponsoring Organisations of the Treadway Committee (COSO)**.

3.12.2 The diagram below details the elements of the COSO internal control framework and analyses all **189 HIGH** and **MEDIUM** risk IA recommendations (per para. 5.6) raised during the 2015/16 year:



3.12.3 As expected the majority of IA recommendations related to improvements over control activities. These include recommendations relating to written procedures, authorisations, reconciliations and segregation of duties. The other components of the framework have a relative proportionate share of recommendations. As noted at para 3.10, there are some weaknesses within risk management processes, so although there were only a few IA recommendations raised in 2015/16 that related to the risk assessment component of the COSO framework, it should not be inferred that risk assessment is completely robust.

3.12.4 The individual IA assurance ratings help determine the overall audit opinion at the end of the financial year, although other factors such as implementation of IA recommendations have a bearing too. From the IA work undertaken in 2015/16, and the other sources of assurance referred to in para 3.7, **it is the HIA's opinion that overall IA can provide REASONABLE assurance that the system of internal control that has been in place at the Council for the year ended 31<sup>st</sup> March 2016 accords with proper practice**, except for the significant internal control issues referred to in para 3.8.

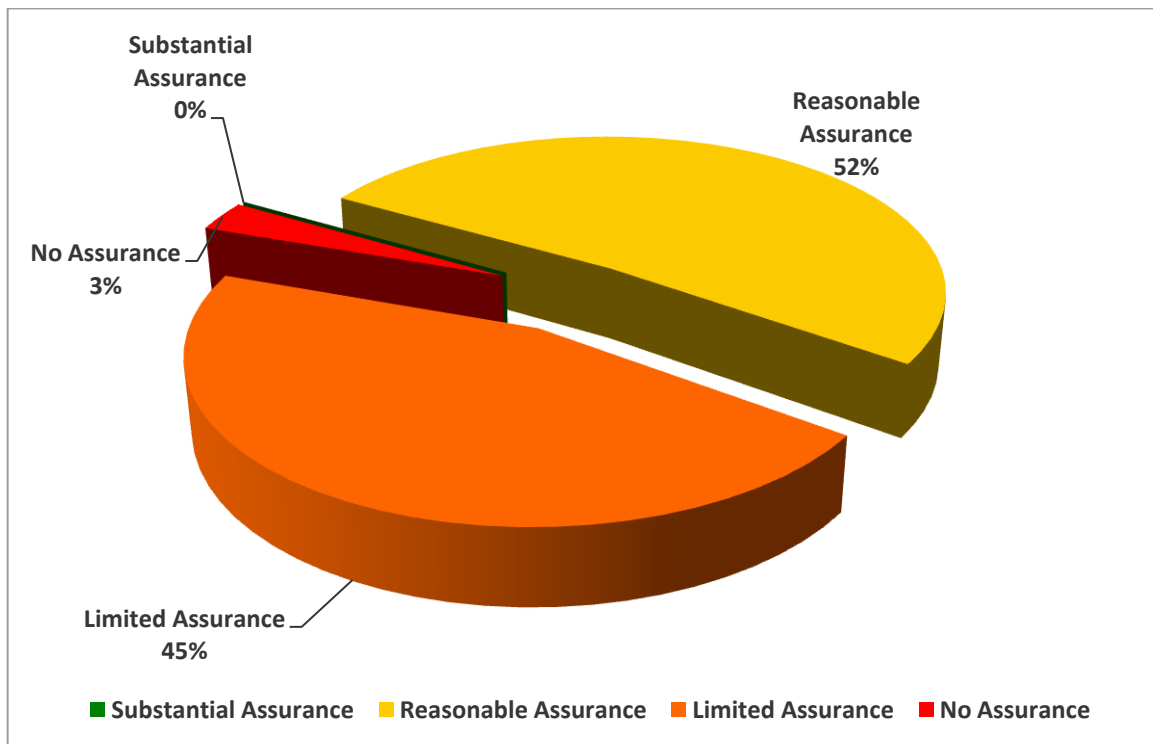
**4. Analysis of Internal Audit Activity 2015/16**

**4.1 Internal Audit Assurance Work 2015/16**

4.1.1 The 2015/16 IA assurance work is summarised by the assurance level achieved (definitions of the IA assurance levels are included at **Appendix B**) as per the table below:

Assurance Level	Number of 2015/16 IA Assurance Reports	Percentage Split 2015/16	2014/15 Comparative
<b>SUBSTANTIAL</b>	0	0%	18% (6)
<b>REASONABLE</b>	17	52%	59% (20)
<b>LIMITED</b>	15	45%	12% (4)
<b>NO</b>	1	3%	12% (4)
<b>TOTAL</b>	<b>33</b>	<b>100%</b>	<b>100% (34)</b>

4.1.2 The pie chart below depicts the levels of assurances achieved based on a percentage of the total 2015/16 assurance audits completed by IA:



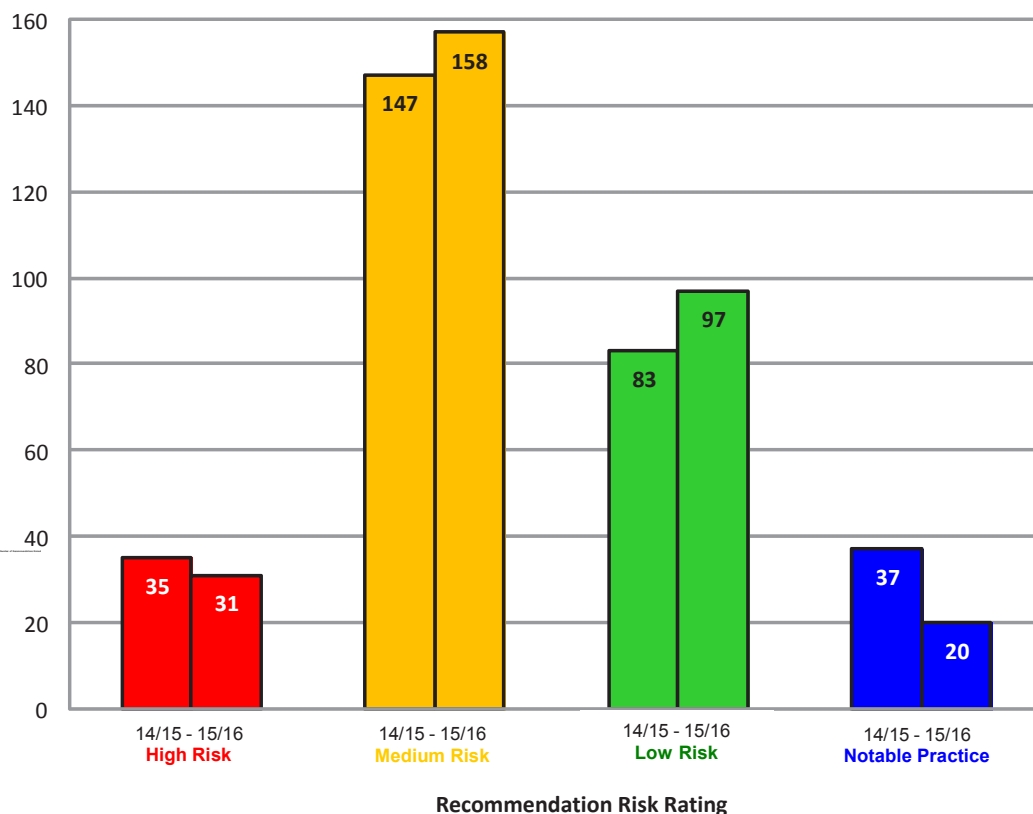
4.1.3 This chart highlights the positive news for the Council that **52%** of the areas audited in 2015/16 were assessed by IA as providing **REASONABLE** levels of assurance. This does however represent an overall 24% reduction when compared with the results from 2014/15. Nevertheless, this reduction is in line with IA's expectations given the risk based focus of IA coverage and the increased alignment of IA work to the key risks facing the Council. The individual assurance reviews carried out during 2015/16 are fully listed at **Appendix A** which highlights the assurance levels achieved (as outlined at **Appendix B**) and provides an analysis of the IA recommendations made (in accordance with the risk ratings as outlined at **Appendix C**).

4.1.4 For the **33** IA assurance reviews and **5** follow-up reviews conducted, there were **286** IA assurance recommendations raised in total in 2015/16:

Risk Rating	Number of 2015/16 IA Recommendations	Percentage Split 2015/16	2014/15 Comparative
<b>HIGH</b>	31	11%	13% (35)
<b>MEDIUM</b>	158	55%	56% (147)
<b>LOW</b>	97	34%	31% (83)
<b>TOTAL</b>	<b>286</b>	<b>100%</b>	<b>100% (265)</b>
<b>NOTABLE PRACTICE</b>	20	-	37

4.1.5 Given that an increasingly risk based IA approach has been applied in 2015/16, it is in line with IA's expectations that **two thirds of the IA recommendations raised** are **HIGH** or **MEDIUM** risk.

4.1.6 The breakdown of all 2015/16 IA recommendations (plus notable practices) by risk rating (as outlined at **Appendix C**), is provided in the bar chart over the page, including a comparison with the 2014/15 comparative data:



4.1.7 The bar chart above highlights that there were **31 HIGH** risk recommendations raised by IA in 2015/16 (compared with **35** in 2014/15 and **25** in 2013/14). We therefore believe that in light of the above, and given the risk based approach to IA work introduced during 2013/14, these results are relatively positive for 2015/16.

**4.2 Internal Audit Consultancy Work 2015/16**

4.2.1 During 2015/16 there has been a significant increase in the volume of consultancy work, advice and guidance that IA has been asked to provide across the Council. This, in addition to the enhanced role that IA now has in helping Council services improve, is a sign of the achievement of the collaborative approach that IA strives to deliver to help services to succeed. In addition to the traditional consultancy reviews, this includes IA staff sitting on project/ working groups, whilst ensuring IA staff are clear about whether they are there in an assurance or advisory capacity. This type of approach is helping increase IA's knowledge of corporate developments which feeds into the risk based deployment of IA resource on assurance work. Also, participation in project/ working groups as well as secondments within the business is helping individual IA staff develop, whilst at the same time increasing the value IA provides to the Council.

4.2.2 Further to this, in line with the UK PSIAS, IA coverage this year included a range of consultancy work. This included testing/ certification of several grant claims including **the Housing Benefits Subsidy grant claim** on behalf of External Audit (Deloitte). In addition, IA was an active member of a number corporate project groups including the Corporate Risk Management Group, Business Continuity Management Group, Annual Governance Statement Group, Corporate Health & Safety Forum, and the Oracle Programme Board. As part of this participation, IA aims to provide insightful, independent and informed advice in order to reduce the risk of the Council failing to achieve its objectives.

4.2.3 As detailed at **Appendix A**, IA also conducted **27** consultancy pieces of work in 2015/16, **5** investigations and **1** External Quality Assessment and of a peer for compliance with the UK Public Sector Internal Audit Standards (PSIAS). The consultancy work included reviews and/or support in relation to Troubled Families, Domiciliary Care Process Mapping, and Hospital Discharge.

### 4.3 Quality Assurance and Improvement Programme 2015/16

- 4.3.1 In accordance with the UK PSIAS Attribute Standard 1300 and the IA Charter, a Quality Assurance and Improvement Programme (QAIP) has been developed by IA. This covers all aspects of IA Activity (IAA) and is designed to enable an evaluation of the IAA's conformance with the UK PSIAS and an evaluation of whether internal auditors apply the *Code of Ethics*. The QAIP also helps enable the ongoing performance monitoring of IA activity and sets out how IA is maintaining the required quality standards and achieving continuous improvement.
- 4.3.2 A significant amount of time has been spent refining the IA QAIP during 2015/16, however resource implications throughout the year has restricted progression in a number of areas. The 2016/17 review of the effectiveness of Internal Audit, as well as the IA Strategy Day planned for later in the year, will enable the QAIP to be refocused and reflective of the challenges incurred within 2015/16 with this used as an opportunity to help generate ideas on how IA can further improve to help services continue to succeed. We recognise that further work is required to implement QAIP actions, along with the recommendations arising from the recent annual effectiveness of IA review, to further drive the service forward in 2016/17.

## 5. Internal Audit Follow Up 2015/16

- 5.1 IA monitors all **HIGH** and **MEDIUM** risk recommendations raised (excluding schools), through to the point where the recommendation has either been implemented, or a satisfactory alternative risk response has been proposed by management. IA does not follow-up **LOW** risk IA recommendations as they tend to be minor risks i.e. compliance with best practice, or issues that have a minimal impact on a Service's reputation i.e. adherence to local procedures.
- 5.2 It would also take a disproportionate amount of time for IA to robustly follow-up **LOW** risk recommendations. The full definitions of the IA recommendation risk ratings are included at **Appendix C**.
- 5.3 The implementation of recommendations raised by IA continues to be monitored through TeamCentral (a module of the IA software TeamMate) which has become more embedded across the Council within the year. Whilst TeamCentral automates the follow-up process, we retain a single point of contact to facilitate this area of work which allows the rest of the IA team to focus on delivery of the IA plan and will further streamline the process of following up IA recommendations in the future. TeamCentral provides CMT and other senior managers with greater oversight and ownership of IA recommendations and the underlying risks.
- 5.4 IA will support and advise managers in formulating a response to the risks identified. As an organisational improvement function, IA will also offer assistance to management to help devise pragmatic and robust action plans arising from IA recommendations. Good practice in IA and risk management encourages management to respond to risks in any combination of the following four ways; Treat, Terminate, Tolerate, Transfer - **the 4 T's**. The full definitions of the response to risk are included at **Appendix C**.
- 5.5 The **33** IA assurance reviews have resulted in **286** IA recommendations being raised in **2015/16** as well as **20 NOTABLE PRACTICES** (refer to **Appendix A** for further details). Given that we apply a risk based IA approach to our coverage, it is a positive outcome that there were approximately **five times as many MEDIUM risk recommendations than HIGH risk recommendations raised** in 2015/16.
- 5.6 The table over the page summarises the **status of IA 2015/16 recommendations** raised as at the 30<sup>th</sup> June 2016:

2015/16 IA Recommendation Status as at 30 <sup>th</sup> June 2016	HIGH	MEDIUM	LOW	Total	NOTABLE PRACTICE
Total No. of Recommendations Raised (per <b>Appendix A</b> )	31	158	97	<b>286</b>	20
Total No. of Recommendations Risks Tolerated by Management	1	2	-	<b>3</b>	-
No. of School recommendations (no longer followed-up by IA)	11	6	-	<b>17</b>	-
No. Not Yet Due for Implementation	12	64	-	<b>76</b>	-
No. Due for Follow-up Implementation	7	86	-	<b>93</b>	-
No. of Recommendations Implemented (or reasonable timescale extensions agreed)	7	86	-	<b>93</b>	-
No. of Recommendations Outstanding	<b>0</b>	<b>0</b>	-	<b>0</b>	-

- 5.7 Positive management action was proposed to address **186** of the **189** (31+158 above) 2015/16 **HIGH** and **MEDIUM** risk recommendations raised. The remaining 3 cases relate to **1 HIGH** and **2 MEDIUM** risk recommendations, where management have chosen to tolerate the risk [refer to para 2.5 for further details and see **Appendix C** for risk treatment definitions]. These 3 instances were deemed reasonable by IA given that management remain accountable for the treatment and management of their risks.
- 5.8 Of the 189 recommendations raised, 3 were tolerated and 17 were schools and are not followed up by IA. Of the remaining 169 **HIGH** and **MEDIUM** risk IA recommendations 76 of the 2015/16 **HIGH** and **MEDIUM** risk IA recommendations have not yet reached their target date for implementation. IA is pleased to report that **100%** (93) **HIGH** and **MEDIUM** risk recommendations which were due for implementation have been confirmed by management as being implemented or reasonable timescale extensions have been agreed (as at 30<sup>th</sup> June 2016). **This is an excellent outcome for the Council and IA, which comes directly as a result of the strong collaborative approach between IA and senior management across the organisation.**
- 5.9 IA is currently undertaking verification testing on all **HIGH** and **MEDIUM** risk recommendations to confirm and support management's assertion that recommended action has been successfully implemented and is now embedded within the control environment. Further, in 2016/17 we will be increasing the number of follow-up reviews we conduct of limited and no assurance reports issued within prior years, to provide greater assurance to senior management and the Audit Committee.
- 5.10 The status of outstanding IA recommendations was discussed at CMT on 29<sup>th</sup> June 2016 and good progress is being made on establishing which of these require urgent management attention and which are no longer relevant (i.e. following organisational restructure). More information on outstanding **HIGH** and **MEDIUM** risk recommendations will be provided by the HBA as part of an oral update at the next Audit Committee meeting (scheduled for 12<sup>th</sup> July 2016).

