

INTERNAL AUDIT

Progress Report to Audit Committee

2014/15 Quarter 3

8 December 2014



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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 in relation to internal control.
- 1.1.2 The UK Public Sector IA Standards (PSIAS), 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.

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

- 1.2.1 This report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all 2014/15 Quarter 3 IA assurance and consultancy work covered during **the period 24 September to 8 December 2014**. It also provides an opportunity for the Head of Internal Audit (HIA) to highlight to CMT and the Audit Committee any significant issues arising from IA work, as well as any further changes to the 2014/15 IA Plan since its approval in March 2014.
- 1.2.2 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 IA work on the 2014/15 IA Plan commenced on 2nd April and work has now been completed or is in progress for all Quarter 1, 2 and 3 audits, with the exception of audits that have been deferred. There have been four deferrals requested in Quarter 3, mainly within the Children and Young People's Service. These deferrals were at the request of management following the recent change in Senior Management and will allow the Children and Young People's Service more time to refocus on its journey of improvement. Whilst IA has the authority to insist on carrying these audits out in the original timeframe agreed by CMT and the Audit Committee, the HIA believes a more collaborative and supportive IA approach achieves a better overall outcome for the Council. As a result, we have agreed all requests for audits to be deferred and management has supported us bringing forward other audits to ensure IA resource is effectively utilised throughout the year (refer to [Appendix B](#)). This will help enable delivery of the IA Plan and the associated assurances to all key stakeholders.
- 2.2 Within this quarter we have also completed the restructure of the IA service to improve the skills mix across the team and increase the overall efficiency and effectiveness of the IA service in the longer term. Specifically, two trainee Internal Auditors joined us in October and we have appointed a Principal Internal Auditor, with the successful candidate due to join us in early February 2015. As would be expected, the period of operating with four staff vacancies in a team of eleven has significantly reduced available IA resources within the quarter. However, despite this reduction in IA capacity, reasonable progress has still been made with a steady state maintained to prevent too much slippage in the 2014/15 IA Plan. This has been achieved in part by beginning to realise the benefits of TeamMate and its associated lean auditing principles. Improving the efficiency of the IA process in this way creates greater capacity for IA to add value across the organisation, evidenced through the increasing number of direct requests to IA by management for advisory work.

- 2.3 During Quarter 3, the first audit recommendations utilising the new IA software (TeamMate) have been piloted within Finance. The follow-up module of TeamMate, TeamCentral, noticeably increases the ease for management to access, update, view, track and monitor recommendations effectiveness and efficiency of the IA process. The software will also help improve the ownership of IA recommendations whilst enabling Senior Management to have clear oversight, monitoring, follow-up and tracking of recommendations raised by IA. Feedback from participants has been positive, in particular the ease of the system for the user.
- 2.4 Also in this quarter, IA has continued to deliver risk based thematic school reviews. Our reflections on the new approach to IA coverage of Hillingdon schools is that it has generally been very well received by the schools we have visited, as well as the rest of the Hillingdon schools who we have shared the final report with. This has now been supported by the customer feedback questionnaires (CFQ) received from schools selected within our sample (highlighted in para. 3.5.4 below).
- 2.5 Linked to this, we have followed up on the recommendations raised within the IA assurance review at Chantry School earlier this year, where a **NO** assurance opinion was issued. We are happy to report that positive management action has been taken against each of the issues highlighted within the review. Further details on this audit can be found in section 3 of this report (para ref 3.3.7).
- 2.6 During this quarter we also finalised our assurance review of Planning Applications which focused on the transition from Section 106 Agreements to the Community Infrastructure Levy (CIL) in which a **LIMITED** assurance opinion was provided. Further details on this review and wider work carried out by IA within the Quarter 3 period are included in section 3 of this report.

