**Progress Report to Audit Committee
2014/15 Quarter 4**

9th March 2015

Contents

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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) came into force on 1 April 2013 and were introduced with the intention of promoting 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 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 IA assurance and consultancy work covered during the period 8th December 2014 to 9th March 2015. 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 is now at a stage where it is nearing completion of the 2014/15 IA Plan, subject to the agreed revisions to the Plan. Since the last IA Progress Report on 8th December 2014, **8 assurance reviews** have been completed to final report stage, **3 additional opinion statements** have been issued, **7 consultancy reviews** have been finalised and **1 grant claim** has been verified.

2.2   During Quarter 4, there have been 13 deferrals on planned IA reviews requested by management. Attached at **Appendix B** is the detailed listing of each of these deferrals. There have been 4 core financial system audit deferrals requested by the Corporate Director of Finance; these relate to the **MEDIUM** risk areas of E-Invoices, Main Accounting System, Debtors and Creditors. The deferral of these audits has been requested as a result of delays in the Oracle R12 upgrade. Whilst IA has the authority to insist on carrying out these audits in the original timeframe agreed by CMT and the Audit Committee, we have strong assurance from our previous reviews of these areas and we have therefore agreed with management to defer these reviews until the IA Plan for Quarter 2 of 2015/16. By this stage the Oracle upgrade should be fully embedded and in the interim we will be following up our 2013/14 IA recommendations on the Council's core financial systems.

2.3   There have also been 3 significant deferrals in the Residents Services Group; Corporate Construction, Housing - Planned Maintenance and Housing Repairs. These areas were assessed as **HIGH** risk and included in the 2014/15 IA Plan approved by CMT and the Audit Committee in March 2014. This was following the risk based IA planning process last year where management highlighted to IA that they were aware of serious failings in how the operations of the Housing repairs, maintenance and Construction services were functioning. Options were therefore prepared by management for major changes to the operating model, structure and processes for these services.

2.4   Unfortunately, because of their radical nature, these changes took longer to agree than expected. As a result, the change process, which includes consultation with a significant number of potentially affected staff, has only just recently commenced. Therefore IA has reluctantly accepted that the planned assurance work in these areas will have to be delayed until later in 2015, once the changes are fully embedded. As a result, IA currently can give **NO** assurance to CMT and the Audit Committee on these 3 areas. However, it has been agreed that IA will work with management on a consultancy basis to provide advice and support in relation to the design and implementation of the new processes and procedures in these 3 areas.

2.5   Also in this quarter, we have performed verification checks on the recommendations raised within the assurance review at Chantry School earlier this year, where a **NO** assurance opinion was issued. Of the 22 **HIGH** and **MEDIUM** risk recommendations raised within our report, there are only 3 **HIGH** risk recommendations (all relating to ICT controls) outstanding, 1 of which is not actually due for implementation until 1st June 2015. A follow-up audit of this area is currently in progress and will be reported to CMT and the Audit Committee in July 2015 as part of the 2014/15 Annual IA Report and Opinion Statement.

3. Analysis of Internal Audit Activity in 2014/15 Quarter 4

3.1   Assurance Work in Quarter 4

3.1.1   All IA assurance reviews carried out this quarter are individually listed at **Appendix A**. This list 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**). Good progress has been made in Quarter 4 with the IA Plan allocation of assurance work; all audits have progressed beyond planning, with **27%** at fieldwork/ testing stage and **73%** at reporting stage. IA performance in relation to timely delivery of the IA Plan has remained reasonably steady throughout this quarter despite the shortfall in resources which was anticipated following the IA staffing restructure in Quarter 3. In fact, as a result of the large number of audits deferred from the IA Plan in Quarter 4, delivery of the remainder of the 2014/15 IA Plan is now firmly on track to be completed much earlier than planned.

3.1.2   As at 9th March 2015, **8** assurance reviews have been completed to final report stage and **3** additional opinion statements have also been issued. These 3 opinion statements relate to Corporate Construction, Housing Repairs and Housing Maintenance. As detailed at paragraph 2.3, unfortunately IA can currently give **NO** assurance to CMT and the Audit Committee on these 3 areas. However, as highlighted earlier, it has been agreed that IA will work with management on a consultancy basis over the next few months in these 3 areas.

3.1.3   **Appendix A** highlights that as at 9th March 2015, there are an **additional 20 IA assurance reviews in progress**, 8 of which are at draft report stage.

3.2   Consultancy Work in Quarter 4

3.2.1   IA continues to undertake a variety of consultancy work from the contingency allocation within the IA Plan. 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 to increase IA's knowledge of corporate developments and 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. 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 suggestions for senior management to consider.