## 6. Review of Internal Audit Performance 2015/16

### 6.1 Key Performance Indicators

- 6.1.1 The IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. They assist IA and the Council in helping measure how successful IA has been in achieving its strategic and operational objectives.

6.1.2 KPIs for 2016/17, as reported within the annual IA plan presented to the Audit Committee in March 2016, have been included at **Appendix D** for information. Actual cumulative IA performance for 2015/16 against its KPIs is highlighted in the table below:

IA KPI	Description	Target Performance	Actual Performance	RAG Status
KPI 1	<b>HIGH</b> risk IA recommendations where positive management action is proposed.	98%	100%	GREEN
KPI 2	<b>MEDIUM</b> risk IA recommendations where positive management action is proposed.	95%	99%	GREEN
KPI 3	<b>HIGH</b> risk IA recommendations where management action is taken within agreed timescale.	90%	100%*	GREEN
KPI 4	<b>MEDIUM</b> risk IA recommendations where management action is taken within agreed timescale.	75%	100%*	GREEN
KPI 5	Percentage of IA Plan delivered to <b>draft report</b> stage by 31 March.	90%	91%	GREEN
KPI 6	Percentage of IA Plan delivered to <b>final report</b> stage by 31 March.	80%	81%	GREEN
KPI 7	Percentage of draft reports issued as a final report within 15 working days.	75%	55%	RED
KPI 8	Client Satisfaction Rating.	85%	86%	GREEN
KPI 9	IA work fully compliant with the <b>PSIAS</b> and <b>IIA Code of Ethics</b> .	100%		

6.1.3 **KPI 3** and **KPI 4** refer to whether action has been taken on **HIGH** and **MEDIUM** risk IA recommendations within agreed timescales. As highlighted in the table above\* and detailed at para. 5.8, all **93 HIGH** and **MEDIUM** risk IA recommendations have been stated as implemented by management within the TeamCentral tracking system, or a reasonable implementation timescale extension has been agreed.

6.1.4 Also highlighted above, performance against **KPI 7** is reported as **RED** with **55%** for 2015/16 (2014/15 was 56%). This is due to 17 instances (out of 38 reviews including follow-up reviews) where **management responses to the draft reports were not received within the target timescales** of 15 working days. Whilst IA facilitates this process, we are reliant on timely management responses to achieve this indicator.

6.1.5 It is noted that 7 of the 17 instances relate to Limited Assurance reports which have required multiple discussions of issues raised in order to move forward with the completion of the associated Management Action Plans. However, in the other cases there were significant delays (over 7 weeks in some cases) before management responses were provided. Potentially this indicates that some managers are over-stretched, although we are happy to report that the time taken to finalise reports from draft stage in other reports is **on average 15 working days**. Nevertheless, these delays result in CMT and the Audit Committee not always receiving assurance from IA in a timely manner.

6.1.6 Management feedback continues to be positive on our assurance coverage and particularly on our consultancy work. This year's actual performance against **KPI 8** of 86% has remained at a constant level with the 2014/15 score (87%), showing a continued positive perception of the value of work delivered by the IA service (see section 6.2).



## 6.2 Client Feedback Questionnaires

- 6.2.1 As part of continuous improvement, IA introduced a new Client Feedback Questionnaire (CFQ) in 2013 which is sent out at the completion of all audit reviews to obtain formal management feedback. The **IA CFQ target** previously agreed with CMT and the Audit Committee was for IA to achieve **an overall average score of 3.4 (85%) or above** across the eight CFQ areas. As a recap on the CFQ scores, **4** means the client strongly agrees; **3** is agree; **2** is disagree; and **1** is strongly disagree.
- 6.2.2 There is not an option on the CFQ for the client to indicate that they 'neither agree or disagree'. This is a deliberate decision by the HBA to enable management to form an overall opinion on the work that IA does i.e. did the audit review add value or not? Inherently with any feedback mechanism such as this, there is a risk that the CFQ results can become skewed where a client is dissatisfied i.e. if there are large number of recommendations or a poorer assurance level than expected/ anticipated, the client may be inclined to dismiss the value of the IA work with a low CFQ score.
- 6.2.3 Although there has been a reduction in scores relating to timing, value and recommendations in particular, this may be due to the more complex and higher risk areas reviewed by IA this year. In addition, despite the number of limited assurance reports issued within the year, the results show an improvement in services looking forward to working with IA again in the future when compared to the last two years. This is positive recognition of IA work across the Council.
- 6.2.4 The table below shows the average score from the **35** CFQs completed since 1<sup>st</sup> April 2015 (as per **Appendix A**):

IA CFQ Areas	Average Score 2015/16	Average Score 2014/15	Average Score 2013/14	% Change (2014/15-2015/16)
<b>Q1. Planning:</b> The planning arrangements for the IA review were good	3.41	3.52	3.20	-3.10%
<b>Q2. Scope:</b> The scope of the IA review was relevant	3.50	3.48	3.20	+0.60%
<b>Q3. Conduct:</b> The IA review was conducted in a highly professional manner	3.65	3.73	3.20	-2.20%
<b>Q4. Timing:</b> The IA review was carried out in a timely manner	3.35	3.59	3.10	-6.60%
<b>Q5. Report:</b> The IA report was presented in a clear, logical and organised way	3.47	3.50	3.20	-0.80%
<b>Q6. Recommendations:</b> The IA recommendations were constructive and practical	3.18	3.50	3.10	-9.20%
<b>Q7. Value:</b> The IA review added value to your service area	3.18	3.28	3.10	-3.20%
<b>Q8. Overall:</b> I look forward to working with IA in future	3.47	3.40	3.40	+2.10%

6.2.5 From the **35** CFQs returned in 2015/16, IA has received a range of formal client comments on IA performance, a mixed selection of which is highlighted over the page:

#### Personalised Budgets

- *"The Personalised budgets audit and subsequent report I believe has provided really beneficial feedback and recommendations that will assist Social Care in developing and implementing even more robust processes to make the delivery of true personal budgets more streamlined and robust. It is also good to see that there are noticeable practices already in place that can be shared with other service areas."*

#### Domiciliary Care

- *"I was extremely impressed with the commitment and working relationship I have formed with Audit and the findings / outcomes identified to improve my service".*

#### Corporate Procurement

- *"Long time lag in process, start to finish."*

#### Waste Services

- *"The Auditor was both friendly and professional. Asked probing questions, and took the time to go on site and 'take a look'."*

#### Child Sexual Exploitation

- *"As addressed in the questions above we found the audit process, final report and recommendations extremely helpful in building on our CSE Action Plan, identifying areas of development and highlighting good practice. We would welcome an audit review in the future."*

#### SEND Reforms - Local Offer

- *"The only reason that the review added less value was that we took part in a peer review a few weeks/months before the audit and this covered some of the same ground. However, the audit was more in depth and highlighted additional aspects that needed to be added to the action plan."*

6.2.6 Whilst the HBA proactively seeks informal feedback from management on IA reviews, IA is extremely grateful to management for the formal feedback in CFQs it has received. A high completion rate of CFQs helps IA continue to improve as a service.

## 7. Forward Look to 2016/17

7.1 Looking ahead to 2016/17, due to the wider services incorporated into Business Assurance, the team will be helping **further develop the Council's Information Governance and Business Continuity arrangements** which will include providing quarterly assurance report to CMT, in addition to the quarterly Internal Audit and Risk Management reports. Whilst expanding the remit of Business Assurance, we will continue to focus on delivering consistently high quality value added IA reviews to help services to succeed. This will be continue to be undertaken in a way which maintains our independence and objectivity to ensure an unbiased assessment of the Council's control environment.

7.2 Local authorities must have their local external auditor appointed by 31<sup>st</sup> December 2017, as set out in the **Local Audit and Accountability Act 2014**. The Act requires that relevant bodies appoint their auditor by 31st December in the financial year before the financial year of the accounts the first audit will cover. The Act allows for flexibility in the arrangements, so authorities are able to choose which option will suit their local circumstances best. However, there are certain requirements in the appointment including operation of an Auditor Panel that need to be complied with. There may be some overlap between the Auditor Panel and the Audit Committee but there are specific issues to consider where an existing Audit Committee undertakes to fulfil the statutory Auditor Panel role.

- 7.3 The BA team will shortly be embarking upon the **recruitment of an additional Trainee Internal Auditor** who will undergo the team's study programme to become an IIA qualified Internal Auditor. With the expansion in the remit of BA, the new role will be exposed to a wide ranging sphere of activity across the Council which in turn will produce a qualified Internal Auditor with the experience and expertise LBH requires.
- 7.4 The **skill set within the Business Assurance team is set to develop further** following the recent success of two staff undertaking the ISACA Certified Information Systems Auditor qualification. Having passed the exams, these two staff are currently working alongside an ICT auditor from Mazars (our external computer IA partner provider) in conjunction with Council ICT staff. This is helping to further develop their understanding and gain experience of the Council's Information Systems environment. We are also increasing our use of Computer Assisted Auditing Tools & Techniques (CAATTs) to help us provide improved ICT IA coverage in the future.
- 7.5 During 2015/16 the IA team conducted the **External Quality Assessment (EQA)** for a peer authority within the London Audit Group (Hackney). It has now been confirmed that we will be subject to an EQA in January 2017, which is due to be undertaken by the HIA from the London Borough of Lambeth. This will consist of an independent review of our conformance with the PSIAS and areas to be reviewed include IA's purpose and positioning, structure and resources, audit execution and the impact on the organisation. The EQA will satisfy PSIAS requirements for an external, independent review of IA every 5 years. The results may provide areas of further improvement which we will then incorporate into our QAIP.
- 7.6 IA would like to take this opportunity to formally thank all staff throughout Hillingdon Council with whom it had contact during the year. There has been an increased collaborative approach in IA's relationship with staff and management who have generally responded very positively to IA findings. There are no other matters that the HBA needs to bring to the attention of the Council's CMT or Audit Committee at this time.

Muir Laurie FCCA, CMIIA  
**Head of Business Assurance**

30<sup>th</sup> June 2016

**APPENDIX A****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2015/16**

<b>Key:</b>	
IA = Internal Audit	NP = Notable Practice
H = High Risk	CFQ = Client Feedback Questionnaire
M = Medium Risk	
L = Low Risk	

**2015/16 IA Assurance Reviews:**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2016	Assurance Level	Risk Rating			CFQ Received
				H	M	L	
15-A38a	Home to School Transport - Safeguarding	Final report issued 23 <sup>rd</sup> March 2016	No	1	8	-	✓
15-A13	Music Service	Final report issued 24 <sup>th</sup> June 2015	Limited	-	8	5	1
15-CR1	Deprivation of Liberty Safeguards (DoLS)	Final report issued 28 <sup>th</sup> July 2015	Limited	-	6	2	✓
15-A24	Disabled Facilities Grant (DFG)	Final report issued 4 <sup>th</sup> September 2015	Limited	-	8	4	1
15-A12	Corporate Procurement & Commissioning	Final report issued 13 <sup>th</sup> November 2015	Limited	1	5	4	✓
15-A25	Schools - ICT Arrangements	Final report issued 25 <sup>th</sup> November 2015	Limited	4	5	7	✓
15-A23	Domiciliary Care (HomeCare)	Final report issued 4 <sup>th</sup> December 2015	Limited	1	5	-	✓
15-A16	Records Management and Document Retention Policy	Final report issued 18 <sup>th</sup> February 2016	Limited	1	4	2	1
15-A27	Housing - Repairs	Final report issued 25 <sup>th</sup> February 2016	Limited	4	6	1	✓
15-CR3	Housing Needs - Allocations & Assessment	Final report issued 2 <sup>nd</sup> March 2016	Limited	3	7	2	✓
15-A10	Officers' Scheme of Delegations	Final report issued 3 <sup>rd</sup> March 2016	Limited	1	1	-	✓
15-A37	Occupational Therapy Equipment	Final report issued 23 <sup>rd</sup> March 2016	Limited	2	6	3	✓
15-A43	Per Temps Contract Management	Final report issued 24 <sup>th</sup> June 2016	Limited	-	7	1	Not yet due

**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2015/16 (cont'd)****2015/16 IA Assurance Reviews (cont'd):**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2016	Assurance Level	Risk Rating			CFQ Received
				H	M	L	
15-A26	Housing - Planned Maintenance	Final report issued 29 <sup>th</sup> June 2016	Limited	2	5	2	Not yet due
15-A40	Fleet Management	Final report issued 29 <sup>th</sup> June 2016	Limited	1	8	-	Not yet due
15-A33	Data Centre Resilience	Final report issued 30 <sup>th</sup> June 2016	Limited	1	6	-	Not yet due
15-A6	Effectiveness of Internal Audit	Final report issued 9 <sup>th</sup> June 2015	Reasonable	-	3	6	N/A
15-A7	Effectiveness of Audit Committee	Final report issued 24 <sup>th</sup> June 2015	Reasonable	-	2	3	✓
15-A2	Schools - Pupil Premium Funding	Final report issued 26 <sup>th</sup> June 2015	Reasonable	5	1	-	3
15-A4	Supply and Agency Staffing in Schools	Final report issued 22 <sup>nd</sup> July 2015	Reasonable	3	-	5	3
15-A5	Absence Management	Final report issued 1 <sup>st</sup> September 2015	Reasonable	-	3	4	-
15-A11	Imprest Accounts	Final report issued 9 <sup>th</sup> September 2015	Reasonable	-	1	3	1
15-A14	Purchasing Cards	Final report issued 16 <sup>th</sup> September 2015	Reasonable	-	3	4	-
15-A3	Personalised Budgets- Children's & Adults	Final report issued 9 <sup>th</sup> November 2015	Reasonable	-	5	8	2
15-A22	Reablement Service	Final report issued 25 <sup>th</sup> November 2015	Reasonable	-	3	2	-
15-CR2	Child Sexual Exploitation (CSE)	Final report issued 10 <sup>th</sup> February 2016	Reasonable	-	7	3	1
15-A36	Section 117 of the Mental Health Act 1983 - Aftercare and accommodation	Final report issued 23 <sup>rd</sup> February 2016	Reasonable	-	5	1	-
15-A39	Waste Services	Final report issued 8 <sup>th</sup> March 2016	Reasonable	1	3	-	-
15-A30	Right to Buy (RtB)	Final report issued 10 <sup>th</sup> March 2016	Reasonable	-	2	1	-
15-A29	Financial Assessments (Children's and Adults)	Final report issued 31 <sup>st</sup> March 2016	Reasonable	-	5	6	-