3. Analysis of Internal Audit Activity in 2014/15 Quarter 3

3.1 2014/15 Internal Audit Assurance Work

- 3.1.1 All of the IA assurance reviews carried out in the 2014/15 Quarter 3 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 Good progress has been made with the quarterly allocation of the IA Plan with **11%** at planning stage, **37%** at fieldwork/ testing stage and **52%** at reporting stage. IA performance in relation to timely delivery of the IA Plan has remained reasonably steady throughout the quarter despite the anticipated shortfall in resources. Timely delivery of the 2014/15 IA Plan remains a challenge for the IA service and the Council; however proactive measures have been put in place by the HIA to ensure completion of the IA Plan.
- 3.1.3 Since the last Audit Committee meeting on 23 September 2014, **four** 2014/15 IA assurance reviews have been completed to final report stage as highlighted in the table below:

Table 1 - 2014/15 IA Assurance audits finalised since the last Audit Committee:

IA Ref.	IA Assurance Review	Assurance Opinion (ref. App C)
A7	Housing - Temporary Accommodation	REASONABLE Assurance
A10	Business Continuity	REASONABLE Assurance
A16	Planning Applications - Community Infrastructure Levy	LIMITED Assurance
A18	Schools - Payroll Arrangements	REASONABLE Assurance

- 3.1.4 There was one 2014/15 **LIMITED** assurance opinion issued by IA this quarter, which was in relation to **Planning Applications - Community Infrastructure Levy**. This review was requested by the Head of Planning, Green Spaces & Culture who had some concerns about the effectiveness of the processes in place. He therefore asked IA to conduct a review focusing on the strategy and processes in place to manage the transition from Section 106 Agreements (S106) to the Community Infrastructure Levy (CIL). This review replaced the planned audit of planning application and appeals, to provide senior management with the assurances they required in relation to CIL.
- 3.1.5 As detailed at [Appendix A](#), we issued the final report for this audit on 18 September 2014 and raised 9 recommendations including **1 HIGH** risk recommendations. As part of this review we undertook a data matching exercise comparing Commencement Notices received by Building Control (from August 2012) to all current outstanding CIL leviable developments, as per Ocella. The data match identified instances in which the development has commenced and the Council had not issued a subsequent Demand Notice and invoice for payment. As a result, the Council is failing in its obligation as a charging and collecting authority for the Mayoral Scheme under the CIL (Amendment) Regulations 2013. The authority would be able to retain 5% of Mayoral CIL payments collected as an administrative fee. Positive management action has been proposed to address the IA findings with detailed improvement action recorded. Further, client feedback received by IA in relation to this review was very positive with a 97% client satisfaction rating received; clearly supporting the value provided through this piece of work.
- 3.1.6 In addition, [Appendix A](#) highlights that as at **8 December** 2014 there are an additional **18** IA assurance reviews in progress, **8** of which are at draft report stage. Whilst we are on track to complete all of these audits over the coming weeks, there remains a significant challenge ahead in Quarter 4 for the IA service and the Council to ensure timely completion of the 2014/15 IA Plan. The assurance level for each of these **18** reviews will be confirmed at final report stage and reported to CMT and the Audit Committee as part of the Quarter 4 IA Progress Report due to be presented to Audit Committee at its planned meeting of 17 March 2015. The HIA will also provide an oral update on Quarter 3 progress to the Audit Committee at its meeting on 16 December 2014.

3.2 2014/15 Internal Audit Consultancy Work

- 3.2.1 IA continues to undertake a variety of consultancy work from the contingency allocation within the IA Plan. We see this as a positive trend as this evidences the value that management see in the IA service and the assistance and advice that we can provide to help management and the Council achieve their objectives. Any revisions to the planned programme of IA work are discussed and agreed with the relevant senior managers (refer to [Appendix B](#) for the changes to the 2014/15 IA Plan agreed this quarter). The consultancy coverage includes IA staff attending project groups, whilst ensuring they are clear about whether they are attending 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 is helping individual IA staff develop, whilst at the same time increasing the value IA provides to the Council. There remains further scope to ensure that any work IA carries out is aligned to the transformation work which continues to be carried out across the Council.
- 3.2.2 During Quarter 3, IA was involved in a range of advisory work including active involvement in a number of the Council's working groups. Attached at [Appendix A](#) is the list of 2014/15 consultancy requests and advisory work carried out to date. As detailed at [Appendix A](#), we also conducted **four** specific pieces of consultancy and **two** pieces of grant verification work during this quarter. Due to the nature of consultancy work, we do not provide an assurance opinion or formal recommendations for management action. Whilst the methodology of our consultancy work is still under development, as part of our advisory reports and memos we do provide specific suggestions for senior management to consider. For grant claim verification work the HIA is usually required to certify the work carried out by IA to the grant provider.