3.2.2   Attached at **Appendix A** is a list of consultancy work carried out in Quarter 4. This highlights that **7 consultancy reviews** were completed this quarter including 3 memos. As part of the IA consultancy review of **Transitional Arrangements** carried out this quarter, we provided advice to the Head of Disability Services to help the Council prepare for a peer review. The advice included commenting on the Position Statement which is the document that outlined why the review theme (Transition to Adulthood: Ensuring an All Age Pathway) had been selected for a peer review. IA also conducted a benchmarking exercise to identify improvements for the Council's current Local Offer and draft Transition Protocol. The peer review has just taken place so it is too early to know the results of it, but the Head of Disability Services has thanked IA for the support they provided in preparing for the review.

3.2.3   There are also **4 other IA consultancy reviews in progress** as at 9ᵗʰ March including a review of the Children's Centres across the borough which was commissioned by the Interim Director Children & Young People's Services. The aim of this work is to help management strengthen procedures and practices relating to staffing, financial planning, budget monitoring, contract and procurement arrangements, as well as compliance with Council policies.

3.2.4   The methodology of our consultancy work is under further development and we recently met with the Interim Director of Transformation, with a view to trying to ensure closer alignment of IA consultancy work to the Council's Transformation Programme. There remains an increasing trend of management coming to IA to request advice and support. We see this as an indicator of success for the Council that IA and management can work together collaboratively to help the organisation change and improve.

3.3   Grant Claim Verification Work in Quarter 4

3.3.1   As detailed at **Appendix C** (ref GC7), IA carried out verification work on the **Troubled Families Grant** this quarter. IA sample tested 51 out of 225 (23%) troubled families that had been identified as being 'turned around' by the Troubled Families Team. Our testing concluded there was sufficient evidence that improvement had been made in 49 out of the 51 troubled families sampled. Specifically, we verified that of the 51 cases, 32 families achieved the 'continuous employment' result and 17 families achieved the 'education, crime and anti-social behaviour' result. However, in the two exception cases we found that one family had moved out of the borough prior to being 'turned around' and one family had a member who had moved into continuous employment prior to the commencement of the Troubled Families programme. Therefore, in accordance with grant conditions, we suggested that both instances should be removed from the data set.

3.3.2   Our grant claim testing in this area has helped inform our continuous risk based IA planning. As a result, we plan to carry out an assurance review of the Troubled Families Programme in Quarter 1 of 2015/16 (subject to CMT and Audit Committee approval). There has been no other grant claim verification work carried out by IA in Quarter 4, nor is there any further IA grant claim work planned for the remainder of the 2014/15 audit year.

3.4   Follow-up of Previous Internal Audit Recommendations in Quarter 4

3.4.1   IA 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.

3.4.2   The implementation of recommendations raised by IA continues to be monitored solely by one member of the IA team until TeamCentral (a module of the IA software 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.

3.4.3 This approach also ensures that organisationally IA has a more consistent and streamlined approach to the process of following-up IA recommendations. This method has achieved **extremely positive results** for the Council's overall control environment in the last 12 months, with the vast majority of **HIGH** and **MEDIUM** risk IA recommendations raised now promptly implemented by management. In fact, as highlighted in the table below there are currently **only 3%** of **HIGH** and **MEDIUM** risk IA recommendations outstanding. By comparison, in June 2013 this figure **was 47%** and in the last 3 years this figure **has been as high as 69%**.

3.4.4 The focus of the Quarter 4 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 **548 HIGH** and **MEDIUM** risk IA recommendations raised in the last three financial years that were due to have been implemented by management by 9th March 2015. The table below summarises the status of each of the 548 recommendations as at this date:

| IA Recommendation Status as at 9th March 2015	HIGH			MEDIUM			TOTAL
	12/13	13/14	14/15	12/13	13/14	14/15	
Total No. of IA recommendations raised	79	25	26	238	169	92	**629**
Total No. of IA recommendations raised that are not yet due	0	1	6	0	12	62	**81**
Total No. of IA recommendations raised that are now due	79	24	20	238	157	30	**548**
Total No. of due recommendations implemented	79	24	18	238	153	22	**534**
Total No. of due recommendations outstanding	**0**	**0**	**2**	**0**	**4**	**8**	**14**
Total % of due recommendations outstanding	**0%**	**0%**	**10%**	**0%**	**3%**	**27%**	**3%**

3.4.5 Positive management action has been proposed to address all **312** (25+26+169+92) of the 2013/14 and 2014/15 **HIGH** and **MEDIUM** risk IA recommendations raised. Of the **92 MEDIUM** risk IA recommendations raised in 2014/15 to date there have been only **2** recommendations where management have selected an alternative risk response other than '**Treat'**.