**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2015/16 (cont'd)****2015/16 IA Assurance Reviews (cont'd):**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2016	Assurance Level	Risk Rating			CFQ Received	
				H	M	L		
15-A32	Special Educations Needs and Disability (SEND) Reforms	Final report issued 16 <sup>th</sup> May 2016	Reasonable	-	3	1	-	✓
15-A9	VAT	Final report issued 18 <sup>th</sup> May 2016	Reasonable	-	2	4	1	✓
15-A28	Capital Programme (formerly Corporate Construction)	Final report issued 29 <sup>th</sup> June 2016	Reasonable	-	5	5	-	Not yet due
15-A47	Children's Centres (Follow-Up)	Final report issued 27 <sup>th</sup> March 2016	N/A	-	5	-	-	N/A
15-A46	Planning Applications - CIL (Follow-Up)	Final report issued 30 <sup>th</sup> March 2016	N/A	-	1	-	-	N/A
15-A48	Staff Gifts, Hospitality and Sponsorship (Follow-Up)	Final report issued 31 <sup>st</sup> March 2016	N/A	-	-	5	-	N/A
15-A49	Declarations of Interest (Follow-Up)	Final report issued 10 <sup>th</sup> May 2016	N/A	-	4	3	-	N/A
15-A45	High Level Mileage (Follow-Up)	Final report issued 28 <sup>th</sup> June 2016	N/A	-	-	-	-	N/A
<b>Total number of IA Assurance Recommendations raised in 2015/16</b>				<b>31</b>	<b>158</b>	<b>97</b>	<b>20</b>	
<b>Total percentage of IA Assurance Recommendations raised in 2015/16</b>				<b>11</b>	<b>55</b>	<b>34</b>	<b>-</b>	

**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2015/16 (cont'd)****2015/16 IA Consultancy Reviews:**

<b>IA Ref.</b>	<b>IA Review Area</b>	<b>Status as at 30<sup>th</sup> June 2016</b>
15-C4a	DP Policy Info Gov Policy Review	Final IA consultancy memo issued 11 <sup>th</sup> May 2015
15-C4b	Information Governance Policy Review	Final IA consultancy memo issued 11 <sup>th</sup> May 2015
15-C8	Procurement Tender Evaluation Records	Final IA consultancy memo issued 29 <sup>th</sup> May 2015
15-C3	EFA Mock Audit - Hillingdon Adult & Community Learning	Final IA consultancy memo issued 5 <sup>th</sup> June 2015
15-C10	Mortuary (previously planned to be an assurance review)	Final IA consultancy memo issued 25 <sup>th</sup> June 2015
15-C5	First Aid QA (Q1)	Final IA consultancy memo issued 28 <sup>th</sup> July 2015
15-C6	Stores Management	Final IA consultancy memo issued 30 <sup>th</sup> July 2015
15-C14	Textiles Recycling Processes	Final IA consultancy memo issued 16 <sup>th</sup> September 2015
15-C9	Whistleblowing Investigation - Skylakes	Final IA consultancy memo issued 5 <sup>th</sup> October 2015
15-C7	24+ Advanced Learning Loans Mock Audit - Hillingdon Adult & Community Learning	Final IA consultancy memo issued 13 <sup>th</sup> October 2015
15-C19	Stores Stock Check	Final IA consultancy memo issued 15 <sup>th</sup> October 2015
15-C17	Libraries Imprest Accounts	Final IA consultancy memo issued 26 <sup>th</sup> October 2015
15-C21	Security at HRD	Final IA consultancy memo issued 24 <sup>th</sup> November 2015
15-C2a	Review of Children & Young People's Services - Prepaid Cards	Final IA consultancy memo issued 26 <sup>th</sup> November 2015
15-C22	Passenger Assistants - HR File Reviews	Final IA consultancy memo issued 7 <sup>th</sup> December 2015
15-C2b	Review of Children & Young People's Services - Looked After Children (LAC) Savings	Final IA consultancy memo issued 17 <sup>th</sup> December 2015
15-C18	Schools Improvement (LAASSI)	Final IA consultancy memo issued 13 <sup>th</sup> January 2016
15-A38b	Home to School Transport - Financial	Final IA consultancy memo issued 30 <sup>th</sup> March 2016

**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2015/16 (cont'd)****2015/16 IA Consultancy Reviews (cont'd):**

<b>IA Ref.</b>	<b>IA Review Area</b>	<b>Status as at 30<sup>th</sup> June 2016</b>
15-C24	Autism Guidance	Final IA consultancy memo issued 20th May 2016
15-C25	Hospital Discharge	Final IA consultancy memo issued 9th June 2016
15-C16	NFI - Single Person Discount	Verbal consultancy advice provided
15-C11	Corporate Construction	Verbal consultancy advice provided
15-C12	Housing - Planned Maintenance	Verbal consultancy advice provided
15-C13	Housing Repairs	Verbal consultancy advice provided
15-C15	Troubled Families Project Group	Verbal consultancy advice provided
15-C23	Domiciliary Care Process Mapping	Verbal consultancy advice provided
15-C25	Policy Review - Anti Fraud & Anti Corruption Policies	Verbal consultancy advice provided - further work required
15-EQA	External Quality Review of Hackney	Report passed to LAG for moderation on 8 <sup>th</sup> June 2016
15-Inv A	Investigation A	Final report issued 28 <sup>th</sup> October 2015
15-Inv B	Investigation B (i)	Outcome letter issued 3 <sup>rd</sup> February 2016
15-Inv E	Investigation E	Final report issued 8 <sup>th</sup> February 2016
15-Inv D	Investigation D	Final report issued 14 <sup>th</sup> March 2016
15-Inv C	Investigation C	Final report issued 11 <sup>th</sup> May 2016



**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2015/16 (cont'd)****2015/16 IA Grant Claim Reviews:**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2016
15-GC1	Troubled Families (Q1)	Final IA memo issued 29 <sup>th</sup> May 2015
15-GC2	Bus Subsidy Grant	Final IA memo issued 22 <sup>nd</sup> September 2015
15-GC3	Housing Benefits Subsidy Grant	Final IA memo issued 18 <sup>th</sup> September 2015
15-GC4	Troubled Families (Q2)	Final IA memo issued 18 <sup>th</sup> September 2015
15-GC5	Troubled Families (Q3)	Final IA memo issued 14 <sup>th</sup> December 2015
15-GC6	Defra Repair and Renew Grant (flooding)	Final IA memo issued 14 <sup>th</sup> January 2016

**APPENDIX B****INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS**

ASSURANCE LEVEL	DEFINITION
<b>SUBSTANTIAL</b>	There is a <b>good level of assurance</b> over the management of the key risks to the Council objectives. The control environment is robust with no major weaknesses in design or operation. There is <b>positive assurance</b> that objectives will be achieved.
<b>REASONABLE</b>	There is a <b>reasonable level of assurance</b> over the management of the key risks to the Council objectives. The control environment is in need of some improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains <b>some risk</b> that objectives will not be achieved.
<b>LIMITED</b>	There is a <b>limited level of assurance</b> over the management of the key risks to the Council objectives. The control environment has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a <b>significant risk</b> that objectives will not be achieved.
<b>NO</b>	There is <b>no assurance</b> to be derived from the management of key risks to the Council objectives. There is an absence of several key elements of the control environment in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite and the residual risk to objectives. There is a <b>high risk</b> that objectives will not be achieved.

1. **Control Environment:** The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
  - establishing and monitoring the achievement of the authority's objectives;
  - the facilitation of policy and decision-making;
  - ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
  - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
  - the financial management of the authority and the reporting of financial management; and
  - the performance management of the authority and the reporting of performance management.
2. **Risk Appetite:** The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.
3. **Residual Risk:** The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

**APPENDIX C****INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

<b>RISK</b>	<b>DEFINITION</b>
<b>HIGH</b> ●	The recommendation relates to a <b>significant threat</b> or opportunity that impacts the Council's corporate objectives. The action required is to mitigate a substantial risk to the Council. In particular it has an impact on the Council's reputation, statutory compliance, finances or key corporate objectives. <b>The risk requires senior management attention.</b>
<b>MEDIUM</b> ●	The recommendation relates to a <b>potentially significant threat</b> or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the Council. In particular an adverse impact on the Department's reputation, adherence to Council policy, the departmental budget or service plan objectives. <b>The risk requires management attention.</b>
<b>LOW</b> ●	The recommendation relates to a <b>minor threat or opportunity</b> that impacts on operational objectives. The action required is to mitigate a minor risk to the Council as a whole. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives. <b>The risk may be tolerable in the medium term.</b>
<b>NOTABLE PRACTICE</b> ●	The activity <b>reflects current best management practice</b> or is an innovative response to the management of risk within the Council. <b>The practice should be shared with others.</b>

**RISK RESPONSE DEFINITIONS**

<b>RISK RESPONSE</b>	<b>DEFINITION</b>
<b>TREAT</b>	The probability and / or impact of the risk are reduced to an acceptable level through the proposal of positive management action.
<b>TOLERATE</b>	The risk is accepted by management and no further action is proposed.
<b>TRANSFER</b>	Moving the impact and responsibility (but not the accountability) of the risk to a third party.
<b>TERMINATE</b>	The activity / project from which the risk originates from are no longer undertaken.

**APPENDIX D****INTERNAL AUDIT KEY PERFORMANCE INDICATORS 2016/17**

The Key Performance Indicators (KPIs) for IA quarterly reporting to CMT and the Audit Committee in 2016/17 are set out below:

KPI Ref.	Performance Measure	Target Performance 2016/17
KPI 1	<b>HIGH</b> risk IA recommendations where positive management action is proposed	<b>98%</b>
KPI 2	<b>MEDIUM</b> risk IA recommendations where positive management action is proposed	<b>95%</b>
KPI 3	<b>HIGH</b> risk IA recommendations where management action is taken within agreed timescale	<b>90%</b>
KPI 4	<b>MEDIUM</b> risk IA recommendations where management action is taken within agreed timescale	<b>75%</b>
KPI 5	Percentage of IA Plan delivered to <b>draft report</b> stage by 31 March	<b>90%</b>
KPI 6	Percentage of IA Plan delivered to <b>final report</b> stage by 31 March	<b>80%</b>
KPI 7	Percentage of draft reports issued as a final report within 15 working days	<b>80%</b>
KPI 8	Client Satisfaction Rating (from completed CFQs)	<b>85%</b>
KPI 9	IA work fully compliant with the <b>PSIAS</b> and <b>IIA Code of Ethics</b>	<b>100%</b>

All IA KPIs Target Performance for 2016/17 will be the same as 2015/16.

**Key for above:**

- CFQs = Client Feedback Questionnaires.
- PSIAS = Public Sector Internal Audit Standards.
- IIA = Chartered Institute of Internal Auditors (UK).

**Key for future reporting on actual KPI performance:**

- **RED** = currently this performance target is not being met (significantly [**>5%**] short of target performance).
- **AMBER** = currently not meeting this performance target (just short [**<5%**] of target performance).
- **GREEN** = currently meeting or exceeding this performance target.

## **Business Assurance - IA Progress Report for 2016/17 Quarter 1 (including the Quarter 2 IA Plan)**

**Contact Officer:** Muir Laurie  
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### **REASON FOR ITEM**

The attached report presents the Audit Committee with summary information on all Internal Audit (IA) work covered in relation to 2016/17 Quarter 1 and assurance in this respect. It also provides an opportunity for the Head of Business Assurance to highlight to the Audit Committee any significant issues that have arisen which they need to be aware of.

Further, the report enables the Audit Committee to hold the Head of Business Assurance to account on delivery of the Quarter 1 IA Plan and facilitates in holding management to account for managing risk/control weaknesses identified during the course of IA activity.

The attached report also presents the Audit Committee with the Quarter 2 IA Plan which has been produced in consultation with senior managers. The Plan sets out the programme of IA coverage which is due to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period.

### **OPTIONS AVAILABLE TO THE COMMITTEE**

The Audit Committee is asked to note the IA Progress Report for 2016/17 Quarter 1 and consider the Quarter 2 IA Plan and subject to any further minor amendments, approve it.

The Audit Committee should ensure that the coverage, performance and results of Business Assurance IA activity in this quarter are considered and any additional assurance requirements are communicated to the Head of Business Assurance.

### **INFORMATION**

Business Assurance provides an independent appraisal and consultancy service that underpins good governance, which is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit (England) Regulations 2015 that the Council undertakes an adequate and effective IA of its accounting records and of its system of internal control in accordance with the proper practices.

The PSIAS, which came into force on the 1<sup>st</sup> April 2013, promote further improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. They stress the importance of robust, independent and objective IA arrangements to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement.

### **LEGAL IMPLICATIONS**

There are no legal implications arising directly from this report.

### **BACKGROUND PAPERS**

The Business Assurance service holds various background research papers in relation to the Quarter 2 IA Plan.

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# BUSINESS ASSURANCE

## **Internal Audit Progress Report to Audit Committee: 2016/17 Quarter 1 (including the Quarter 2 Internal Audit Plan)**

**1<sup>st</sup> July 2016**



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## 1. Introduction

### 1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, which is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit (England) Regulations 2011 that the Council undertakes an adequate and effective IA of its accounting records and of its system of internal control in accordance with the proper practices.
- 1.1.2 The UK Public Sector IA Standards (PSIAS) defines the nature of IA and set out basic principles for carrying out IA within the public sector. The PSIAS helps the Council to establish a framework for providing IA services, which adds value to the organisation, leading to improved organisational processes and operations.

### 1.2 The Purpose of the Internal Audit Progress Report to Audit Committee

- 1.2.1 This progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all 2016/17 IA assurance, consultancy and grant claim verification work covered during the period 1<sup>st</sup> April to 30<sup>th</sup> June 2016. In addition, it provides an opportunity for the Head of Business Assurance, as the Council's Head of Internal Audit (HIA), to highlight any significant issues arising from IA work in Quarter 1. It also highlights to CMT, the Audit Committee and other IA stakeholders the revisions to the Quarter 1 IA plan since its approval in March 2016 (refer to **Appendix B**).
- 1.2.2 A key feature of the Quarter 1 IA progress report is the inclusion of the Quarter 2 IA plan (refer to **Appendix C**). This has been produced in consultation with senior managers over the last few weeks and sets out the planned programme of IA coverage due to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period.

## 2. Executive Summary

- 2.1 Since the last IA Progress Report presented to the audit committee at its meeting on the 15<sup>th</sup> March 2016, **16 assurance reviews** have been completed to final report stage and **8 consultancy reviews** have been finalised. However, as highlighted at **Appendix A** the vast majority of the work finalised in Quarter 1, has been, as we would expect, in relation to the finalisation of the 2015/16 IA plan.
- 2.2 As a result of this, **91%** of the 2015/16 IA plan was delivered to draft report stage by 31<sup>st</sup> March 2016 and **100%** of the plan was completed to final report by 30<sup>th</sup> June 2016. This is better than the targets set (refer to **Appendix D**) which represents a significant achievement for the IA service and a good performance when compared to previous years. This has been achieved against a backdrop of reduced IA staff resources during the year and the resulting challenges and impact that can have. Further details of 2015/16 are included within the Annual IA Report and Opinion Statement, agreed by CMT and due to be presented to the Audit Committee at its planned meeting of 12<sup>th</sup> July 2016.
- 2.3 IA work on the 2016/17 Quarter 1 IA plan commenced on 1<sup>st</sup> April and the planning stage has now been completed on all Quarter 1 pieces of IA work. Good progress has been made on the plan with all IA reviews at an advanced stage of either fieldwork or reporting. We have also continued to provide a range of advisory and consultancy work across the Council within the quarter, with positive feedback being received from clients that this work is highly valued. There have been **five 2016/17 consultancy reviews completed this quarter** which included two pieces of work around Council's Stores at Harlington Road Depot, two reviews on Children & Young People's Services (CYPS) financial control operations and a review of each of the incentive schemes provided by the Council to private landlords.