- 3.2.3 Table 2 below highlights the consultancy reviews finalised since the last Audit Committee meeting on 23 September 2014:

Table 2 - Consultancy work completed since the last Audit Committee:

IA Ref.	Consultancy Review Area
C3	Standby Payments (final memo currently being drafted)
C5	Planning Applications - prior approvals and low fee income generation
C7	Primary Care Contracts
CF2	Asset Register (final memo currently being drafted)
GC5	Bus Subsidy Grant
GC6	Troubled Families Grant – Quarter 3

- 3.2.4 The IA consultancy review of Planning Applications - prior approvals and low fee income generation identified several areas where control improvements could be made to assist with the effectiveness, efficiency and economy of current practices. In particular, current KPIs do not appear to be playing an effective or meaningful role in helping to improve the service or add value. The management reports produced by TerraQuest were found to be generally of poor quality, consisting of errors and mistakes. We also found inconsistencies in the numbers of prior notifications for households which TerraQuest were claiming to have validated when compared to reports from Ocella.
- 3.2.5 As part of the Standby Payments consultancy review we provided advice to the Employee Relations Manager to help establish a robust control framework whilst ensuring compliance and consistency with the requirements under the Council's Conditions of Service Handbook.
- 3.2.6 In addition, Appendix A details that as at **8 December** there are a further **3** IA consultancy reviews in progress. Management feedback on our consultancy work has been positive and there is an increasing trend of management coming to IA to request advice and support. The HIA believes this is an indicator of success for the Council that IA and management can work together collaboratively to help the organisation change and improve.

3.3 Follow-up of Previous Internal Audit Recommendations

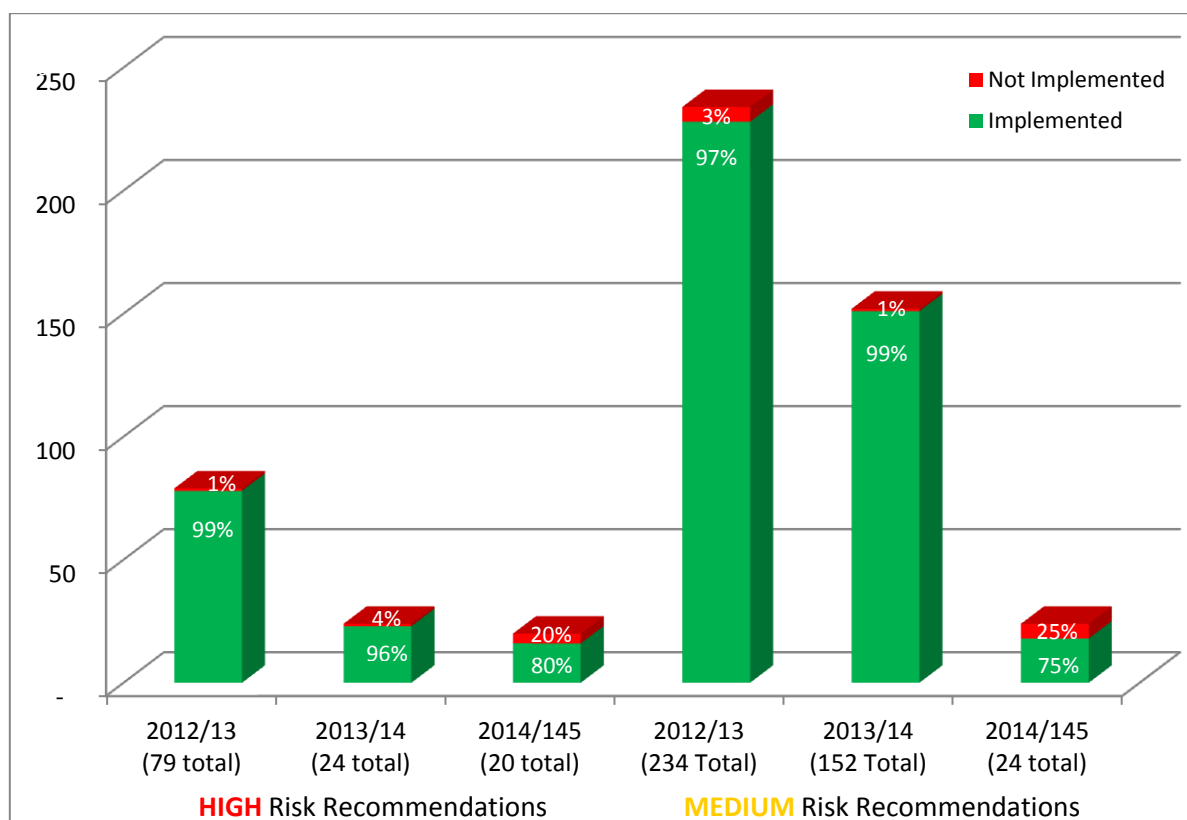
- 3.3.1 IA continues to monitor all **HIGH** and **MEDIUM** risk recommendations raised through to the point where the recommendation has either been implemented, or a satisfactory alternative risk response has been proposed by management. IA does not follow-up **LOW** risk IA recommendations as they 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. It would also take a disproportionate amount of time for IA to robustly follow-up **LOW** risk recommendations.
- 3.3.2 The implementation of recommendations raised by IA continues to be monitored solely by one member of the IA team until TeamCentral (a module of TeamMate) is fully embedded across the Council. 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 IA has a more consistent and streamlined approach to the process of following-up IA recommendations. This approach has achieved extremely positive results for the Council's overall control environment in the last year 12 months, with the vast majority of **HIGH** and **MEDIUM** risk IA recommendations raised now promptly implemented by management.
- 3.3.3 The focus of the Quarter 3 IA work on follow-up has been on **all** of the outstanding **HIGH** and **MEDIUM** risk IA recommendations due for implementation. In total, there have been **533 HIGH** and **MEDIUM** risk IA recommendations raised in the last three financial years that were due to have been implemented by **8 December 2014**. The table over the page summarises the status of all of these recommendations:

