Progress Report to Audit Committee
2013/14 Quarter 3
December 2013

Contents

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1. Introduction

1.1   Internal Audit (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 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 in relation to internal control.

1.2   The new Public Sector IA Standards which came into force on 1 April 2013 are intended to 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.

1.3   This report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information of all IA work covered and assurance in this respect during the October to December 2013 period. It also provides an opportunity for the Head of Internal Audit (HIA) to highlight to CMT and the Audit Committee any significant issues that they need be aware of that have arisen since the last IA progress report in September 2013.

1.4   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 the period.

2. Executive Summary

2.1   Despite a reduction in IA capacity during the quarter, reasonable progress has been made in reducing the slippage in the 2013/14 IA plan. At the end of November 2013, delivery of the IA plan for the year was 2 months further ahead than compared to 12 months earlier. This has been in part achieved by beginning to implement a range of lean auditing principles, which have included reducing the time taken to approve the IA terms of references and reports. Improving the efficiency of the IA process in this way creates greater capacity for IA to add value across the organisation. It also reduces the management time required in the IA process and we are grateful to management for their co-operation in this area. Developing a more collaborative approach to IA work at Hillingdon will help reduce the risk of IA 'over-auditing' and also ensure that going forward IA resource is more focussed on the greatest risks facing the authority.

2.2   As part of the commitment to continuous improvement of the services provided by IA, the HIA has revised the IA plan for 2013/14 to defer some of the lower risk audits (i.e. Land Charges) and to add in some higher risk areas that were not previously part of the IA plan (i.e. Corporate Governance). Attached at Appendix B is the list of 2013/14 audits yet to formally commence, but planned for completion in quarter four, as well as a list of the lower risk audits deferred to 2014/15. The revised planned programme of IA work for quarter four has been discussed by IA with the relevant senior managers including CMT.

2.3   The HIA recognises that going forward the IA service needs to further improve its performance, particularly with regard to delivery of the IA plan. However, as an organisation we also need to get better in future years at setting an annual IA plan that is fully risk based, with sufficient flexibility and contingency to allow for new and emerging risks to be covered. Another benefit of revising the IA plan for the final quarter of 2013/14 is that we now have an IA plan that is deliverable by April 2014. Whilst completion of the revised quarter four IA plan is now more achievable, it will remain a significant challenge for the IA service. Its successful delivery is largely dependent on available IA resource, as well as how quickly the new initiatives within IA become embedded.

2.4   A key area of IA assurance work that has been successfully carried out in this quarter is **Treasury Management**, where we found good controls in place and risks that were being well managed. We raised **no recommendations** in this audit and issued a **Substantial assurance** opinion. This is the first time in a number of years that such a positive result has been achieved for a key material financial system audit. Other IA work completed in the quarter included the **Troubled Families Programme** (TFP) Grant Claim which we carried out at the same time as a piece of consultancy (advisory) work in this area. The TFP grant claim has now been certified by the HIA and the final consultancy report has been recently issued, which was well received by the Head of Early Intervention and Prevention Service.

2.5   Another main area of work by IA this quarter was **following-up previous recommendations** due to have been implemented. Focussing dedicated IA resource to this area has achieved a much improved outcome for the Council. As at 13 December 2013, **82%** (221 from 269) of the outstanding High and Medium risk recommendations due to have been implemented, have been **confirmed by management as now in place**. Some of these recommendations had dated back nearly three years since they were originally raised by IA. The HIA believes this success is due to the **more collaborative approach that IA is taking in working with management** to help achieve positive outcomes for the Council.

2.6   Further details of the IA work carried out in the period are included in section 3 of this report.

3. Analysis of Internal Audit Activity in 2013/14 Quarter 3

3.1   2013/14 Internal Audit Assurance Work

3.1.1   All of the IA assurance reviews carried out in the quarter three period are individually listed at Appendix A. It details the assurance levels achieved (in accordance with the assurance level definitions outlined at Appendix C) and provides an analysis of recommendations made (in accordance with the recommendation risk categories outlined at Appendix D).