- 2.4 There have been four IA Assurance reviews deferred from the 2016/17 Quarter 1 IA operational plan each of which were deemed by the HIA to be justifiable requests. Positively, during the Quarter 1 period there has been **7 additional requests for work** (refer to **Appendix B**). This has helped ensure the effective use of IA resource within the Quarter 1 period. The supplementary work has included two internal investigations, an increasing area of work for Business Assurance which was previously undertaken by other senior officers within the Council. In addition, we were asked to follow-up a **NO** assurance report in relation to Home to School Transport - Safeguarding Arrangements. The purpose of this follow-up review was to provide CMT and the Audit Committee with assurance that positive management action has been taken to mitigate the risks identified.
- 2.5 Further details of IA work carried out in the Quarter 1 period are included below at section 3 of this report.

### 3. Analysis of Internal Audit Activity in 2016/17 Quarter 1

#### 3.1 Assurance Work in Quarter 1

- 3.1.1 All IA assurance reviews carried out in Quarter 1 are individually listed at **Appendix A**. This list details the assurance levels achieved and provides an analysis of recommendations made (in accordance with the assurance levels and recommendation risk categories outlined at **Appendix E**).
- 3.1.2 On 1<sup>st</sup> April 2016, IA formally commenced work on the 2016/17 Quarter 1 IA plan. However, during the early part of the quarter, IA resource was primarily focussed on finalising completion of the 2015/16 IA plan. The status update of 2015/16 IA work as presented to the Audit Committee at its meeting on 15<sup>th</sup> March 2016, highlighted 16 IA Assurance reviews were ongoing as at the 4<sup>th</sup> March 2016, 10 of which extended into Quarter 1 of 2016/17. Each of these 10 IA Assurance reviews have now progressed to final report stage following management responses to the recommendations raised.
- 3.1.3 A detailed summary of all 2015/16 IA work finalised within Quarter 1 of 2016/17 is available in **the 2015/16 Annual IA Report and Opinion Statement** due to be presented to the Audit Committee on 12<sup>th</sup> July 2016 alongside this progress report.
- 3.1.4 As at 1<sup>st</sup> July 2016, **6** assurance reviews have been progressed to draft report stage. Each of the remaining **4** Quarter 1 assurance audits are at an advanced stage of fieldwork and testing (refer to **Appendix A** for details). The summary results of these audits will be included in the Quarter 2 progress report due to be presented to Audit Committee on 22<sup>nd</sup> September 2016.
- 3.1.5 The 2016/17 IA reviews of Risk Management and the Effectiveness of Internal Audit are have been undertaken by Mazars (our external IA partner) which helps provide robust independence. Both reviews are at an advanced stage of reporting and a verbal update will be provided to the Committee on the 12<sup>th</sup> July to help inform the annual HIA opinion. The full reports, including findings and recommendations will be presented to Audit Committee on 22<sup>nd</sup> September 2016.

#### 3.2 Consultancy Work in Quarter 1

- 3.2.1 IA continues to undertake a variety of consultancy work across the Council. The consultancy coverage includes IA staff attending working and project groups, whilst ensuring they are clear about whether they are attending in an assurance or advisory capacity. This type of approach continues to help increase IA's knowledge of corporate developments that feed into the risk based deployment of IA resource on assurance work. Also, participation in working and project groups as well as secondments within the Council continues to help individual IA staff develop, whilst at the same time increasing the value IA provides to the Council.

- 3.2.2 Due to the nature of consultancy work, we do not provide an assurance opinion or formal recommendations for management action. However, as part of our advisory reports and memos we do provide specific observations and improvement suggestions for senior management to consider.
- 3.2.3 Attached at **Appendix A** is a list of consultancy work carried out in Quarter 1. This highlights that **5 consultancy reviews have been completed** within the period with a further **4** reviews currently at an advanced stage.
- 3.2.4 IA was requested to provide independent oversight and verification of the year end stock take of the Council's Stores at Harlington Road Depot (HRD), as well as the transfer of Housing Caretakers stock to HRD stores following a restructure in the Estates Services Team. In both instances, we were satisfied that the stock checks were carried out appropriately and any discrepancies were properly identified, investigated and resolved. IA also raised additional improvement suggestions to help strengthen the control environment which management are considering. Due to the considerable change and IA work in this area over the last year, we have included an assurance review of Stores within the IA plan for Quarter 2 (refer to **Appendix C**).
- 3.2.5 The IA consultancy review of **Children & Young People's Services (CYPS) financial control operations** was concluded within the quarter through the finalisation of consultancy reviews of allowances, prepaid cards and imprested accounts. The payment of allowances review found that the lack of an overarching policy coupled with the limited communication of rate changes resulted in allowances being paid at different rates. Our testing of service request forms and the approval process for allowances also identified irregular payments had been approved with little or no supporting evidence or justification on the ICS Protocol system.
- 3.2.6 The prepaid cards and imprest accounts consultancy review found, through an analysis of the transactions, a wide range of both individual payments and monthly limits. In addition, there was no specific guidance in place or communicated on allowed and disallowed expenditure which has led to possible inappropriate expenditure. IA has outlined improvement suggestions for management to consider in establishing effective management and controls within the respective areas.
- 3.2.7 During the quarter we were asked to undertake a review of each of the incentive schemes provided by the Council to private landlords, including undertaking a comparison of the costs/benefits to the Council over the last 5 years. These incentive schemes help deliver a further 500 homes per year to use as temporary accommodation, helping to reduce the number of residents in Bed & Breakfast (B&B) accommodation and associated expenditure. Detailed analysis was undertaken on the frequency of incentive payments made and their compliance with associated conditions, as well as examining the length of tenancy agreements.
- 3.2.8 Finally, IA continues to provide advice in relation to the 2015/16 the **Annual Governance Statement** (AGS) which includes active participation in the AGS Group meetings. The HIA has liaised with the Head of Policy & Partnerships on the draft AGS in an attempt to ensure it reflects the results of IA coverage in 2015/16.

### 3.3 Grant Claim Verification Work in Quarter 1

- 3.3.1 As detailed at **Appendix A** IA has conducted **2 grant claim verification reviews** within Quarter 1. This includes the quarterly verification work undertaken on the **Troubled Families (TFs) Grant** in which IA tested a sample of TFs that had been identified as being 'turned around' by the Council's TFs Team. Our testing concluded there was sufficient evidence that improvement had been made in 34 of the 47 TFs identified within the claim period. For the remaining 13 families, we were unable to find sufficient evidence to verify that they had been 'turned around'. We understand that the TFs Team is actively progressing this to help mitigate the risk of losing any future TFs grant funding.

3.3.2 IA also carried out verification work regarding the **Social Care Capital Grant** which equates to £580k. The audit work entailed confirming compliance against the grant conditions including verifying that expenditure was in line with the grant claim conditions and guidance. Although we noted there was scope to improve the supporting records held by the Better Care Fund Manager, the claim was verified against the evidence provided. As a result, the claim was signed off by the HIA and Deputy Chief Executive on the 30<sup>th</sup> June 2016, with an unqualified opinion.

3.3.3 There has been no other grant claim verification work carried out by IA this quarter.

### 3.4 Follow-up of Previous Internal Audit Recommendations in Quarter 1

3.4.1 IA continues to monitor all **HIGH** and **MEDIUM** risk recommendations raised, through to the point where the recommendation has either been implemented, or a satisfactory alternative risk response has been proposed by management. Follow-up work within this quarter has been undertaken on all outstanding IA recommendations arising from prior years.

3.4.2 The results from our follow-up work are reported in detail within the **2015/16 Annual IA Report and Opinion Statement**, due to be presented to the Audit Committee at its planned meeting of 12<sup>th</sup> July 2016.

### 3.5 Other Internal Audit Work in Quarter 1

3.5.1 An IA follow-up review of **Home School Transport - Safeguarding Arrangements** was appended to the Quarter 1 plan to provide assurance over the **1 HIGH** and **8 MEDIUM** risk recommendations raised. The initial 2015/16 IA review received a **NO** assurance opinion in which we identified a number of control gaps in relation to monitoring systems for taxi drivers and passenger assistants, pre-employment checks, training, escalation procedures and reporting processes. Our testing in this area is in progress and we understand that management are actively progressing the risks identified in this area. The results of this audit will be reported to Audit Committee at its planned meeting of 22<sup>nd</sup> September 2016.

3.5.2 IIA Standard 1312-1 states that an IA service must undergo an external quality assessment (EQA) at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. This is also a requirement under the Public Sector Internal Audit Standards. Our EQA of the London Borough of Hackney's IA Service, as part of the London partnership arrangement, has been completed and reported to the London Audit Group for moderation before going to Hackney's Audit Committee. The EQA of Hillingdon's IA service is scheduled for Quarter 4 of the 2016/17 financial year.

3.5.3 During Quarter 1, IA has also conducted 2 pieces of investigation works. These included an internal disciplinary investigation and an internal grievance case review, both requested by the Head of Business Improvement and HR.

3.5.4 We continue to undertake a quarterly approach to IA planning to ensure emerging risks and new areas of concern are captured, particularly within the fast changing environment the Council operates in. Over the last month we have produced the detailed operational IA plan for Quarter 2 (refer to **Appendix C**) in consultation with management. The quarterly planning cycle should help ensure that IA resources are directed in a more flexible and targeted manner to maximise the benefit to our stakeholders.

## 4. Analysis of Internal Audit Performance in 2016/17 Quarter 1

4.1 The IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. They assist IA and the Council in helping measure how successful IA has been in achieving its strategic and operational objectives. In line with best practice, for the 2016/17 year IA will report quarterly to CMT and the Audit Committee on the 9 KPIs listed at **Appendix D**.

- 4.2 We believe that the 2016/17 IA KPIs are meaningful and will provide sufficient challenge to the IA service. They measure the quality, efficiency and effectiveness of the IA service and thus assist us in providing an added value assurance and consulting service to our range of stakeholders. We are currently in the process of reviewing the internal IA KPIs, supporting each of the 9 IA KPIs reported to Audit Committee, to ensure that we effectively capture and measure IA delivery as well as seek continuous improvement within the service.
- 4.3 As at 1<sup>st</sup> July 2016, there are only 5 2016/17 IA assurance reports at draft report issued stage, therefore it would not be of sufficient value at this stage to report on 2016/17 performance against the IA KPIs. The analysis of overall IA performance for the 2015/16 period is reported in full within the **2015/16 Annual IA Report and Opinion Statement** presented to the Audit Committee alongside this progress report.

## 5. Forward Look

- 5.1 The **Quality Assurance & Improvement Programme** (QAIP) developed in accordance with the IA Charter is in the process of being reviewed and updated, with improvement initiatives being formally assigned to members of the IA team. The QAIP is designed to provide assurance that IA work continues to be fully compliant with the UK PSIAS and also helps enable the ongoing performance monitoring and improvement of IA activity. The progress of the QAIP is highlighted in the 2015/16 Annual IA Report & Opinion Statement, due to be presented to the Audit Committee at its planned meeting of 12<sup>th</sup> July 2016.
- 5.2 From the 1<sup>st</sup> April 2016, the Relevant Internal Audit Standard Setters (RIASS) have adopted two additions to the PSIAS following a consultation period during which practitioners and other interested parties commented on the changes. The two additions related to the Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing.
- 5.3 Business Assurance continues to invest in the training and development of its staff with:
- 2 members of the team recently having completed the exam elements of the Certified Member of the Institute of Internal Auditors (CMIIA) qualification;
  - 2 members commencing on the CMIIA qualification after successfully attaining the Practitioner of the Institute of Internal Auditors (PIIA) qualification level; and
  - 1 Trainee Internal Auditor is due to commence the revised Certified Internal Auditor (CIA) training programme next month.
- 5.4 There has been a notable reduction in IA resources arising from the Head of Business Assurance obtaining additional responsibility for the facilitation of the Council's risk management, information governance and business continuity arrangements. The subsequent shortfall in IA resource is currently being covered through a secondment of a Senior Internal Auditor from Mazars (our external IA partner provider) whilst we look to recruit to a vacant post.
- 5.5 IA would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the Council during Quarter 1. There are no other matters that the HIA needs to bring to the attention of CMT or the Audit Committee at this time.

Muir Laurie FCCA, CMIIA  
**Head of Business Assurance**

1<sup>st</sup> July 2016

**APPENDIX A****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2016/17 ~ QUARTER 1**

<b>Key:</b>	
IA = Internal Audit	NP = Notable Practice
H = High Risk	CFQ = Client Feedback Questionnaire
M = Medium Risk	ToR = Terms of Reference
L = Low Risk	

**2016/17 IA Assurance Reviews - Quarter 1:**

IA Ref.	IA Review Area	Status as at 1 <sup>st</sup> July 2016	Assurance Level	Risk Rating			CFQ Received?
				H	M	L	
16-A11	Risk Management	Draft report issued on 24 <sup>th</sup> June 2016					
16-A12	Review of the Effectiveness of IA	Draft report issued on 24 <sup>th</sup> June 2016					
16-A5	New Years Green Lane (NYGL)	Draft report issued on 30 <sup>th</sup> June 2016					
16-A9	Health Visiting	Draft report issued on 30 <sup>th</sup> June 2016					
16-A14	Home to School Transport - Safeguarding Arrangements (Follow-up)	Draft report issued on 1 <sup>st</sup> July 2016					
16-A3	Housing Benefits	Draft report in progress					
16-A1	Lease Agreements	ToR issued; fieldwork in progress					
16-A4	Physical Access Controls, including Security Arrangements	ToR issued; fieldwork in progress					
16-A7	Corporate Debtors	ToR issued; fieldwork in progress					
16-A10	Fees and Charges	ToR issued; fieldwork in progress					
<b>Total Number of IA Recommendations Raised in 2016/17 Quarter 1</b>				-	-	-	-
<b>Total % of IA Recommendations Raised in 2016/17 Quarter 1</b>				- %	- %	- %	- %

**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2016/17 ~ QUARTER 1 (cont'd)****2016/17 IA Consultancy Reviews - Quarter 1:**

<b>IA Ref.</b>	<b>IA Review Area</b>	<b>Status as at 1<sup>st</sup> July 2016</b>
16-C4	Stores - Year End Stock Take	Memo issued on 21 <sup>st</sup> April 2016
16-C2a	Children and Young Peoples Service (CYPS) Financial Controls - Allowances	Memo issued on 19 <sup>th</sup> May 2016
16-C2b	Children and Young Peoples Service (CYPS) Financial Controls - P'Cards & Imprest	Memo issued on 19 <sup>th</sup> May 2016
16-C8	Stores - Stock Transfer	Memo issued on 20 <sup>th</sup> May 2016
16-C6	Private Sector Landlord Scheme	Memo issued on 3 <sup>rd</sup> June 2016
16-C3	Benefits - BACs processing	Draft report issued on 1 <sup>st</sup> July 2016
16-C1	Data Analytics (Personal Protective Equipment)	Draft report in progress
16-C5	Digital broadcasting of Council meetings	Draft report in progress
16-C7	Public Health Payments - Pharmacy	Terms of Reference issued; fieldwork in progress

**2016/17 IA Grant Claim Verification Reviews - Quarter 1:**

<b>IA Ref.</b>	<b>IA Review Area</b>	<b>Status as at 1<sup>st</sup> July 2016</b>
16-GC1	Troubled Families Grants - Quarter 1	Memo issued 3 <sup>rd</sup> May 2016
16-GC2	Social Care Capital Grant	Certified and memo issued on 30 <sup>th</sup> June 2016

**2016/17 Investigation Work - Quarter 1:**

<b>IA Ref.</b>	<b>Investigation Area</b>	<b>Status as at 1<sup>st</sup> July 2016</b>
16-InvB	Investigation B(ii)	Investigation ongoing
16-InvF	Investigation F	Investigation concluded

**APPENDIX B****REVISIONS TO THE 2016/17 INTERNAL AUDIT PLAN ~ QUARTER 1****IA work ADDED to the 2016/17 Operational IA Plan for Quarter 1:**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
16-A14	Home to School Transport - Safeguarding Arrangements Follow-up	Assurance	<b>Tony Zaman,</b> Corporate Director of Social Care	The 2015/16 IA assurance review of this area was finalised in March 2016 and received a <b>NO</b> IA assurance opinion. There were <b>1 HIGH and 8 MEDIUM</b> risk recommendations raised. We were requested by the Corporate Director of Social Care to undertake a follow-up review to ensure the control issues identified in the initial review have been effectively addressed.
16-C6	Private Sector Landlord Scheme	Consultancy	<b>Councillor Ray Puddifoot,</b> Leader of the Council	IA was requested by the Leader of the Council to conduct a review of Private Sector Leases, analysing the various incentives, grants and schemes available to landlords within the borough.
16-C7	Public Health Payments - Pharmacy	Consultancy	<b>Daniel Kennedy,</b> Head of Business Performance, Policy & Standards	IA was requested by the Head of Business Performance, Policy & Standards to review current control arrangements and potential areas for improvement to deliver efficiencies savings with regards to Public Health payments to pharmacies.
16-GC1	Troubled Families Grant - Quarter 1	Grant Claim	<b>Tony Zaman,</b> Corporate Director of Social Care	The Troubled Families programme is a Government scheme under the Department for Communities and Local Government (DCLG) with the stated objective of helping troubled families turn their lives around. The Council receives a payment by results grant from the DCLG for each identified 'turned around' troubled family. As per the grant conditions, IA undertook verification work to confirm identified troubled families have been successfully 'turned around'.