Recommendation Status as at 8 December 2014	HIGH			MEDIUM			TOTAL
	12/13	13/14	14/15	12/13	13/14	14/15	
Total No. of IA recommendations raised	79	25	25	238	169	49	585
Total No. of IA recommendations raised that are due	79	24	20	234	152	24	533
No. of recommendations implemented	78	23	16	228	151	18	514
No. of recommendations outstanding	1*	1	4	6*	1	6	19
% of recommendations outstanding	1%	4%	20%	3%	1%	25%	4%

* = All outstanding 12/13 (1 **HIGH** and 6 **MEDIUM** risk) IA recommendations have had their implementation dates revised/ extended by management with these revised dates now passed.

3.3.4 Positive management action has been proposed to address all **268** of the 2013/14 and 2014/15 **HIGH & MEDIUM** risk IA recommendations raised. Given that we are taking a risk based IA approach at the Council, it is broadly in line with expectations that approximately **22%** of the total recommendations raised due for implementation were **HIGH** risk. However, **20%** of the 2014/15 **HIGH** risk recommendations and **25%** of **MEDIUM** risk recommendations remain outstanding as at **8 December 2014**. This is a substantial increase from previous quarters and the HIA believes that this is partly due to the shortfall in IA resource within the quarter to be able to facilitate the process, prompting management that recommendations are due for implementation. However, it should be noted that **all 10 of the outstanding 2014/15 IA recommendations relate to schools**. It is their responsibility to proactively manage their risks and controls, address IA recommendations within agreed timescales and notifying us accordingly.

3.3.5 **The bar chart below** illustrates the results of our follow-up work on all the 2012/13, 2013/14 and 2014/15 outstanding **HIGH** and **MEDIUM** risk IA recommendations due for implementation as at **8 December 2014**:



- 3.3.6 The IA software (TeamMate) once fully embedded will further enhance the IA follow-up work through a dedicated follow-up module within the software. This has been piloted within the Finance directorate and is scheduled to go live across the Council, on a Group by Group basis, from December 2014, once training has been provided to the relevant Council staff. This enhanced process will allow IA and Senior Management to more easily monitor the progress and status of all IA recommendations and management action plans established. The new process will also place greater responsibility on management, as owners of the risks, to provide progress updates on the recommendations.
- 3.3.7 During the quarter we have undertaken a detailed follow-up on the 15 **HIGH** and 7 **MEDIUM** recommendations raised within the 2014/15 **NO** assurance IA review of Chantry school. We are happy to report that 18 of the 21 recommendations which were due for implementation were verified by IA as to have been implemented. Against each of the remaining three IA recommendations raised progress was found to be ongoing. A follow up assurance audit at Chantry School is currently planned for January 2015.
- 3.3.8 Overall, the results of our follow-up work demonstrate a reasonably positive outcome for the Council regarding the management action taken in response to IA recommendations raised. Nevertheless, there is still more work for IA to do in terms of working collaboratively with management and in particular schools, to improve the timely implementation of management action to mitigate exposure to **HIGH** and **MEDIUM** risks.