3.1.2   In total **17 2013/14 IA assurance reviews were finalised during the period**. This is broadly in line with the previous period (quarter two - 18) and significantly better than the quarter three period for last financial year (12). Nevertheless, IA performance in relation to delivery of the IA plan needs to continue to improve going forward.

3.1.3   The table below highlights that **positive assurance levels were issued for 15 IA assurance reports** issued this quarter:

Assurance Level (including Schools)	Number of 2013/14 IA assurance reports finalised in Q3	Percentage of 2013/14 IA assurance reports finalised in Q3
Substantial	2	12%
Reasonable	13	76%
Limited	2	12%
No	0	0%
Totals	**17**	**100%**

3.1.4   There were **not any 'No' assurance** IA opinions and **only two 'Limited' assurance** opinions issued during the period; this is **a positive outcome for the Council**. Further, Appendix A highlights that as at 19 December 2013 there are **an additional 15 IA assurance reviews in progress**. Whilst we are on track to completes these audits over the coming weeks, there remains a significant challenge ahead for the IA team to ensure timely completion of the remainder of the 2013/14 IA plan.

3.1.5   The key findings from the **two limited assurance audits** this period were as follows:

**Bishop Winnington-Ingram C of E Primary School**

- As detailed at <u>Appendix A</u>, we raised **8 recommendations** as part of this audit including 1 **High** risk recommendation in relation to debt management and recovery. Specifically, we identified that the School had debts over three months old totalling £83,730 from parents/ guardians in relation to before and after school care. There were weak controls in place to follow up and recover payment of these debts, which represents a significant weakness in the design and operation of the School's control environment. Positive action was proposed by the School to address the risk and control issues which the IA review identified. However, as at 19 December 2013 we understand that some progress has been made in strengthening the School's debt collection procedures, although currently the debt remains outstanding. As a result, Children's Services Finances Team are liaising with the School to help progress the required improvements in this area.

West Drayton Primary School

- As detailed at <u>Appendix A</u>, we raised **10 recommendations** as part of this audit including 1 **High** risk recommendation in relation to an *ultra vires* finance lease. As part of our audit we identified the School had procured four photocopiers costing £22,847 over a three year period through a finance lease. This is a type of contractual arrangement that local authority schools do not have the mandate to enter into. Further guidance has been issued by the Council as a number of schools had entered theses type of arrangements. It is understood that the School has taken prompt action to address the risks we identified and a follow-up IA visit is planned for early 2014.

3.1.6   **Overall, the results of the IA assurance work completed in this period are positive for the Council**. The graph below highlights that **86%** of the IA assurance opinions in quarter 3 were positive (i.e. Substantial or Reasonable).

Analysis of IA Assurance Opinions issued in Q3 2013/14

Reasonable (74%)

Substantial (12%)

No (0%)

Limited (12%)
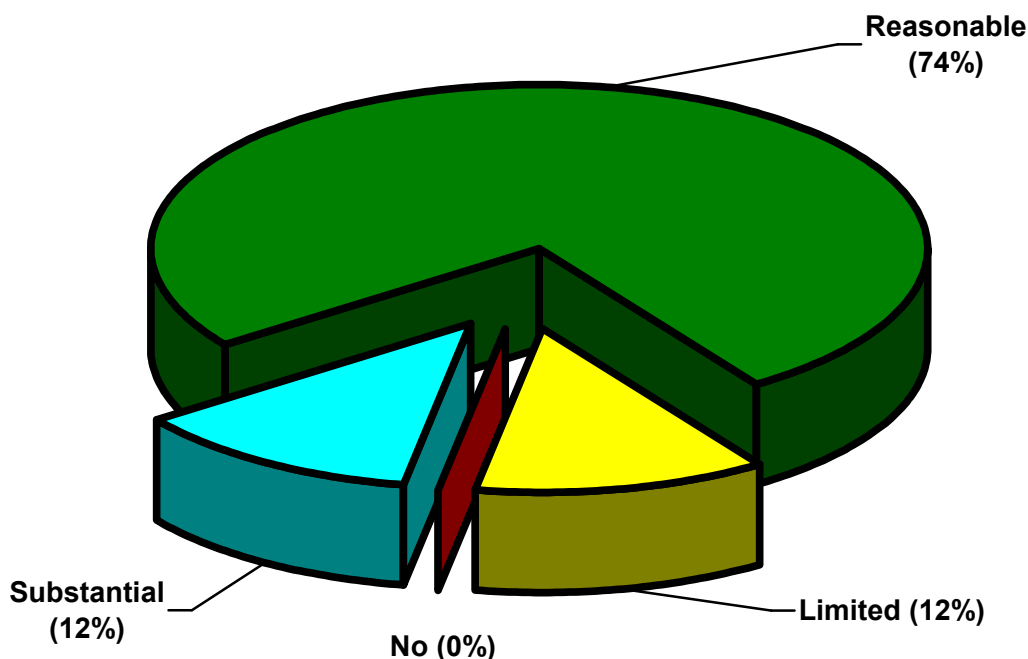
3.1.7   Given the significant level of transformational change going on across the organisation and the subsequent risks that are created, both **CMT and the Audit Committee can take substantial assurance from the results of the IA assurance work completed in quarter three**.