**APPENDIX B (cont'd)****REVISIONS TO THE 2016/17 INTERNAL AUDIT PLAN ~ QUARTER 1****IA work ADDED to the 2016/17 Operational IA Plan for Quarter 1 (cont'd):**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
16-GC2	Social Care Capital Grant	Grant Claim	<b>Tony Zaman,</b> Corporate Director of Social Care	The Social Care Capital Grant is paid directly from the government to local authorities and forms a part of the wider changes involving the Better Care Fund. IA was requested to review and confirm the Council has complied with the grant determinations.
16-Inv B(ii)	Investigation B(ii)	IA Investigation Work	<b>Pauline Moore</b> Head of Business Improvement and HR	We were asked by the Head of Business Improvement and HR to review an internal grievance case.
16-Inv F	Investigation F	IA Investigation Work	<b>Pauline Moore</b> Head of Business Improvement and HR	We were asked by the Head of Business Improvement and HR to undertake an internal disciplinary investigation.

**IA work DEFERRED from the 2016/17 Operational IA Plan for Quarter 1:**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
16-A2	Management and Control of Void Dwellings	Assurance	<b>Jean Palmer,</b> Deputy Chief Executive & Corporate Director of Residents Services	Following the initial planning meetings, this review was deferred to January 2017 to allow management sufficient time to review current working practices and address known weaknesses within the service.
16-A6	Contract Management	Assurance	<b>Paul Whaymand,</b> Corporate Director of Finance	Further to discussions with management, it was established that the contract selected for audit is currently being reviewed, and subsequently we agreed to defer this audit to Quarter 3 of 2016/17.

**APPENDIX B (cont'd)****REVISIONS TO THE 2016/17 INTERNAL AUDIT PLAN ~ QUARTER 1****IA work DEFERRED from the 2016/17 Operational IA Plan for Quarter 1:**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
16-A8	TeleCareLine	Assurance	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Given the recent transformational reviews within this area and following discussions with management, this IA review has been deferred to Quarter 3 of 2016/17 to enable transformation changes time to become embedded throughout the service area.
16-A13	Review of the Effectiveness of the Audit Committee	Assurance	<b>Fran Beasley,</b> Chief Executive and Corporate Director of Administration	This review was agreed to be conducted by Mazars (the Council's external IA partner provider). Following discussions around timings and resources, it was agreed this review would be best carried out during Quarter 2.

**APPENDIX C****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2**

IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period:

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
16-A15	ICS Data Quality- Financial Controls	Assurance	<b>HIGH</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	ICS is an integrated web-based information system utilised by Children & Young People's Services to maintain a single record of a service user's care requirements, ranging from care planning process and referral history to financial assessments and management. This review will aim to provide assurance around the quality of data held within the system, with a particular focus around financial information. Data quality refers to the accuracy, completeness, validity and timeliness of data to support business operations and aid in decision making and planning.
16-A13	Review of the Effectiveness of the Audit Committee	Assurance	<b>MEDIUM</b>	<b>Fran Beasley,</b> Chief Executive and Corporate Director of Administration	An effective and independent AC is a key element in the Council's corporate governance and risk management framework. An effective AC leads to improved internal control, risk management and financial reporting. It provides a forum for discussing key issues raised by IA and External Audit, working independently to provide assurance to the Council. <i>(This IA review was deferred from the 2016/17 Quarter 1 IA plan into Quarter 2 IA plan.)</i>
16-A16	Sheltered Housing	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	The Council owns and manages 21 sheltered housing schemes across the borough, designed to help residents aged 60 or over maintain their independence in friendly and secure communities. This review will focus on the administration aspects of allocating and managing sheltered housing units, as well as internal procedures for staff and training.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2**

IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period (cont'd):

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
16-A17	Council Stores	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	The Council's stores, located at Harlington Road Depot, stock a variety of supplies to support the Council's service operations. An initial IA Consultancy review was undertaken in July 2015, with 3 further pieces of IA work involving the Council's stores subsequently being conducted. This review will aim to provide management assurance over the current control environment and implementation of IA 'improvement suggestions' to address previous weaknesses.
16-A18	Community Safety Arrangements - CCTV	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Council's cameras are used to detect, prevent or investigate crime and anti-social behaviour throughout the borough to ensure the safety of residents and property. This review will aim to provide assurance to management over the current strategic and operational arrangements.
16-A19	Domiciliary Care	Assurance (Follow-Up)	<b>HIGH</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	Following the 2015/16 IA assurance review in this area which received a <b>LIMITED</b> assurance opinion, this follow-up review, with a refined scope, will focus on the implementation of the <b>1 HIGH</b> and <b>5 MEDIUM</b> risk recommendations raised and associated improvements to the control environment.
16-A20	Logical Access Controls	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	As logical access controls are the primary means used to manage and protect information assets, this assurance review will assess the adequacy of such access controls in relation to identification and authentication, specifically Logon IDs, passwords, token devices, access control lists and logical access security administration.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2**

IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period (cont'd):

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
16-A21	Deprivation of Liberty Safeguards (DoLS)	Assurance (Follow-Up)	<b>HIGH</b>	<b>Tony Zaman</b> , Corporate Director of Social Care	Following the 2015/16 IA assurance review in this area which received a <b>LIMITED</b> assurance opinion this follow-up review, with a refined scope, that focuses on the implementation of the <b>6 MEDIUM</b> risk recommendations raised.
16-A22	Library Imprest Accounts	Assurance (Follow-Up)	<b>MEDIUM</b>	<b>Paul Whaymand</b> , Corporate Director of Finance	Following the 2015/16 IA Consultancy review in this area, we are due to undertake a follow-up review to provide management with assurance over the enhancements to the control environment around imprest accounts for libraries.
16-A23	Music Service	Assurance (Follow-Up)	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Following the 2015/16 IA assurance review in this area which received a <b>LIMITED</b> IA assurance opinion, this follow-up review, with a refined scope that focuses on the implementation of the <b>8 MEDIUM</b> risk recommendations raised and associated improvements to the control environment.
16-C10	Domiciliary Care Payments	Consultancy	<b>MEDIUM</b>	<b>Tony Zaman</b> , Corporate Director of Social Care	Domiciliary care refers to a range of support services and personal care delivered to an individual within their home. Service users will undergo a variety of assessments and support planning to establish the number of hours of care they require per week; including financial assessments to determine whether they are eligible to receive financial support. The Head of Social Work has requested a consultancy review to identify potential improvements to processes specifically around client billing and financial support provided to service users.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2**

IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period (cont'd):

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
16-C11	Information Governance - Data Protection Training	Consultancy	<b>MEDIUM</b>	<b>Fran Beasley,</b> Chief Executive and Corporate Director of Administration	The Council has a statutory requirement to comply with the Data Protection Act (DPA), with breaches potentially subject to financial penalties and/ or adverse publicity. We have been asked to undertake a review of the recent DPA training for staff to establish its effectiveness.
16-C12	Public Health - Provider Payments Process (GPs)	Consultancy	<b>MEDIUM</b>	<b>Daniel Kennedy,</b> Head of Business Performance, Policy & Standards	The NHS health check is a prevention programme that provides free health checks for residents through local GPs or participating pharmacies, subject to eligibility criteria. Similar to the 2016/17 Quarter 1 consultancy work on pharmacy payments, this review will assess the current procedures, checks and controls around GP payment processes.
16-C13	Data Analytics	Consultancy	<b>MEDIUM</b>	<b>Paul Whaymand,</b> Corporate Director of Finance	We plan to utilise our dedicated data analytical tool (IDEA) to run individual reports on transactional data. Analysis work performed will provide assurance on accuracy of the data sets with any anomalies identified referred to management for investigation and follow-up audits to identify any internal control failures.
16-GC3	Bus Subsidy Grant	Grant Claim	N/A	<b>Fran Beasley,</b> Chief Executive and Corporate Director of Administration	The London Borough of Hillingdon receives a Local Authority Bus Subsidy Grant from the Department of Transport for operating local transport/ bus services. As per the grant conditions, IA are required to undertake verification work and perform the necessary checks to declare the grant determination have been complied with.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2**

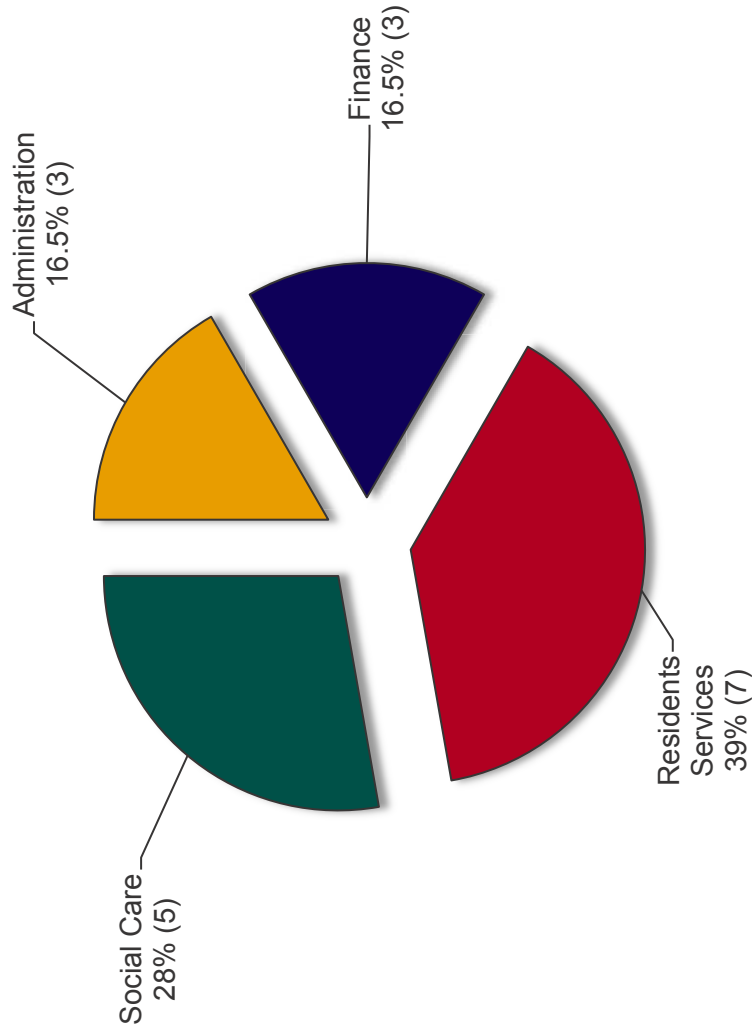
IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period (cont'd):

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
16-GC4	Housing Benefits Subsidy Grant	Grant Claim	N/A	<b>Rob Smith,</b> Head of Revenues and Benefits	Local authorities responsible for administering housing benefit claim subsidy from the Department for Work and Pensions in accordance with section 140 of the Social Security Administration Act 1992 and the Income-related Benefits (Subsidy to Authorities) Order 1998, SI 562 as amended. Ernst & Young LLP (EY), as the Council's appointed external auditor for 2015/16, is required to certify the Council's claim. It has been agreed that IA will carry out the initial verification testing to reduce EY's testing and associated external audit fees.
16-GC5	Troubled Families Grant - Quarter 2	Grant Claim	N/A	<b>Tony Zaman,</b> Corporate Director of Social Care	The Troubled Families programme is a Government scheme under the Department for Communities and Local Government (DCLG) with the stated objective of helping troubled families turn their lives around. The Council receives a payment by results grant from the DCLG for each identified 'turned around' troubled family. As per the grant conditions, IA will undertake verification work to confirm identified troubled families have been 'turned around'.
16-GC6	Disabled Facilities Grant (DFG)	Grant Claim	N/A	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Disabled facilities grants (DFGs) are provided by the Council to help meet the cost of adapting a property for the needs of a disabled person. IA are required to undertake verification work for the DFG claim due for submission on the 30 <sup>th</sup> September 2016.

**APPENDIX C (cont'd)**

**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2 (cont'd)**

IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period – Analysis by Corporate Director:



- The relevant Corporate Directors and Deputy Director/ Head of Service will be consulted regarding the exact timing of each individual IA review; and
- Where an IA review is deferred or cancelled within the quarter, the relevant Audit Sponsor will be asked to provide an alternative audit in their Group.



**APPENDIX D****INTERNAL AUDIT KEY PERFORMANCE INDICATORS 2016/17**

KPI Ref.	Performance Measure	Target Performance
KPI 1	<b>HIGH</b> risk IA recommendations where positive management action is proposed	<b>98%</b>
KPI 2	<b>MEDIUM</b> risk IA recommendations where positive management action is proposed	<b>95%</b>
KPI 3	<b>HIGH</b> risk IA recommendations where management action is taken within agreed timescale	<b>90%</b>
KPI 4	<b>MEDIUM</b> risk IA recommendations where management action is taken within agreed timescale	<b>75%</b>
KPI 5	Percentage of IA Plan delivered to <b>draft report</b> stage by 31 <sup>st</sup> March	<b>90%</b>
KPI 6	Percentage of IA Plan delivered to <b>final report</b> stage by 31 <sup>st</sup> March	<b>80%</b>
KPI 7	Percentage of draft reports issued as a final report within 15 working days <sup>1</sup>	<b>75%</b>
KPI 8	Client Satisfaction Rating <sup>2</sup> (from CFQs)	<b>85%</b>
KPI 9	IA work fully compliant with the UK <b>PSIAS</b> and <b>IIA Code of Ethics</b>	<b>100%</b>

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<sup>1</sup>All IA KPIs Target Performance for 2016/17 are the same as 2014/15, except for:

- KPI 7** where Target Performance for 2014/15 was 90% (**15% decrease**); and
- KPI 8** where Target Performance for 2014/15 was 80% (**5% increase**).