3.4 Other Internal Audit Work in Quarter 3

- 3.4.1 During the quarter IA has also assisted the Council's External Auditors (Deloitte), with a review of the Council's Housing Benefit Subsidy Grant Claim. This included:
- Module 2 - Up Rating
Testing to help ensure the Council's Revenues and Benefits software is using the correct housing benefit parameters to calculate benefit entitlement;
 - Module 3 - Workbooks
Testing that involved reviewing calculations and verifying evidence for an initial sample of 60 cases (HRA, Non HRA and Private Tenants). IA reviewed calculations and verified evidence for 20% of the 40+ and Cumulative Audit Knowledge and Experience (CAKE) workbooks (i.e. HRA and Non HRA earnings claims, Non HRA claims with partner, Non HRA JSA claims, Private Tenants earnings claims, Non-Dependants claims and Tax Credits claims) completed by the HB Quality Control Team;
 - Module 5 - Software Diagnostic Tool
Testing ensured the subsidy claim had been completed using recognised software for claim completion, and reconciled benefit 'granted' to benefit 'paid' in accordance with the software supplier's instructions. IA documented evidence to verify that the Council had complied with a series of control questions relevant to the Council's Revenues and Benefits software;
 - Module 6 (Test 9: Local Schemes)
Testing involved checking the calculations and verifying supporting evidence for a sample of 13 cases (HRA and Rent Allowance claims).
- 3.4.2 The Housing Benefit Subsidy Grant Claim audit has been a significant piece of work for IA (approximately 40 audit days). However, the work we carry out in this audit area saves the Council money by way of a considerably reduced external audit fee in relation to grant claims. In addition, feedback on the work provided by IA in relation to this grant claim audit has been very positive with Deloitte stating "Support from IA was very good, best support in all the Councils we are working with. The testing carried out by IA highlighted issues, but the quality of testing was very good". This helps demonstrate good collaborative working between IA and Deloitte, as well as a positive direction of travel for IA in terms of the effective and efficient use of IA resources.

3.5 Internal Audit Performance

3.5.1 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. As at **8 December** 2014, actual cumulative IA performance against its KPIs is highlighted below:

IA KPI	Description	Target Performance	Actual Performance	RAG Status
KPI 1	HIGH risk IA recommendations where positive management action is proposed	98%	100%	GREEN
KPI 2	MEDIUM risk IA recommendations where positive management action is proposed	95%	100%	GREEN
KPI 3	LOW risk IA recommendations where positive management action is proposed	90%	N/A	N/A
KPI 4	HIGH risk IA recommendations where management action is taken within agreed timescale	90%	90%	GREEN
KPI 5	MEDIUM risk IA recommendations where management action is taken within agreed timescale	75%	89%	GREEN
KPI 6	Percentage of IA Plan delivered to draft report stage by 31 March	90%	85%	AMBER
KPI 7	Percentage of IA Plan delivered to final report stage by 31 March	80%	75%	AMBER
KPI 8	Percentage of draft reports issued as a final report within 15 working days	90%	71%	RED
KPI 9	Client Satisfaction Rating	80%	86%	GREEN
KPI 10	IA work fully compliant with the PSIAS and IIA Code of Ethics	100%	100%	GREEN

3.5.2 As at **8 December** 2014, only nine 2014/15 IA assurance reports have been issued as final reports and as a result it is still relatively early days in terms of being able to fully report on actual performance against the new suite of IA KPIs. The delays in finalising a number of quarter one and quarter two IA reports also explains why actual performance against IA KPI 6 and KPI 7 (as highlighted above) is not quite in line with the target set. Performance against KPI 8 is currently being reported as **RED**. This is due to three instances where management responses to the draft reports have not been received within the set timescales. Whilst we facilitate this process, we are reliant on timely management responses to achieve this indicator. On three of the nine assurance reviews finalised to date, we experienced significant delays in receiving management responses. However, other than these three anomalies we are happy to report that the time taken to finalise final reports from draft stage is on average only 10 working days. The HIA remains confident that all IA KPIs will be achieved for the 2014/15 year once the range of operational and strategic changes being implemented across the IA service become fully embedded.