3.2   2013/14 Internal Audit Consultancy Work

3.2.1   IA is gradually **increasing the amount of consultancy work** that it carries out across the Council. This includes IA staff sitting on project groups, whilst ensuring they are clear about whether they are there in an assurance or advisory capacity. This type of approach will help increase IA's knowledge of corporate developments which can feed into the risk based deployment of IA resource on assurance work. Also, **participation in project/ working groups** will help individual IA staff develop, whilst at the same time increasing the value IA provides to the Council. There is also a responsibility for the HIA to ensure that in future any work IA carries out is closely **aligned to the Transformation work** being carried out across the organisation.

3.2.2   During quarter three, IA carried out a range of consultancy work including:

- participation in the Risk Management Group;

- participation in the Public Health Steering Group;

- advice in relation to the 2013/14 Annual Governance Statement including participation in the Corporate Governance Group;

- participation in the Hillingdon Information Assurance Group; and

- attendance at a number of other corporate project groups (i.e. the School's Expansion Programme, the Children's and Adult's Transformation Programme Board, etc).

3.2.3   As detailed at Appendix A, we also conducted four specific pieces of consultancy work this quarter, including a review in relation to Boiler Maintenance and Repairs, the results of which are currently being considered by management.

3.3   Follow-up of Previous Internal Audit Recommendations

3.3.1   We continue to monitor all **High** and **Medium** risk recommendations we raise through to the point where the recommendation has either been implemented, or a satisfactory alternative risk response has been proposed by management. We do 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.

3.3.2   The implementation of recommendations raised by IA is now monitored solely by one of the IA team. Having this single point of contact for this area of work allows the rest of the IA team to focus on delivery of the IA plan and also ensures that organisationally we have a more consistent and streamlined approach to the process of following-up IA recommendations.

3.3.3   The focus of the quarter three IA work on follow-up has been on all the outstanding **High** and **Medium** risk recommendations due for implementation. Including some IA recommendations raised this quarter, there were **269** **High** and **Medium** risk IA recommendations that were due to have been implemented by 1 December 2013. The table below details the results:

Risk Rating	IA Recommendations Raised		IA Recommendations Implemented		IA Recommendations Outstanding	
	No.	**%**	**No.**	**%**	**No.**	**%**
HIGH	70	26%	61	87%	9	13%
MEDIUM	199	74%	160	80%	39	20%
TOTAL	**269**	**100%**	**221**	**82%**	**48**	**18%**

3.3.4   We are pleased to report that **82%** of the **High** and **Medium** risk recommendations are now confirmed by management as implemented. Some of these recommendations had dated back nearly 3 years since they were originally raised by IA so **this represents significant progress**. The HIA believes this success is due to the more collaborative approach that IA is taking in working with management to help achieve positive outcomes for the Council.