3.4.6 As a reminder, good practice in IA and risk management encourages management to respond to risks in any combination of the following four ways (**the 4 T's**):

- **Transfer** the risk i.e. insure against it;

- **Terminate** the risk i.e. stop carrying out the activity that creates the potential risk;

- **Treat** the risk i.e. take mitigating action to reduce the risk;

- **Tolerate** the risk i.e. do nothing and accept that there is a potential risk that could materialise.

3.4.7 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. 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 and due for implementation were **HIGH** risk. However, only **10%** of the 2014/15 **HIGH** risk recommendations and **27%** of **MEDIUM** risk recommendations remain outstanding as at 9th March 2015. This represents a significant decrease from previous quarters and the HIA believes that this is partly due to improvements made by IA to facilitate the process, prompting management in advance that recommendations are due for implementation.

3.4.8   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 9th March 2015:
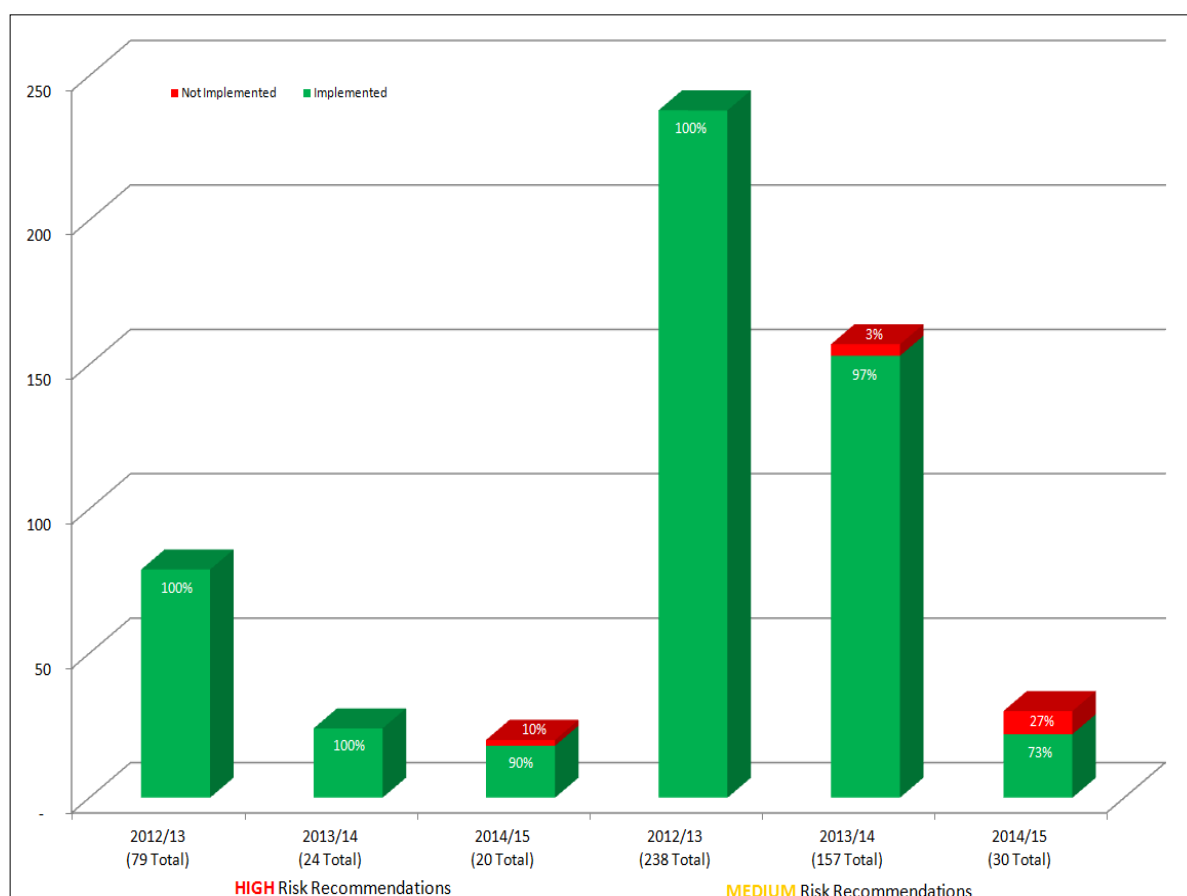
3.4.9   During this quarter we have also undertaken a detailed follow-up assurance review on the 15 **HIGH** and 7 **MEDIUM** recommendations raised within the 2014/15 **NO** assurance IA review of Chantry School. IA revisited the school twice in January 2015 to carry out further follow up verification checks and conduct testing to confirm if procedures, checks and controls in place were sufficient to mitigate exposure to the key risks identified. During testing we found that 23 out of 26 recommendations have been fully implemented and there remains 3 high risk recommendations outstanding, all concerning ICT controls (1 of which is not actually due for implementation until 1st June 2015).