Key for above:

- CFQs = Client Feedback Questionnaires.
- PSIAS = Public Sector Internal Audit Standards.
- IIA = Chartered Institute of Internal Auditors (UK).

Key for future reporting on actual KPI performance:

- **RED** = currently this performance target is not being met (significantly [**>5%**] short of target performance).
- **AMBER** = currently not meeting this performance target (just short [**<5%**] of target performance).
- **GREEN** = currently meeting or exceeding this performance target.

**APPENDIX E****INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS**

ASSURANCE LEVEL	DEFINITION
<b>SUBSTANTIAL</b>	There is a <b>good level of assurance</b> over the management of the key risks to the Council objectives. The control environment is robust with no major weaknesses in design or operation. There is <b>positive assurance</b> that objectives will be achieved.
<b>REASONABLE</b>	There is a <b>reasonable level of assurance</b> over the management of the key risks to the Council objectives. The control environment is in need of some improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains <b>some risk</b> that objectives will not be achieved.
<b>LIMITED</b>	There is a <b>limited level of assurance</b> over the management of the key risks to the Council objectives. The control environment has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a <b>significant risk</b> that objectives will not be achieved.
<b>NO</b>	There is <b>no assurance</b> to be derived from the management of key risks to the Council objectives. There is an absence of several key elements of the control environment in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite and the residual risk to objectives. There is a <b>high risk</b> that objectives will not be achieved.

1. **Control Environment:** The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
  - establishing and monitoring the achievement of the authority's objectives;
  - the facilitation of policy and decision-making;
  - ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
  - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
  - the financial management of the authority and the reporting of financial management; and
  - the performance management of the authority and the reporting of performance management.
2. **Risk Appetite:** The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.
3. **Residual Risk:** The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

**APPENDIX E (cont'd)****INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

RISK	DEFINITION
<p style="text-align: center;"><b>HIGH</b></p> <p style="text-align: center;">●</p>	<p>The recommendation relates to a <b>significant threat</b> or opportunity that impacts the Council's corporate objectives. The action required is to mitigate a substantial risk to the Council. In particular it has an impact on the Council's reputation, statutory compliance, finances or key corporate objectives. <b>The risk requires senior management attention.</b></p>
<p style="text-align: center;"><b>MEDIUM</b></p> <p style="text-align: center;">●</p>	<p>The recommendation relates to a <b>potentially significant threat</b> or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the Council. In particular an adverse impact on the Department's reputation, adherence to Council policy, the departmental budget or service plan objectives. <b>The risk requires management attention.</b></p>
<p style="text-align: center;"><b>LOW</b></p> <p style="text-align: center;">●</p>	<p>The recommendation relates to a <b>minor threat or opportunity</b> that impacts on operational objectives. The action required is to mitigate a minor risk to the Council as a whole. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives. <b>The risk may be tolerable in the medium term.</b></p>
<p style="text-align: center;"><b>NOTABLE PRACTICE</b></p> <p style="text-align: center;">●</p>	<p>The activity <b>reflects current best management practice</b> or is an innovative response to the management of risk within the Council. <b>The practice should be shared with others.</b></p>

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## Corporate Fraud Investigation Team Progress Report April to May 2016

**Contact Officers:** Garry Coote  
**Telephone:** 01895 250369

### REASON FOR ITEM

To inform members of the work undertaken by the Corporate Fraud Investigation Team (CFIT) for April to May 2016.

### OPTIONS AVAILABLE TO THE COMMITTEE

The committee is asked to consider and note the Corporate Fraud Investigation Team report.

### INFORMATION

#### 1. Roles and Responsibilities

The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Fraud Investigation Team (CFIT) supports this by providing efficient value for money anti-fraud activities and investigates all referrals to an appropriate outcome. The Team provides support, advice and assistance on all matters of fraud risk including prevention, fraud detection, other criminal activity and deterrent measures.

Corporate Fraud Investigation Team activities since April 2016 included:

- Social Housing fraud
- Council Tax/Business Rates inspections
- Single Person Discount (SPD)
- Residency and Verification checks
- Right to Buy investigations
- Proceeds of Crime investigations
- Housing Waiting List
- Enhanced Recruitment Verification
- Council Tax Reduction Scheme (CTR)
- Trading Standards
- Blue Badge
- Bad debts
- Students
- Unaccompanied Asylum Seekers

## 2. Corporate Fraud Investigation Team Objectives

The Corporate Fraud Investigation Team aims to maximise income and reduce expenditure for the Council. The team intends to detect and prevent fraud across all Council activities and when appropriate prosecute offenders. The results of the work of the CFIT will ensure Hillingdon is able to achieve the objective of putting residents first.

## 3. Performance Outcomes April 2016 – May 2016

### 3.1 Social Housing Fraud

In October 2013 the Government passed legislation to criminalise sub-letting fraud. On conviction, tenancy fraudsters face up to two years in prison or a fine. Hillingdon will use these powers to prosecute suitable cases.

The CFIT investigates suspected cases of social housing fraud which are identified either by direct referral from Housing Officers, data matching exercises, verification and repairs visits or telephone calls to the fraud hotline. In 2015/16 the CFIT has recovered 74 properties which are now available to be re-let to residents in genuine housing need. In April and May this year 11 properties have already been recovered.

The Audit Commission, in their report 'Protecting the Public Purse 2014' estimated that nationally it costs councils on average £18,000 a year for each family placed in temporary accommodation. The target set by CFIT for 2016/17 is to recover 52 properties (1 a week).

In total since the commencement of this project in 2010 the CFIT have recovered 271 properties which using the Audit Commission calculation equates to savings of just over £4.9 million.



To promote this project the Blow the whistle on Housing Cheats poster appears in Hillingdon People and Council reception areas. This helps to generate calls to the fraud hotline, all referrals are fully investigated.

Examples of combating social housing fraud are also publicised in Hillingdon People. These articles often describe the improved quality of life for Hillingdon residents who have been allocated the tenancy of a recovered property. This generates positive feedback from residents and encourages reporting of suspected social housing fraud.

An article in the March/April edition of Hillingdon People reported on a Social Housing Fraud case. This informed residents of a recent case where Housing Investigation Officers identified that a tenant was not living in their 2 bed property and they had also put in a Right to Buy application for this address.

As a result of this investigation the tenancy was terminated and the Right to Buy was cancelled. This property was then allocated to tenants who wanted to downsize from a 4 bed property. The tenants in the photograph are very happy and settled in their new 2 bed property which they find more manageable and suitable for their needs.



These tenants vacated a 4 bed property meaning this was then available to house a family in genuine need of large accommodation.

Table 1 shows the number of properties recovered monthly and the notional savings achieved based on the Audit Commission calculation.

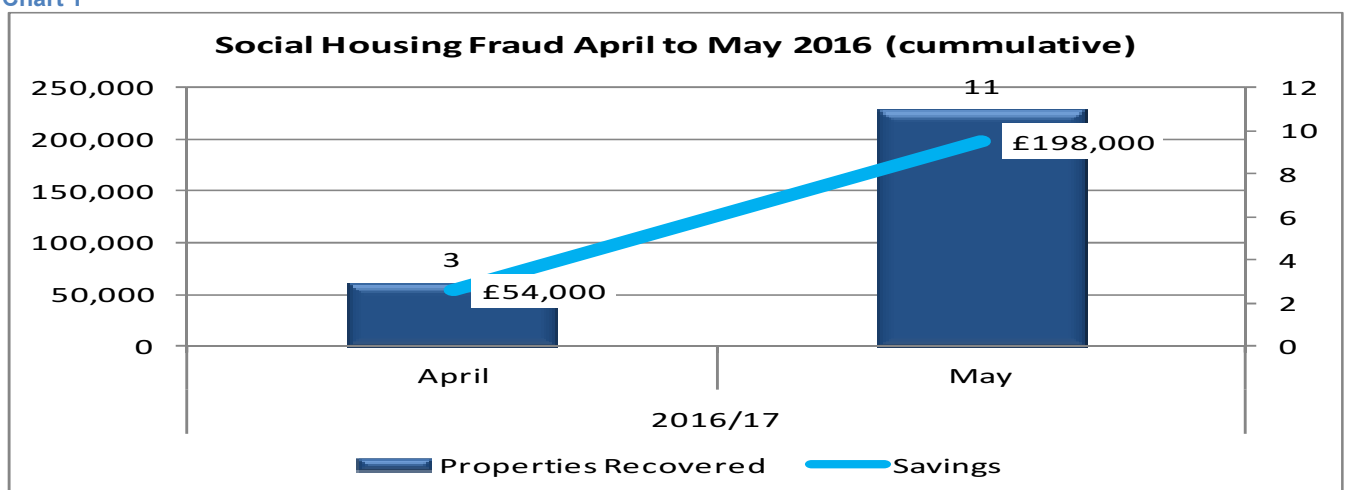
Table 1

Social Housing Fraud – number of properties recovered and savings achieved			
2016/17			
	April	May	Total
Number	3	8	11
Savings	£54,000	£144,000	£198,000

\*The Audit Commission estimates that every property recovered represents a saving of £18,000

Chart 1 shows the cumulative properties recovered and saving since April 2016.

Chart 1



In April 2016 the CFIT commenced a new project in partnership with the Housing repairs service. The repairs service is required to carry out annual Gas Safety checks on all council owned properties. If they are experiencing problems gaining access cases are referred to the

CFIT for further investigation. Since April this year this project has identified 4 cases where the property was unoccupied and was returned to the housing stock for re-allocation.

Inter-departmental working is essential in combating social housing fraud. For example working with education in connection with children permanently missing education which could relate to abandoned or sub-let properties.

The CFIT also deliver presentations about their work to various staff groups across the Council to raise awareness. One such presentation to caretaking staff prompted a caretaker to refer a property he suspected was being sublet, this was investigated and this suspicion was confirmed. This property has now been returned to housing stock for re-allocation.

### 3.2. Council Tax and Business Rates Inspections

The inspection role for Council Tax and Business Rates within the CFIT is crucial in terms of maximising the Councils revenue income.

In April and May 2016 there have been 2,547 visits. The visiting programme is very intense and officers are trained in all areas of work to ensure an efficient and planned approach to all visits.

Council Tax Inspections are generally reactive and identify the status of those claiming discounts and exemptions. Where the visit establishes the wrong amount of Council Tax is being charged the account is changed and the person re-billed. 1,756 Council Tax inspection visits have been made from April 2016 to May 2016. These visits included checks on 514 properties that were recorded as long term empty (properties empty in excess of 6 months). Of these 172 were identified as occupied. This meant that 342 properties were actually unoccupied which was a reduction of 121 on our last Government Return on 5<sup>th</sup> October 2015. The Government rewards Councils for reducing the number of unoccupied properties under the New Homes Bonus Scheme. If this success is maintained the Council will receive approximately £188k per annum from 2017/18.

Business Rate inspection visits are carried out to check occupation status of commercial premises to ensure the Council maximises the non domestic rate revenue. Similarly, the new build visits are carried out to ensure properties are rated for domestic or business rates as soon as they are completed. It is estimated that from January 2016 to March 2017 there will be approximately 1,300 new build properties being developed in Hillingdon. This represents a significant amount of additional revenue. 791 visits have been made between April 2016 and May 2016 to check Business Rates and New Build Inspections.

The robust visiting programme continues in 2016/17 working with internal partners such as planning to monitor new developments with the aim of maximising revenue potential. Table 2 and chart 2 show the number of visits carried out each month since April 2016.

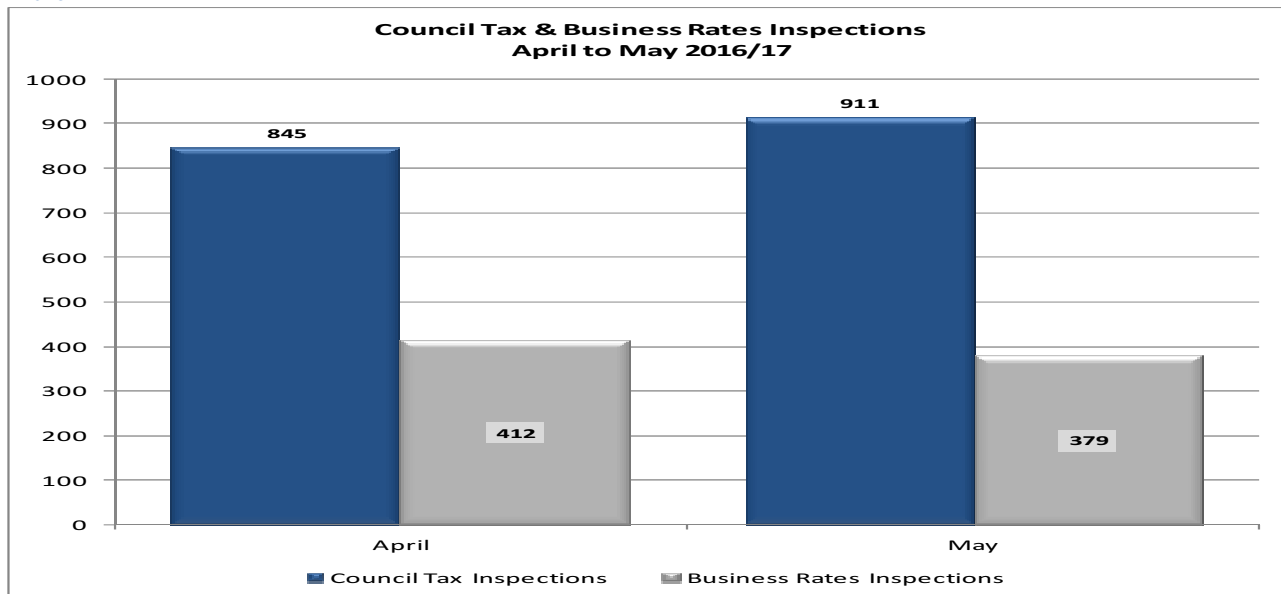
Table 2

<b>Council Tax and Business Rates Inspections</b>		
	<b>Number of Council Tax Inspections</b>	<b>Number of Business rates and New Build Inspections</b>
<b>April</b>	845	412
<b>May</b>	911	379
<b>YTD 2016/17</b>	1,756	791
<b>Income«</b>	Increase in CT revenue	Increase in Business Rate/New Build revenue

« Data is not specifically recorded of the increased revenue from CFIT inspections. This additional income contributes to the overall Council Tax and Business Rates revenue.



Chart 2



### 3.3 Single Person Discount (SPD)

The CFIT have been working on a project since January 2015 to identify incorrect claims for Single Person Discount. The project is producing very positive results in terms of reducing the number of SPD claims and generating additional income to the Authority. There are currently 29,800 SPD claims in Hillingdon. Since the commencement of this project SPD numbers are the lowest they have been for the last five years.

The CFIT are operating 5 work streams to match internal data sources against SPD claims.

Under the first work stream Hillingdon First card applications are automatically data matched to SPD records on a daily basis. This process establishes if more than one person is registered for a Hillingdon First card at an address where SPD is being claimed.

The second work stream concerns 'notices of the intention to marry' submitted to the Registrar's Office. Couples have to include their current residence on these applications and these details are matched to SPD claims.

The third work stream involves data matching SPD records with the Electoral register. This establishes if more than one person is registered at an address.

The fourth work stream concerns SPD reviews where visits are made to verify occupancy of a property where SPD is being claimed. Properties in the higher council tax bandings are being targeted, if these are found to be incorrect there will be a greater financial return.

A new fifth work stream will commence in August 2016. This will involve school places applications. Applications include household composition information and this will be data matched against SPD records.