3.3.5   Given that we are taking a risk based IA approach at the Council, it is also a positive outcome that there are **three times as many Medium risk recommendations than High risk recommendations**. Only **13%** of **High** risk recommendations and **20%** of **Medium** risk recommendations remain outstanding as at 1 December 2013. The bar graph below highlights this:
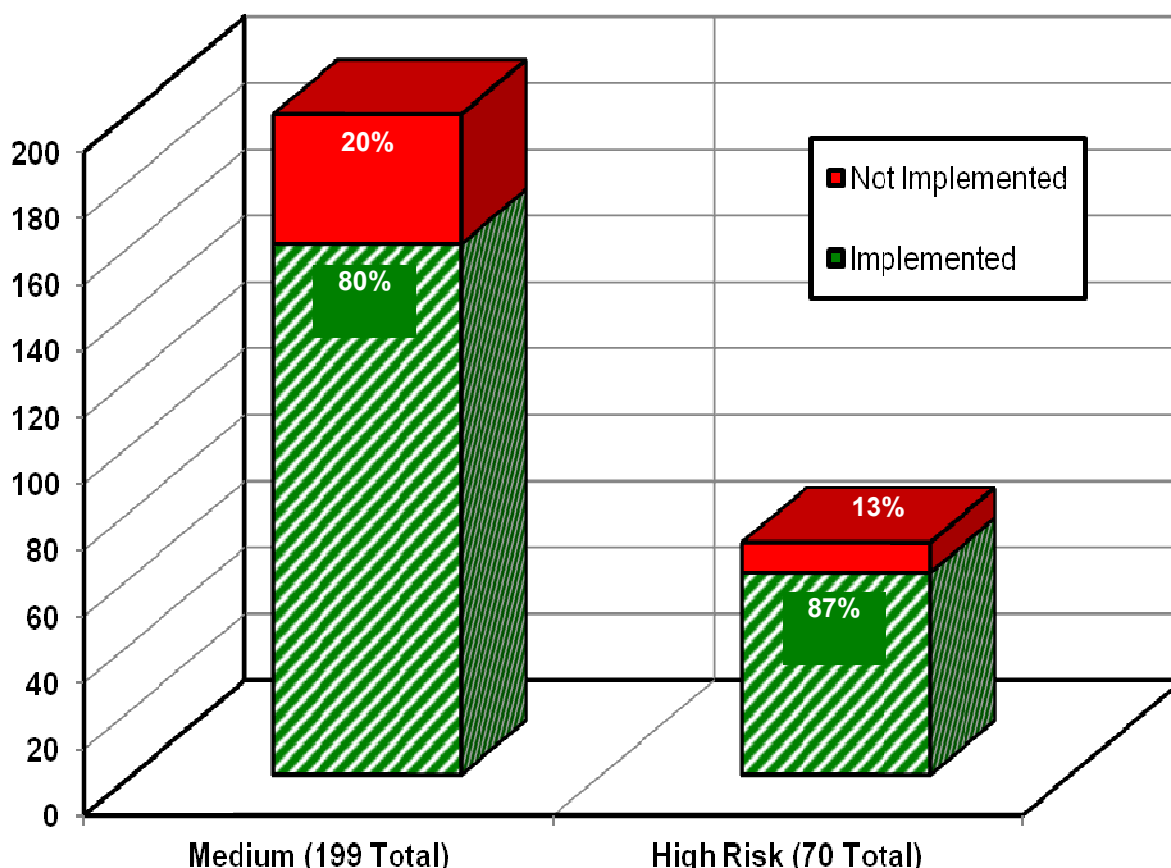
3.3.6   The results of our follow-up work demonstrate **a positive direction of travel** regarding the management action taken in response to IA recommendations raised. Nevertheless, there is more work for IA to do in terms of working with management to improve the response to **High** risks. Our follow-up work has identified **9 High risk recommendations** due which have not yet been fully implemented. The status of outstanding IA recommendations has been discussed at CMT 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). Further more detailed information on all outstanding **High** risk recommendations will be provided by the HIA as part of an oral update at the 7 January 2014 Audit Committee meeting.

3.4   Other Internal Audit Work 2013/14

3.4.1   During the quarter, IA's involvement with the National Fraud Initiative (NFI) data matching exercise for 2012/13 has drawn to a conclusion. The Council's main contact for the NFI is now the Corporate Fraud Investigation Manager and future NFI data matching exercises will be the responsibility of the Corporate Fraud Team (CFT) in the Residents Services Directorate. In line with the Chief Finance Officer's statutory duty to prevent and detect, fraud and corruption against the Council, IA will continue to work closely with the CFT.