3.5.3 Due to a change in our report format, implemented in mid September 2014, we plan to retire KPI 3 - **LOW** risk IA recommendations where positive management action is proposed. This is as a result of feedback from management regarding the length of time

required to complete management responses to **LOW** risk recommendations. The cost benefit of response was considered and it was agreed that as IA do not follow-up on low risk recommendations it was appropriate that detailed management action to these issues is not provided within our audit reports. Consequently, data to report against this indicator is no longer captured and we are therefore proposing that it is retired.

- 3.5.4 We have also received a number of client comments on IA performance this quarter, some examples of which are highlighted below:

Schools Budgetary Control (thematic review across a number of schools)

"I found the whole experience positive. I fully understand the formatting of the feedback given and would be happy to assist with any requirements for the future."

"The auditor put us at ease, she was aware of previous poor relationship with schools audit. We ran through the history and background of the school including some of the complexities we work under. The auditor worked in a structured and professional manner; she would be welcomed back into the school to work with us again. It is reassuring to have confirmation that we are following all the procedures set by the LA, our governors will be assured that the school reflects best practice management."

"It was good to get confirmation that the strategies we have in place are considered effective and even in places 'examples of good practice'. The only reason I only identified 'agree' for No.8 is that all are a little fearful of an audit or inspection process. However I would say that this approach greatly reduces the tension in such a process and further, from what has been seen from completed focused reports, given significant material for future consideration."

"The auditor has always dealt with us fairly but professionally. Of the two recommendations one was an oversight in the documentation which wouldn't have been identified without the Audit while the second related to a procedure (costing the School Development Plan) which isn't strictly necessary in a school of our size with the current financial constraints, where the Head-teacher works very closely with the School Bursar; we will however, update the Plan as appropriate."

4. Forward Look

- 4.1 Looking ahead to Quarter 4, by early February IA will be fully staffed following a major staffing restructure. Whilst the restructure will generate significant cash savings for the Council, the key purpose was to improve the skills mix across the team and increase the overall efficiency and effectiveness of the IA service in the medium to longer term. In the interim, we will continue to buy-in audit support from external contractors, although the success of the work carried out by professional IA firms for Hillingdon to date has been mixed.
- 4.2 Linked to this, an updated IA Strategy is currently being devised in consultation with a range of key stakeholders which will include the new Independent Chair of the Audit Committee. The IA Strategy will have a five-year time horizon and have a road map based on the Council's overall strategy, changing stakeholder expectations, regulatory requirements and the role of the other risk and assurance functions across the Council.
- 4.3 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 Internal Audit

8 December 2014

APPENDIX A**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2014/15**

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

2014/15 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 8 December 2014	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
A14	Software Licensing	Final report issued 30 July 2014	Reasonable	-	1	2	-	✓
A15	Members' Declarations of Interests	Final report issued 30 July 2014	Substantial	-	-	1	-	✓
A1	Schools - Recruitment Procedures	Final report issued 3 September 2014	Reasonable	6	17	-	6	5/6 rec'd 1 Overdue
A36	Chantry School	Final report issued 3 September 2014	No	15	7	4	-	✓
A9	Schools - Budgetary Control	Final report issued 5 September 2014	Reasonable	-	5	-	7	✓
A16	Planning Applications - Community Infrastructure Levy	Final report issued 18 September 2014	Limited	1	5	3	-	✓
A10	Business Continuity	Final report issued 24 September 2014	Reasonable	-	3	4	1	✓
A7	Housing - Temporary Accommodation	Final report issued 19 November 2014	Reasonable	-	1	2	-	✓
A18	Schools - Payroll Arrangements	Final report issued 28 November 2014	Reasonable	3	10	8	2	Not yet due
A11	Performance Management	Testing complete, draft report in progress						
A5	IAS Data Quality (Adult Services)	Testing complete, draft report in progress						
A20	Capita Income ICT System	Testing complete, draft report in progress						
Total Number of IA Recommendations Raised in 2014/15				25	49	24	16	
Total % of IA Recommendations Raised in 2014/15				26	50	24	-	