If a suspected SPD fraud is identified the CFIT carries out additional background checks on the claimant, such as housing records, benefit records, school records and Equifax online credit reference checks. A member of the CFIT then contacts the claimant either by telephone, letter or personal visit to discuss the claim and the evidence indicating fraudulent activity. In most instances as a result of this contact, claimants choose to resolve matters swiftly and make

arrangements to repay the Council any monies they have previously claimed in discount. They are keen to settle the matter and avoid any legal repercussions.

We have also run some additional in house reports to compare information on different systems.

Since April 2016 the CFIT have cancelled 128 SPD claims resulting in overpayments of £96k as shown in table 3.

Table 3

Council Tax - Single Person Discount – since April 2016		
Workstream	Number of claims stopped	Overpaid SPD
Hillingdon First Card data matching	15	£7k
Notices of intention to marry checks	28	£18k
Electoral registration data matching	64	£53k
SPD reviews	2	£2k
In-house data matching reports	19	£16k
<b>Total</b>	<b>128</b>	<b>£96k</b>

Charts 3 and 4 show summaries of the SPD overpayments and the number of households where claims have been cancelled from the intervention of the CFIT.

Chart 3

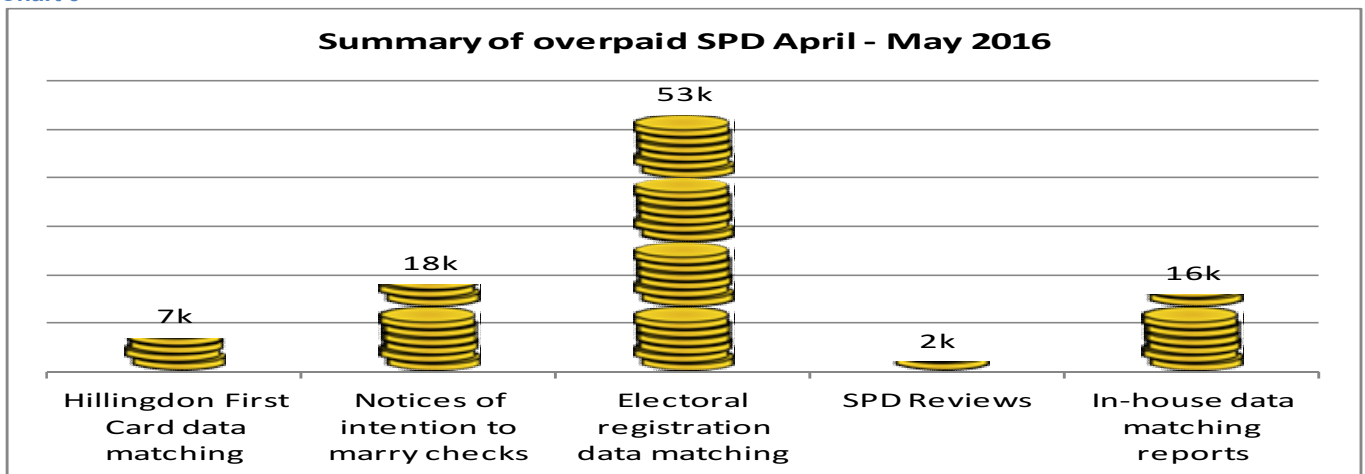
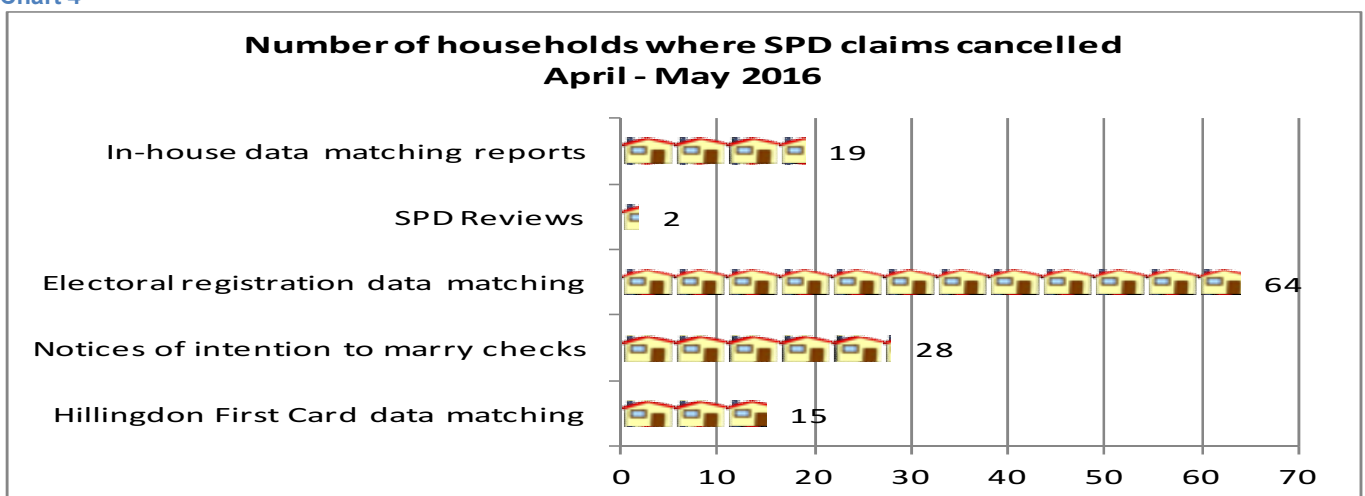


Chart 4



In cases where there is evidence of serious fraud the CFIT will look to pursue the prosecution of the claimant.



The poster opposite appears in issues of Hillingdon People and notice boards around the Borough to raise the profile of Single Person Discount abuse.

### 3.4 Residency and Verification checks

The aim of this project is to prevent false claims for housing from people that do not qualify for housing support from Hillingdon. This means people who are misrepresenting themselves as homeless and therefore do not have a genuine housing need.

Since April 2016 there have been 2 bed and breakfast accommodations recovered as they were unoccupied by clients who claimed to have been homeless. At the end of June 2016 an exercise is planned to visit all bed and breakfast accommodation to check residency. This visiting programme will be carried out by CFIT, Housing Options and Housing Rents staff.

The CFIT will continue to carry out unannounced visits to Bed & Breakfast/Temporary Accommodation to verify residency throughout the year. The average duration of a bed & breakfast placement is 17 weeks. Therefore for the 2 cancellations so far this year approximately £9,758 will be saved through this activity.

The CFIT are working with Housing Officers to identify applicants where there is a suspicion that a fraudulent claim has been made. This could include applicants submitting false wage slips in an attempt to verify economic activity. This would indicate financial independence which is a condition for some claimants to secure a tenancy and increase welfare benefits. Another example is where people falsely claim they are being evicted from an address in Hillingdon when they have never actually been a resident at this address. They are often giving this fraudulent information to attempt to meet the 10 year residency rule. Officers from the CFIT have trained Housing Officers on the identification of possible fraudulent claims. These cases are then referred to the CFIT for investigation.

From March 2016 the CFIT have taken over the responsibility of verifying the circumstances of people on the housing waiting list prior to their imminent offer of permanent accommodation. This is to ensure they are still eligible before the offer is made. The verification process put in place by the CFIT is more robust and includes a wider range of thorough checks. These checks are being processed quicker and are now carried out within 2 days. Verifications take place over a 24 hour period 7 days a week. The service provided has been well received by residents who have been grateful for the flexibility of visit times to suit their availability. To date 476 verification checks have taken place. Of these 5 were found to not be eligible for housing support.

Table 4

<b>Residency &amp; Verification Check cancellations</b>		
	<b>YTD 2016/17</b>	<b>Savings per week</b>
Temporary Accommodation Cancelled	2	« £574
CFIT verification check	5	
<b>Total savings</b>		<b>£9,758</b>

« Average B&B placement = 17 weeks calculates to £4.879

### 3.5 Right to Buy

Right to Buy applications are verified by the Corporate Fraud Investigation Team. Since April 2016 verifications have been carried out on 20 cases and of these none have been found to be incorrect. An Officer from the CFIT regularly attends London Right to Buy Peer Group meetings. From these meetings it is apparent that Hillingdon is currently carrying out all the relevant checks and investigations in this area of fraud prevention and detection. In April 2015 the Hillingdon CFIT designed a new form to be completed by Right to Buy applicants. This form has been adopted by other local authorities preventing fraudulent applications,

### 3.6 Proceeds of Crime Investigations (POCA)

The role of the Accredited Financial Investigator (AFI) is crucial in the fight against crime. The aim is not only to prosecute serious offenders but also to look at recovering additional monies where the offender has benefited financially from their crimes and a criminal lifestyle can be demonstrated.

These investigations are complex and are often challenged by the offender which results in lengthy legal processes. Therefore it may take many months for a case to reach court and a confiscation order agreed and paid. Hillingdon Council has two fully qualified AFIs.

During 2015/2016, three confiscation orders, totalling £47,610.70 were obtained. These related to three defendants involved in the importation and distribution of counterfeit goods. Confiscation orders obtained prior to 2015 continued to be paid off during 2015/2016 with payments totalling £589,533.25 being made. The majority of these payments related to a security alarms company. Hillingdon Council has received £93,485.36 in incentivisation money from the Home Office in respect of these orders with the remaining £127,589.61 due on 30 June 2016.

Since April 2016 CFIT has successfully obtained a £9,500 confiscation order against a rogue landlord who had erected an unlawful outbuilding in the garden of his property. He then rented out rooms in both the outbuilding and the main house in contravention of planning and housing legislation.

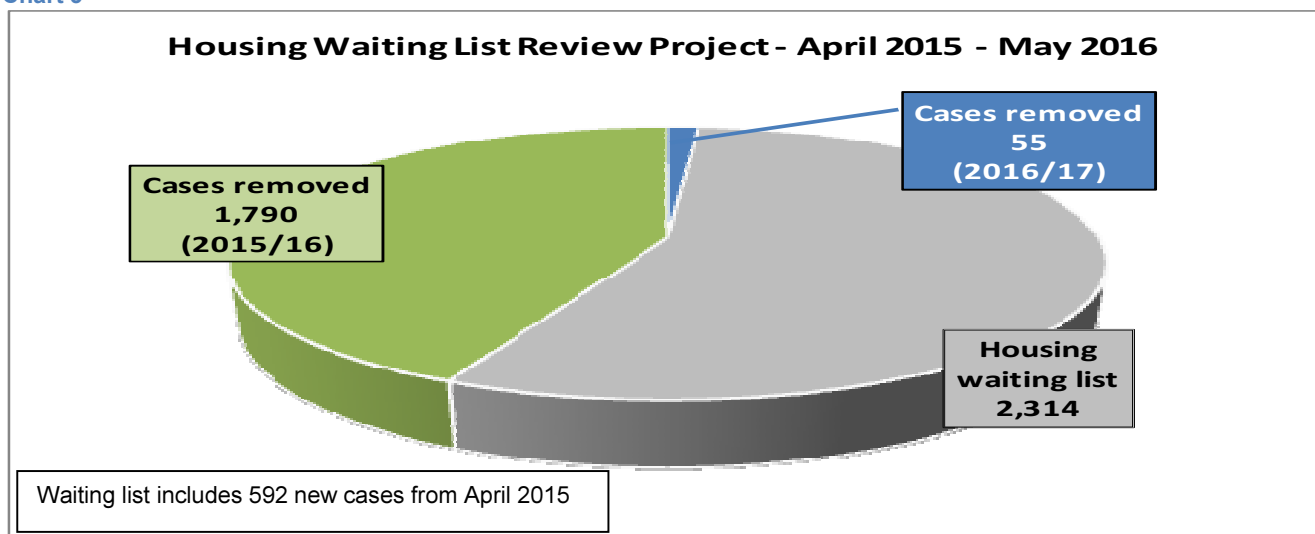
Five cases are currently under investigation, three relate to breaches of planning control and two relate to breaches of trading standards legislation.

### 3.7 Housing Waiting List

A project was set up by the CFIT in April 2015 to review the current Housing Register Waiting List, at that time there were 3,567 applications on the waiting list. The purpose of the project was to identify through checking council records, such as Council Tax information and electoral registration, people on the waiting list who were no longer entitled to Social Housing. Their circumstances had either changed or they provided false information on their application.

Removing these people from the waiting list means that the Council will have an accurate data relating to current social housing needs for effective forward planning.

Chart 5



Since the project commenced on 27<sup>th</sup> April 2015, the CFIT reviewed all cases. Cases where a change was readily identifiable were targeted for investigation and if they were no longer eligible they were removed. This has meant that 1,845 applications have been removed from the waiting list. Of these, 55 have been removed since April 2016. In the process of this exercise the CFIT has also identified 29 cases where the household has been incorrectly claiming Single Person Discount for Council Tax which totals £13.5k. This review project will be ongoing in 2016/17 to carry out enhanced checks on the remaining cases on the waiting list. At 4<sup>th</sup> April 2016 there were 2,314 applications on the housing waiting list; this includes new people added to the list since the project began.

### 3.8 Enhanced Recruitment Verification

HR have presented a report which was approved by the Corporate Management Team in December 2015. A pilot project has been re-scheduled to commence in September 2016, the CFIT will carry out enhanced checks to verify identity, qualification, education documents and employment history. This will ensure eligibility to work and effective recruitment. The CFIT has previously identified staff through routine data matching who were ineligible to work because of their immigration status. Expanding these checks in the recruitment process would prevent the future employment of fraudulent applicants. This would prevent damage to the Councils reputation, reduce unnecessary recruitment costs and ensure the appointment of suitably qualified staff.

### 3.9 Council Tax reduction scheme (CTR)

The CFIT is currently reviewing CTR claims against the national fraud initiative data matches. All cases where anomalies are identified will be investigated and appropriate action taken. Results from this exercise will be reported in future CFIT performance reports.

### 3.10 Trading Standards

Following a BID review the responsibility for Trading Standards has been transferred to the CFIT from November 2015. This will enhance the opportunities for joint working and achieve efficiency of skills and resources.

In order to raise awareness of the work of the Trading Standards Team an article appeared in the March/April edition of Hillingdon People. This informed residents of the effectiveness of the Trading Standards Team and the specific areas they cover. The aim of this article was to promote the reporting of suspected breaches of Trading Standards legislation.

HILLINGDON community safety

# Protecting Hillingdon consumers

The council's Trading Standards team ensures businesses are aware of their obligations to consumers and do not infringe consumer protection laws.

They work hard to protect vulnerable residents from rogue traders, reduce anti-social behaviour by controlling the sale of age-restricted goods, block the trade in counterfeit goods to protect legitimate businesses, protect consumers from shoddy and unsafe goods, make sure prices are correct, disrupt linked criminal activity and enforce legislation governing the accuracy of commercial weighing and measuring equipment.

The council receives details of complaints from Citizens Advice and routinely investigates tip-offs.

## Recent examples of the council's work in protecting Hillingdon residents:

### Unsafe hoverboards destroyed

More than 43,722 hoverboards were detained nationally during the lead up to Christmas and the start of January, as numbers spiked at UK entry points.

There were 22 consignments examined by Hillingdon officers at Heathrow, containing 2,104 self-balancing scooters, of which, 1,974 were deemed unsafe and destroyed.

Major safety risks have been identified with the goods, including issues with plugs, cables, batteries and cut-off switches. These faults can cause the product to overheat, explode or catch fire.

**Cllr Bianco, Cabinet Member for Finance, Property and Business Services**, said: "Protecting consumers from harm is a top priority for the council and these numbers reveal how volatile these products currently are. Preventing hundreds of unsafe boards from being released onto the market is a win for the council and consumers."



UK, an organisation who provide expertly trained sniffer dogs.