3.4.2   Also in this quarter, a number of IA risk focussed planning meetings have been held with senior managers. As a result, several higher risk IA reviews have been added to the IA plan for the quarter four period and at the same time several lower risk audits have been deferred from the quarter four plan and will now be carried out in the 2014/15 audit year. A summary list of the IA reviews now scheduled to be carried out in quarter four is attached at Appendix B, as is a summary list of those audits now deferred to 2014/15.

3.5   Internal Audit Performance

3.5.1   The current IA Key Performance Indicators (KPIs) previously agreed with CMT and the Audit Committee are:

- KPI 1 – Deliver **90%** of the agreed IA Plan to final report stage by 31 March 2014;

- KPI 2 – Deliver **95%** of the agreed IA Plan to draft report stage by 31 March 2014; and

- KPI 3 – Deliver **95%** of completed audits within the agreed time allocation.

3.5.2   As at 13 December 2013, actual cumulative IA performance against its KPIs is highlighted below:

IA KPI	IA Current Performance	R.A.G. Status
KPI 1	**86%**	**AMBER** ●
KPI 2	**91%**	**AMBER** ●
KPI 3	**74%**	**AMBER** ●

3.5.3   Following a number of IA service developments, the current performance against all three IA KPIs has improved since the last quarter and it is expected **KPI 1 and KPI 2 will now be achieved** (Green status) for the year to 31 March 2014. Also, a considerable improvement has been made in improving the time taken to complete individual audits and therefore KPI 3 has moved from **Red** status (66%) last quarter to **Amber** status 74%. However, the HIA needs to alert CMT and the Audit Committee to the likely outcome that **KPI 3 will not be fully achieved** (Green) for the year to 31 March 2014. The main impact of this is that IA capacity is reduced, although the HIA remains confident that performance in this area will continue to improve in future.

3.5.4   Persistent failure to achieve the 3 IA KPIs over the last few years has prompted the HIA to consider if IA as a service is measuring the right things i.e. do these 3 KPIs really tell our key stakeholders whether or not IA has been successful at Hillingdon? Linked to this, following feedback from a range of our key stakeholders, IA introduced **an updated Client Feedback Questionnaire** (CFQ), which we ask to be completed for each final IA report issued. Our revised approach was to focus the CFQ on the main areas where we can measure success from a client feedback point of view. The strategy to streamline the CFQ to one page with eight straightforward questions appears to have been successful, as we have had **a 100% completion rate on the new CFQs** since they were introduced on 1 October 2013 (refer to Appendix A). We are grateful to management for this high completion rate which is perhaps another indication of the improved collaborative approach that is developing between IA and management.

3.5.5   The eight CFQ questions are included in the table at the top of the next page. The table also shows the average score from the **11 CFQs completed since 1 October 2013** (as per Appendix A). A score of 4 means the clients strongly agrees, 3 is agree, 2 is disagree and 1 is strongly disagree. The IA target that has been introduced is to achieve an overall average score of 3 (agree) or above on each of the eight CFQ areas.

3.5.6 As can be seen from the table below, IA is currently exceeding its target on each of the eight CFQ areas:

IA CFQ Areas	Average Score
Q1. Planning: The planning arrangements for the IA review were good	**3.4**
Q2. Scope: The scope of the IA review was relevant	**3.5**
Q3. Conduct: The IA review was conducted in a highly professional manner	**3.6**
Q4. Timing: The IA review was carried out in a timely manner	**3.6**
Q5. Report: The IA report was presented in a clear, logical and organised way	**3.7**
Q6. Recommendations: The IA recommendations were constructive and practical	**3.4**
Q7. Value: The IA review added value to your service area	**3.5**
Q8. Overall: I look forward to working with IA in future	**3.7**

3.5.7 We have also received a range of client comments on IA performance this quarter, a selection of which is highlighted below:

Treasury Management

- *"Only comment is in relation to planning of the audit and the communication of when access to the team and information was needed. Would have been helpful for the auditor to have gained an understanding of the key pressure times within the function and to avoid those and to have pre-arranged times to meet, rather than just turning up and expecting the team to stop what they were doing to assist".*