APPENDIX A (cont'd)**2014/15 IA Assurance Reviews (cont'd):**

IA Ref.	IA Review Area	Status as at 8 December 2014	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
A21	Data Protection and Fol	Testing complete, draft report in progress						
A24a	Learning Disability Residential Placements	Testing complete, draft report in progress						
A24b	Mental Health Residential Placements	Testing complete, draft report in progress						
A35	Schools - Contracts & Procurement	Testing complete, draft report in progress						
CF1	Payroll	Testing complete, draft report in progress						
A19	Leisure Services Contract Management	Testing in progress						
A28	Imported Food Office (formally Airport Services)	Testing in progress						
CF5	Budgetary Control	Testing in progress						
CF6	Treasury Management	Testing in progress						
CF7	Council Tax & NNDR	Testing in progress						
CF8	Pensions	Testing in progress						
A22	Corporate Procurement & Commissioning	Planning and background research						
A39	Chantry School Follow-up	Planning and background research						
CF4	Benefits	Planning and background research						
CF10	Capital Accounting	Planning and background research						
Total Number of IA Recommendations Raised in 2014/15				25	49	24	16	
Total % of IA Recommendations Raised in 2014/15				26	50	24	-	

APPENDIX A (cont'd)**2014/15 IA Consultancy Reviews:**

IA Ref.	IA Review Area	Status as at 8 December 2014
C1	Domestic Violence Homelessness Process	Final IA consultancy memo issued 11 April 2014
C2	Purchase Requisitions - Chargeable Reactive Maintenance Works under £250	Final IA consultancy memo issued 15 April 2014
C4	Cemeteries Process	Final IA consultancy memo issued 18 June 2014
C6	Ruislip High School	Final IA consultancy memo issued 5 August 2014
C5	Planning Applications - prior approvals and low fee income generation	Final IA consultancy memo issued 6 October 2014
C7	Primary Care Contracts	Final IA consultancy memo issued 28 October 2014
C13	Journal Analysis work for Strategic Finance	Excel work provided for Strategic Finance
C8	Hillingdon in Bloom Gift Vouchers content and terms and conditions	Verbal consultancy advice provided
C9	Charville Children's Home – security of key safes	Verbal consultancy advice provided
C10	Cash collection in youth centres	Verbal consultancy advice provided
C11	Early Intervention Services for Children and Young People (use of P-cards)	Verbal consultancy advice provided
C12	Theatre Service cash collection	Verbal consultancy advice provided
C15	Internal Repairs Team (IRT) Supply Chain	Verbal consultancy advice provided
CF2	Asset Register	Final IA consultancy memo currently being drafted
C3	Standby Payments	Final IA consultancy memo currently being drafted
C14	EFA & SFA Mock Audit - Hillingdon Adult & Community Learning	Work in Progress
C16	Northgate Contract Management (previously an assurance review)	Work in Progress
C17	Transitional Arrangements Peer Review	Work in Progress

APPENDIX A (cont'd)**2014/15 IA Verification Reviews:**

IA Ref.	IA Review Area	Status as at 8 December 2014
GC1	Troubled Families Grant – Quarter 1	IA memo issued 29 April 2014
GC2	Adoption Reform Grant	IA memo issued 27 May 2014
GC4	Troubled Families Grant – Quarter 2	IA memo issued 5 August 2014
GC5	Bus Subsidy Grant	Statement of compliance provided 30 September 2014
GC6	Troubled Families Grant – Quarter 3	IA memo issued 9 October 2014
GC3	Housing Benefits Subsidy Grant	Work for External Audit complete 17 October 2014