In total, 36,405 cigarettes, 17,200g hand rolling tobacco and 20,083g of chewing tobacco were seized.

In December, a national operation managed by the Chartered Trading Standards Institute, saw the council lead a boroughwide raid, assisted by the council's Fraud team, police and Wagtail UK.

In total, 2,798 cigarettes, 2,200g hand rolling tobacco and 21 packets of chewing tobacco were seized. 779 bottles and cans of illegal alcohol were also recovered.

Licence reviews and prosecutions will now be undertaken.

The council regularly receives tip-offs and complaints regarding illicit sales of tobacco and alcohol and carries out frequent checks and searches. Businesses who sell such goods risk losing their licences and face prosecution, which can result in hefty fines.



**ILLICIT GOODS**  
Left: Hoverboards seized  
Far left: Alcohol recovered  
Below: Sniffer dog finds hidden tobacco

### Operation Liberal targets doorstep crime

The team visits a number of doorstep crime incidents throughout the year, where criminals cold call residents at their homes, targeting the vulnerable and taking advantage of householders by using high-pressure sales techniques.

Victims are often persuaded to pay for work that is not required, substandard, expensive or not contracted.

Every year, the council takes part in the multi-agency national Operation Liberal, where councils and police work together to take part in a week of targeted visits to raise awareness of and tackle doorstep crime.

The council urges residents to always check identification of callers. Even if it looks legitimate, contact the organisation to verify they are who they say.

**I**nformation to report fraud visit [www.actionfraud.org.uk](http://www.actionfraud.org.uk) or call 0300 123 2040. The Metropolitan Police has issued The Little Book of Big Scams, in which they list all of the most common and sophisticated scams. It is available on the fraud alert link on [www.hillingdon.gov.uk/scams](http://www.hillingdon.gov.uk/scams)

### Counterfeit goods possession costs man £40,000

Using the Proceeds of Crime Act, in December 2015, we successfully obtained a confiscation order in the sum of £40,000 at Isleworth Crown Court, after 29,000 counterfeit items were found in a self-storage lock up in Hayes.

Tarlochan Singh Bindra, 32, of West Drayton, was given three months to pay the sum, with a default prison sentence of 17 months.

The Trading Standards team routinely visits a number of self-storage locations across the borough. In February 2013, in the unit rented by Bindra, they found fake Beats by Dr Dre headphones, Sony watch batteries and cigarette lighters bearing the trademarks of Chelsea, Liverpool and Manchester United Football Clubs.

Bindra was prosecuted for possessing the counterfeit goods in November 2014, pleading guilty to 10 charges. He was sentenced to 10 weeks imprisonment (suspended for 12 months) and 100 hours of unpaid work.

**Cllr Bianco**, said: "This was a great outcome for the council, illustrating

that crime does not pay in the end. If anyone offers you suspiciously cheap goods, you should not get involved. Take their details and report them to the council or Citizens Advice. The money we have reclaimed will allow the council to invest in frontline services that matter to you."



**I**f you suspect businesses or traders are not following consumer protection laws, report them to the Citizens Advice consumer helpline on 03454 04 05 06

In April and May 2016 there were 53 new complaints and service requests received. These ranged from reports of sales of age-restricted goods to minors, sales of counterfeit goods, and unsafe consumer products to requests for business advice and guidance.

An Officer took part in national Operation Liberal targeting Doorstep Crime, accompanied by a Police Officer. 27 builders were spoken to and checks carried out to ensure that the required information was being given to householders. The opportunity was also taken to raise awareness of doorstep crime and how to prevent falling victim to rogue traders.

2 (Alcohol) Premises Licences reviews were initiated by Trading Standards as a result of joint enforcement visits which took place last year in partnership with the Police and Her Majesty's Revenue and Customs (HMRC). Counterfeit and non-duty paid alcohol and tobacco was found on the premises; one licence was revoked by the Licensing Sub-committee (decision now subject to appeal at the Magistrates' Court), and new conditions were added to the second. A Simple Caution was issued to a third trader on whose premises a small quantity of counterfeit tobacco was found. A review of his premises licence is due to take place shortly.

A Trading Standards Officer made a short presentation on Cyber Fraud at Hillingdon Expo held recently at Brunel University

### **3.11 Blue Badge**

Two targeted operations in conjunction with the police are planned for 2016/17.

### **3.12 Bad Debts**

In May the CFIT began working with the Council's Specialist Recovery Team (SRT). The CFIT have taken over cases where it is proving difficult to recover the debt even after bailiff involvement. The CFIT have developed a comprehensive investigations process because of their enhanced access to external systems and availability to visit 24 hours a day 7 days a week.

One example involved a landlord who owns numerous properties and had Council Tax debts of over £30k. This landlord had been evasive to contact with the SRT and continually broken payment agreements. Following an investigation and interview with the CFIT the landlord paid £5,000 in a lump sum and has agreed to pay £2,000 a month of the arrears. The landlord is aware that if this agreement is broken further legal action will be taken by the Council.

It was evident from the interview that the landlord was very concerned at the implications from the involvement of the Fraud team and therefore wanted to resolve the issue.

Early indications suggest that this project will be very productive in the future in respect of generating additional revenue for the Council.

### **3.13 Students**

Since April 2016 a new project to look at student council tax exemptions commenced. There are currently 874 properties where students are registered as exempt from Council Tax in Hillingdon, the majority of these are Brunel students. The CFIT are in the process of negotiating access to the Brunel student database to facilitate data matching with the Council Tax student list. Initial checks (without the Brunel list) have identified 9 cases where exemptions should not be granted. This generated an additional £4,500 income.

### 3.14 Unaccompanied Asylum Seekers

The CFIT has been asked by the Corporate Director of Children's Social Care to work with Social Care staff to verify the circumstances of asylum seekers financially supported by social care. Updates on this project will be provided in future reports.

### 4. CFIT Work Plan for 2016/17

The following Work Plan provides an indication of the CFIT planned work programme for 2016/17.

	What difference will this make
<b>Housing</b>	
Housing verifications	<ul style="list-style-type: none"> <li>• Allocation to residents in genuine Housing need</li> </ul>
Bed & breakfast checks	<ul style="list-style-type: none"> <li>• Ensure residents eligibility to the service</li> </ul>
Temporary accommodation	<ul style="list-style-type: none"> <li>• Ensure residents eligibility to the service</li> </ul>
Social Housing Fraud	<ul style="list-style-type: none"> <li>• Recovery of unlawful use of Council properties</li> <li>• Allocation to residents in genuine housing need</li> </ul>
Housing waiting list	<ul style="list-style-type: none"> <li>• Ensure residents eligibility to the service, reduction in waiting list</li> </ul>
Housing applications	<ul style="list-style-type: none"> <li>• Ensure residents eligibility to the service</li> <li>• Allocation to residents in genuine Housing need</li> </ul>
Right to Buy	<ul style="list-style-type: none"> <li>• Ensure residents eligibility</li> </ul>
<b>Council Tax Revenue</b>	
Single Person Council Tax Discount	<ul style="list-style-type: none"> <li>• Ensure residents eligibility to the discount</li> <li>• Increased revenue</li> </ul>
Student Council Tax discount	<ul style="list-style-type: none"> <li>• Ensure residents eligibility to the discount</li> <li>• Increased revenue</li> </ul>
Council tax inspections	<ul style="list-style-type: none"> <li>• Increased revenue</li> </ul>
Business rates inspections	<ul style="list-style-type: none"> <li>• Increased revenue</li> </ul>
<b>Targeted projects</b>	
Blue Badge checks	<ul style="list-style-type: none"> <li>• Reduction in misuse of scheme, increase parking availability to genuine badge holders</li> </ul>
Enhanced recruitment verification	<ul style="list-style-type: none"> <li>• Suitable qualified staff recruited</li> <li>• Protect Council reputation</li> <li>• Reduction in recruitment costs</li> </ul>
Proceeds of Crime investigations	<ul style="list-style-type: none"> <li>• Increase revenue</li> <li>• Prevents future abuse</li> </ul>
Recovery of bad debts	<ul style="list-style-type: none"> <li>• Increase revenue</li> </ul>
Data matching	<ul style="list-style-type: none"> <li>• Increase revenue</li> <li>• Ensure residents eligibility to services</li> </ul>
Trading Standards investigations	<ul style="list-style-type: none"> <li>• Reduction in abuse of legislation, eg selling of illegal tobacco or alcohol</li> </ul>
Mobile working	<ul style="list-style-type: none"> <li>• Improved efficiency, increased checks and investigation capacity</li> </ul>
Cross departmental working	<ul style="list-style-type: none"> <li>• Ensure residents eligibility</li> <li>• Increase revenue</li> <li>• Appropriate use of Council funds</li> </ul>



# Agenda Item 10

## Audit Committee Forward Programme 2016/17 and 2017/18

**Contact Officer:** Alex Quayle  
**Telephone:** 01895 250692

### REASON FOR ITEM

This report is to enable the Audit Committee to review planned meeting dates and the forward programme.

### OPTIONS AVAILABLE TO THE COMMITTEE

1. To confirm dates for Audit Committee meetings; and
2. To make suggestions for future agenda items, working practices and/or reviews.

### INFORMATION

All meetings to start at 5.00pm

Meetings	Room
12 July 2016	CR3
22 September 2016	CR4
15 December 2016	CR4
16 March 2017	CR4
tbc June 2017	tbc

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PART I – MEMBERS, PUBLIC AND PRESS

Audit Committee – 12 July 2016

## AUDIT COMMITTEE

### Forward Programme 2016/17 and 2017/18

Meeting Date	Item	Lead Officer
12 July 2016	*Private meeting with Head of Business Assurance to take place before the meeting	
	Appointment of Chairman	
	Training Item - Statement of Accounts	Chief Accountant
	Draft Annual Governance Statement 2015/16	Head of Policy
	Annual Internal Audit Report & Head of Internal Audit Opinion Statement 2015/16	Head of Business Assurance
	Internal Audit 2016/17 Quarter 1 Progress Report & Quarter 2 Operational Internal Audit Plan	Head of Business Assurance
	Corporate Fraud Team Progress Report	Corporate Fraud Investigations Manager
	Risk Management Report & Q4 Corporate Risk Register - Part II	Head of Business Assurance
	Audit Committee Forward Programme	Democratic Services Manager

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PART I – MEMBERS, PUBLIC AND PRESS

Audit Committee – 12 July 2016

<b>Meeting Date</b>	<b>Item</b>	<b>Lead Officer</b>
<b>22 September 2016</b>	<b>*Private meeting with the Corporate Fraud Investigations Manager to take place before the meeting</b>	
	<b>Training Item - tbc</b>	<b>tbc</b>
	<b>Approval of the 2015/16 Statement of Accounts and External Audit Report on the Audit for the year ended 31 March 2016</b>	<b>Corporate Director of Finance /Ernst &amp; Young</b>
	<b>External Audit Report on the Pension Fund Annual Report and Accounts 2015/16</b>	<b>Ernst &amp; Young</b>
	<b>Internal Audit Progress Report 2016/17 Quarter 2 &amp; Operational Internal Audit Plan Quarter 3</b>	<b>Head of Business Assurance</b>
	<b>Internal Audit Charter 2016/17</b>	<b>Head of Business Assurance</b>
	<b>Annual Review on the Effectiveness of Internal Audit 2016/17</b>	<b>Head of Business Assurance</b>
	<b>Annual Review of the Effectiveness of the Audit Committee 2016/17</b>	<b>Head of Business Assurance</b>
	<b>Corporate Fraud Team Progress Report</b>	<b>Corporate Fraud Investigations Manager</b>
	<b>Risk Management Report &amp; Q1 Corporate Risk Register - Part II</b>	<b>Head of Business Assurance</b>
	<b>Audit Committee Forward Programme</b>	<b>Democratic Services Manager</b>

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**PART I – MEMBERS, PUBLIC AND PRESS**

Audit Committee – 12 July 2016

<b>Meeting Date</b>	<b>Item</b>	<b>Lead Officer</b>
<b>15 December 2016</b>	<b>*Private meeting with the Corporate Director of Finance to take place before the meeting</b>	
	<b>Training Item - tbc</b>	<b>tbc</b>
	<b>External Audit Annual Grant Audit Letter 2015/16</b>	<b>Ernst &amp; Young</b>
	<b>Draft Treasury Management Strategy 2017/18 to 2021/22</b>	<b>Corporate Director of Finance</b>
	<b>Internal Audit Progress Report 2016/17 Quarter 3 &amp; Operational Internal Audit Plan Quarter 4</b>	<b>Head of Business Assurance</b>
	<b>Corporate Fraud Team Progress Report</b>	<b>Corporate Fraud Investigations Manager</b>
	<b>Risk Management Report &amp; Q2 Corporate Risk Register - Part II</b>	<b>Head of Business Assurance</b>
	<b>Audit Committee Forward Programme</b>	<b>Democratic Services Manager</b>

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PART I – MEMBERS, PUBLIC AND PRESS

Audit Committee – 12 July 2016

<b>Meeting Date</b>	<b>Item</b>	<b>Lead Officer</b>
<b>16 March 2017</b>	<b>*Private meeting with External Audit (Ernst &amp; Young) to take place before the meeting</b>	
	<b>Training Item - tbc</b>	<b>tbc</b>
	<b>Annual External Audit Plan 2015/16 (Ernst &amp; Young)</b>	<b>Corporate Director of Finance /Ernst &amp; Young</b>
	<b>Annual Governance Statement 2015/16 – Interim Report</b>	<b>Head of Policy</b>
	<b>Balances and Reserves Statement</b>	<b>Corporate Director of Finance</b>
	<b>Revisions to the Treasury Management Strategy Statement and Investment Strategy 2017/18 to 2021/22</b>	<b>Corporate Director of Finance</b>
	<b>Internal Audit Progress Report 2016/17 Quarter 4</b>	<b>Head of Business Assurance</b>
	<b>Annual Internal Audit Plan 2017/18 &amp; Operational Internal Audit Plan Quarter 1</b>	<b>Head of Business Assurance</b>
	<b>External Quality Assessment of Internal Audit 206/17</b>	<b>Head of Business Assurance</b>
	<b>Corporate Fraud Team Progress Report</b>	<b>Corporate Fraud Investigations Manager</b>
	<b>Risk Management Report &amp; Q3 Corporate Risk Register - Part II</b>	<b>Head of Business Assurance</b>
	<b>Audit Committee Forward Programme</b>	<b>Democratic Services Manager</b>

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PART I – MEMBERS, PUBLIC AND PRESS

Audit Committee – 12 July 2016

<b>Meeting Date</b>	<b>Item</b>	<b>Lead Officer</b>
<b>tbv July 2017</b>	<b>*Private meeting with Head of Business Assurance to take place before the meeting</b>	
	<b>Appointment of Chairman</b>	
	<b>Training Item - TBC</b>	<b>Chief Accountant</b>
	<b>Draft Annual Governance Statement 2016/17</b>	<b>Head of Policy</b>
	<b>Annual Internal Audit Report &amp; Head of Internal Audit Opinion Statement 2016/17</b>	<b>Head of Business Assurance</b>
	<b>Internal Audit 2017/18 Quarter 1 Progress Report &amp; Quarter 2 Operational Internal Audit Plan</b>	<b>Head of Business Assurance</b>
	<b>Corporate Fraud Team Progress Report</b>	<b>Corporate Fraud Investigations Manager</b>
	<b>Risk Management Report &amp; Q4 Corporate Risk Register - Part II</b>	<b>Head of Business Assurance</b>
	<b>Audit Committee Forward Programme</b>	<b>Democratic Services Manager</b>

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**PART I – MEMBERS, PUBLIC AND PRESS**

Audit Committee – 12 July 2016

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