E-invoices

- *"The audit was carried out very promptly, which enabled the Corporate Payments Management team to continue with service delivery, during a very busy period for the team. Fully agree with the recommendations, although 6 different recommendations will make it more difficult to focus on each area".*

Harefield Junior School

- *"Firstly a thank you to the auditor, who was very professional. She also put us at ease. Only a couple of comments – it was a shame to be marked down on something which was not the fault of current school staff. I can understand why, but still sad, since we had tried our best to resolve the situation! We look forward to working with Internal Audit in the future".*

Lady Bankes Junior School

- *"The auditor was very helpful and supportive. I did not feel she was critical or judgmental, especially given the situation the school has faced for the past year. She was helpful on site as well with some suggestions and advice – very good".*

Building Control - Dangerous Structures

- *"The auditor conducted the audit in a very professional and approachable manner. He took time to understand the Dangerous Structure process and asked the necessary questions when clarification was required. A pleasure to carry out the audit with."*

3.5.8 Whilst the HIA proactively seeks informal management feedback on IA reviews, we are grateful to management for the formal feedback we have received. A 100% completion rate of CFQs since the updated version was introduced has exceeded the HIA's expectations and will genuinely help IA improve as a service.

4. Forward Look

4.1   Looking ahead to quarter four, as referred to at para 3.5.4, work is already under way to develop a more meaningful set of KPIs for the IA service to use from 2014/15 onwards. In line with auditing standards and best practice, IA KPIs should measure the quality, efficiency and effectiveness of the IA service. In producing the revised KPIs, we will consult with our key stakeholders and will present the revised KPIs to Audit Committee at its planned March 2014 meeting.

4.2   As part of the continuous improvement of the IA service we will be reviewing the approach we take to the IA coverage of Hillingdon schools. Rather than visit each school on a 3 year cyclical basis, we plan to instead carry out risk based thematic cross-cutting reviews across a number of schools at one time. This allows us to share the results of these reviews with all Hillingdon schools, which will help raise awareness of common risk and control issues in schools, as well as share best practice.

4.3   Continuing with the theme of further streamlining various aspects of the IA process, the HIA is restructuring the IA Management Team with the primary purpose of reducing the management overhead within the IA service. Specifically, the HIA determined that the IA service had the wrong skills mix in place and that it was not necessary to have a Head of Service as well as two IA managers in what is a relatively small team. Further to this, the two IA Managers have decided to leave Hillingdon to pursue their careers elsewhere and as a result we are currently in the process of recruiting a Principal Internal Auditor and Senior Internal Audit Manager. These changes will generate more front line capacity for carrying out IA work as well as reduce the amount of time spent managing the IA service. We have also been operating with a Trainee Internal Auditor vacancy since July, so work is now under way to commence the recruitment of a suitable candidate.

4.4   The IA service has recently been allocated with laptop computers to replace their desktop computers as part of the Council's strategic ICT programme to upgrade to Microsoft Office 2010 and Windows 7. Further to this, we are just finalising the procurement of IA software which once fully implemented will mean we can implement a paperless IA approach at Hillingdon. As well as the obvious benefits of reduced paper use and less storage space requirements, by being able to take laptops to meetings, etc, it will allow all IA staff to increase their personal effectiveness and efficiency, which will have a positive impact on delivery of the IA plan.

4.5   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 ACCA CMIIA MAAT
Head of Internal Audit

19 December 2013

APPENDIX A

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2013/14 QUARTER 3 (October to December 2013)

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

2013/14 IA Assurance Reviews (carried out since the last IA Progress Report in September 2013):