APPENDIX B**REVISIONS TO THE 2014/15 INTERNAL AUDIT PLAN****IA reviews added to the 2014/15 Operational IA Plan for Quarter 3**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
A35	Schools - Contracts & Procurement	Assurance	Jean Palmer, Deputy Chief Executive and Corporate Director of Residents Services	Following a risk assessment this audit was incorporated into the plan within quarter 3, replacing Schools - Safeguarding which was deferred to quarter 4.
C10	Young People's Centres, cash collection arrangements	Consultancy Advice	Annette Reeves, Finance Manager- Control Accounting	Advice sought on the transfer of income from Youth Centres to the Civic Centre for banking
C11	Early Intervention Services for Children and Young People	Consultancy Advice	Annette Reeves, Finance Manager- Control Accounting	Advice sought on the use of Procurement Cards, Paypal and I-Tunes for Tunecore, a music distribution service.
C12	Theatre Service cash collection	Consultancy Advice	James Rodger, Head of Planning, Green Spaces and Culture	Advice sought on the controls and segregation of duties in place regarding cash collection at the Theatre.
C13	Journal Analysis for Finance	Consultancy Advice	Nancy Le Roux Deputy Director Strategic Finance	Manipulation of excel for finance to enable analysis of Journals.
C14	Education Funding Agency (EFA) & Skills Funding Agency (SFA) Mock Audit - Hillingdon Adult and Community Learning 2013-14 ILR data	Consultancy Review	Andy Evans, Deputy Director Corporate Finance & Head of Operational Finance	Advice and mock audit of the Skills Funding Agency (SFA) who have set out the audit programme of the grant funding provided. There is a suggestion by the SFA that providers undertake an internal audit themselves of the Individual Learner Records.
C15	Internal Repairs Team (IRT) for housing - Cabinet Report	Consultancy Advice	Andy Evans, Deputy Director Corporate Finance & Head of Operational Finance	Advice sought on the controls in place regarding the use of the Mears' supply chain across a wide range of materials, consumables and handheld tools.
C16	Northgate Contract Management	Consultancy Review	Jean Palmer, Deputy Chief Executive and Corporate Director of Residents Services	Initially a planned assurance review (A13), this was changed to consultancy following discussions with the Head of Service. It was agreed that greater value would be obtained from undertaking an assurance review of the Contractor's operations, including contract compliance within the 2015/16 operational IA Plan.

APPENDIX B (cont'd)**REVISIONS TO THE 2014/15 INTERNAL AUDIT PLAN (cont'd)****IA reviews added to the 2014/15 Operational IA Plan for Quarter 3 (cont'd)**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
CF2	Asset Register	Consultancy Review	Paul Whaymand, Corporate Director of Finance	Further to preliminary discussions with key stakeholders it was agreed that, following issues highlighted by external audit, a detailed consultancy review would add substantial value in this area rather than the planned assurance review.
GC5	Bus Subsidy Grant	Grant Claim Verification	Jean Palmer, Deputy Chief Executive and Corporate Director of Residents Services	The Bus Service Operators Grant (BSOG) for both commercial and non-commercial bus routes is administered centrally by the Department for Transport. The BSOG is the partial refund on fuel duty received from the government by operators of local bus services in England. The grant claim required Head of Internal Audit certification.
GC6	Troubled Families Grant Claim (Q3)	Grant Claim Verification	Tony Zaman Director Children & Young People's Service (Interim)	The London Borough of Hillingdon Council receives a payment by results grant from the Department for Communities and Local Government (DCLG) for each identified 'turned around' troubled family. Internal Audit (IA) checked that the grant claim was only made for families where there was sufficient evidence of improvement in the last six months as per the payment by results criteria.

APPENDIX B (cont'd)**IA reviews deferred from the 2014/15 Operational IA Plan**





IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Original Timing	Scope / Rationale
A2	Health Contributions / CCG (C&YP Services)	Assurance	Tony Zaman Director Children & Young People's Service (Interim)	Quarter 1	At the request of the Director, this has now been deferred to the 2015/16 Operational Plan due to staffing and operational pressures.
A3	Health Contributions / CCG (Adult Services)	Assurance	Tony Zaman Director Children & Young People's Service (Interim)	Quarter 1	At the request of the Director, this has now been deferred to the 2015/16 Operational Plan due to staffing and operational pressures.
A4	ICS Data Quality (C&YP Services)	Assurance	Tony Zaman Director Children & Young People's Service (Interim)	Quarter 1	At the request of the Director, this has now been deferred to the 2015/16 Operational Plan due to staffing and operational pressures.
A27	All Age Disability Service	Assurance	Tony Zaman, Director of Adult Services	Quarter 3	At the request of the Director, this has now been deferred to the 2015/16 Operational Plan due to staffing and operational pressures.

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

Assurance Level	IA 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.

- 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.
- Risk Appetite:** The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.
- 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 D**INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

Risk	IA 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.