IA Ref.	IA Review Area	Status as at 19 December 2013	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
1470	Rabbsfarm Primary School	Final report issued 13 September 2013	Reasonable	0	5	3	0	N/A
1472	St Catherine RC Primary School	Final report issued 30 September 2013	Reasonable	0	7	5	0	N/A
1506	Treasury Management	Final report issued 10 October 2013	Substantial	0	0	0	0	Yes
1539	E-invoices	Final report issued 23 October 2013	Reasonable	1	3	2	0	Yes
1508	Arts Theatre Service	Final report issued 1 November 2013	Reasonable	0	3	1	0	Yes
1535	Warrender Primary School	Final report issued 13 November 2013	Reasonable	0	4	1	0	Yes
1534	Harefield Junior School	Final report issued 18 November 2013	Reasonable	2	1	1	0	Yes
1469	Highfield Primary School	Final report issued 25 November 2013	Reasonable	1	3	0	0	Yes
1533	Lady Bankes Junior School	Final report issued 27 November 2013	Reasonable	2	4	9	0	Yes
1496	Trading Standards	Final report issued 2 December 2013	Substantial	0	0	3	1	Yes
1537	West Drayton Primary School	Final report issued 9 December 2013	**Limited**	1	8	1	0	Yes
1536	Bishop Winnington-Ingram C of E Primary School	Final report issued 9 December 2013	**Limited**	1	6	1	0	Not yet due

APPENDIX A (cont'd)

2013/14 IA Assurance Reviews (carried out since the last IA Progress Report in September 2013):

IA Ref.	IA Review Area	Status as at 19 December 2013	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
RSM1	ControCC (ICT system)	Final report issued 9 December 2013	Reasonable	0	5	3	0	Not yet due
1513	Childrens' Performance Licences	Final report issued 10 December 2013	Reasonable	1	5	2	1	Yes
1481	Recruitment Checks for Agency Staff	Final report issued 18 December 2013	Reasonable	0	1	1	0	Not yet due
1486	Bridges and Other Highway Structures	Final report issued 18 December 2013	Reasonable	0	4	1	0	Not yet due
1473	Building Control - Dangerous Structures	Final report issued 18 December 2013	Reasonable	1	5	2	0	Yes
1489	Access to Shared Drives	Draft report issued 2 December 2013						
1561	Employee Expenses	Draft report issued 18 December 2013						
1522	Looked After Children Placed Out of Borough	Draft report in progress						
1490	Events	Draft report in progress						
1551	Contracts and Inspection	Draft report in progress						
1559	Council Tax	Testing in progress						
1542	Sheltered and Extra Care Housing	Testing in progress						
1507	Housing Rents	Testing in progress						
1487	Children in Care Teams 1 & 2	Testing in progress						
1556	National Non-Domestic Rates (Business	Testing in progress						
1512	Pensions Administration – Employees' Contributions	Testing in progress						
1552	Corporate Health & Safety	Testing in progress						
1548	Cash Collection Services	Testing in progress						
1555	Housing Benefits	Testing in progress						
1558	Debtors	Testing in progress						
		Total Number of IA Recommendations Raised in 2013/14 Q3		10	64	36	2	
		Total % of IA Recommendations Raised in 2013/14 Q3		9	58	33	-	

APPENDIX A (cont'd)

2013/14 IA Consultancy Reviews (carried out since the last IA Progress Report in September 2013):

IA Ref.	IA Review Area	Status as at 19 December 2013	CFQ Received?
1520	Troubled Families Programme	Final report issued 6 December 2013	Not yet due
1550	Boiler Maintenance and Replacement	Draft report issued 29 November 2013	-
1560	Declarations of Interest	Draft report in progress	-
1568	Establishment Funds and Invoicing	Draft report in progress	-

APPENDIX B

REVISIONS TO INTERNAL AUDIT PLAN

IA reviews to be undertaken in Quarter 4 (January to March 2014):

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
1572	Capital Accounting	Assurance	Corporate Director of Finance	Provide assurance on the main risks in relation to this key material financial system.
1573	Gifts, Hospitality & Sponsorship	Assurance	Chief Executive and Corporate Director of Administration	Corporate cross cutting piece of assurance work.
1574	Creditors	Assurance	Corporate Director of Finance	Provide assurance on the main risks in relation to this key material financial system.
tbc	Risk Management	Consultancy & Assurance	Corporate Director of Finance	• Consultancy - Participation in the Corporate Risk Management Group, including consideration of the Corporate Risk Register updates. • Assurance - Benchmark the Council's Risk Management arrangements to best practice.
tbc	Corporate Governance	Consultancy & Assurance	Chief Executive and Corporate Director of Administration	• Consultancy - Participation in the Corporate Governance Group as part of the Annual Governance Process. • Assurance – Benchmark the Council's Corporate Governance arrangements to best practice.
tbc	Software Licensing	Assurance	Deputy Chief Executive and Corporate Director Residents Services	A computer audit assurance review due to be carried out by our external IA contractor Baker Tilly (formerly RSM Tenon)
tbc	Desktop Refresh Programme	Assurance	Deputy Chief Executive and Corporate Director Residents Services	A computer audit assurance review due to be carried out by our external IA contractor Baker Tilly (formerly RSM Tenon)
tbc	Onyx upgrade	Assurance	Deputy Chief Executive and Corporate Director Residents Services	A computer audit assurance review due to be carried out by our external IA contractor Baker Tilly (formerly RSM Tenon)

APPENDIX B (cont'd)

IA reviews to be undertaken in Quarter 4 (January to March 2014):

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
1572	Public Health - Payments for Local Enhanced Services	Consultancy	Deputy Chief Executive and Corporate Director Residents Services	Active participation in Public Health Steering Group and consultancy advice in relation to Payments for Local Enhanced Services.
tbc	Schools Expansion Programme (Temporary /Permanent)	Consultancy	Deputy Chief Executive and Corporate Director Residents Services	Ad-hoc participation in the Corporate Construction Schools Expansion Project Group meetings.
tbc	Music Service	Consultancy	Deputy Chief Executive and Corporate Director Residents Services	Consultancy advice in relation to the Music Service as requested by the Head of Planning, Green Spaces & Culture.

APPENDIX B (cont'd)

IA reviews deferred from Quarter 4 2013/14 until 2014/15:

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
tbc	Hillingdon Schools	Assurance	Director, Children and Young People's Services	Rather than visit Hillingdon schools for individual audits on a cyclical basis, the plan is to in future carry out thematic cross-cutting assurance reviews of Hillingdon Schools based on risk. We also plan to work with Schools to help them introduce Control Risk Self Assessment (CRSA) where they take greater responsibility for identifying and managing their risks/ internal control environment.
tbc	Business Continuity and Emergency Planning	Assurance	Deputy Chief Executive and Corporate Director Residents Services	A corporate assurance review of the Council's business continuity and emergency planning arrangements. ToR drafted, but IA review deferred until April 2014 once corporate improvements in this area have been implemented.
tbc	Land Charges	Assurance	Deputy Chief Executive and Corporate Director Residents Services	The ToR of this IA review has been drafted, but at the request of management this audit was originally deferred from quarter three until quarter four. This was due to the Land Charges team having to prioritise a large number of claims and appeals that went back a number of years. It has subsequently been agreed with management to defer this assurance audit to early in 2014/15.
tbc	Property Maintenance	Assurance	Deputy Chief Executive and Corporate Director Residents Services	Agreed with the Deputy Director Asset Management to defer this review until April 2014.
tbc	Corporate Construction	Assurance	Deputy Chief Executive and Corporate Director Residents Services	Agreed with the Deputy Director Asset Management to defer this review until April 2014.

APPENDIX C

INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

The IA assurance levels and definitions are:

Assurance Level	Definition
Substantial	There is a **good level of assurance** 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 **positive assurance** that objectives will be achieved.
Reasonable	There is a **reasonable level of assurance** 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 **some risk** that objectives will not be achieved.
Limited	There is a **limited level of assurance** 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 **significant risk** that objectives will not be achieved.
No	There is **no assurance** 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 **high risk** 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.

<u>APPENDIX D</u>

<u>INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS</u>

The risk ratings and definitions of IA recommendations are:

Risk	Definition
HIGH ●	The recommendation relates to **a significant threat** 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. **The risk requires senior management attention**.
MEDIUM ●	The recommendation relates to **a potentially significant threat** 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. **The risk requires management attention**.
LOW ●	The recommendation relates to **a minor threat or opportunity** 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. **The risk may be tolerable in the medium term**.
NOTABLE PRACTICE ●	The activity **reflects current best management practice** or is an innovative response to the management of risk within the Council. **The practice should be shared with others**.