3.4.10   Overall, the results of our follow-up work demonstrate a very positive outcome for the Council regarding the management action taken in response to IA recommendations raised. IA continues to work collaboratively with management to improve the timely implementation of action to mitigate **HIGH** and **MEDIUM** risks.

3.5   Other Internal Audit Work in Quarter 4

3.5.1   During this quarter we have undertaken the annual risk based IA planning exercise to identify the existing, new and emerging risks within each directorate. This is with the aim of ensuring that the IA focus for 2015/16 is aligned to the Council's highest risks and assurance is provided accordingly. In 2015/16 IA has introduced a quarterly planning approach; further details of this are included in the Forward Look section of this report (refer to para 5.2).

3.5.2   Alongside this other work, IA has been updating the IA Charter as well as producing a new IA Strategy. Further details of this work are included in the Forward Look of this report (at section 5) and both items are due to be presented to the Audit Committee at its planned meeting on 17th March 2015. The HIA will also provide an oral update on recent IA work to the Audit Committee at this meeting.

4. Analysis of Internal Audit Performance in 2014/15 Quarter 4

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. Actual cumulative IA performance against its KPIs as at 9th March 2015 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	**KPI Retired**		
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%	73%	**AMBER**
KPI 6	Percentage of IA Plan delivered to **draft report** stage by 31 March	90%	91%	**GREEN**
KPI 7	Percentage of IA Plan delivered to **final report** stage by 31 March	80%	82%	**GREEN**
KPI 8	Percentage of draft reports issued as a final report within 15 working days	90%	71%	**RED**
KPI 9	Client Satisfaction Rating	80%	87%	**GREEN**
KPI 10	IA work fully compliant with the **PSIAS** and **IIA Code of Ethics**	100%	100%	**GREEN**

4.2   As highlighted above, performance against **KPI 8** is currently being reported as **RED**. This is due to 5 instances (out of 17 assurance reviews) where management responses to the draft reports have not been received within the set timescales of 15 working days. Whilst we facilitate this process, we are reliant on timely management responses to achieve this indicator. On 2 occasions the management responses were received just over the 15 working days target. However, in the other 3 cases there were significant delays (between 5 and 6 weeks) before management responses were provided. Potentially this indicates that some managers are over-stretched, although other than these 5 instances we are happy to report that the time taken to finalise reports from draft stage is on average only **11** working days. Nevertheless, there is a strong possibility that **IA KPI 8 may not be achieved for 2014/15**, particularly if there are any further delays in receiving management responses to the audits due to be finalised in the new few weeks.

4.3   Management feedback continues to be positive on our assurance coverage and particularly on our consultancy work. The actual performance against **KPI 9** has further improved to **87%** this quarter, showing a clear positive direction of travel regarding managements' perception of the value delivered by the IA service.

4.4 We have also received a range of client comments on IA performance this quarter which help us refine our processes and improve as a service. Some examples of these comments are highlighted below:

IAS (Adult Social Care) Data Quality

"I was extremely impressed with the conduct and support of the Internal Audit Team in Hillingdon, especially in comparison to other Local Authorities I have worked for. The audit carried out was very much a joint venture and outcome focussed on improvements to the business delivery and a quality of service. I look forward to working with the Internal Audit Team again in the near future".

Schools Payroll Arrangements (thematic review across a number of schools)

"We all agree that the IA Team were very professional and did their very best not to infringe on the running of the school whilst carrying out this important role".

"The different approach that IA now uses is much more straightforward - especially as they send immediate feedback and a general overview for all schools to benefit from. The fact they concentrate on particular areas reinforces the strengths in schools and allows best practice to be shared".

"The audit was very useful and was conducted in a supportive and professional manner".

"I am pleased how the audit was carried out but it would be nice to receive a more personal detailed report to the school on how the person carrying out the role was fulfilling the requirements and any good practices that were in place, as the report was generalised across the schools visited. Personally, I received one low risk item to address so overall I am very pleased with the outcome of the audit".

"It would have been useful to have been given a list of what the auditors would need to look at, prior to the visit, as time was wasted locating files and information".

Capita Income ICT System

"The original review by Baker Tilly did not adequately cover the scope of an Application audit. Key areas were missed whilst other areas were focused on that were irrelevant to a software Application audit. The Baker Tilly auditor did not seem to understand the Application itself and its use within the Council, even after sitting with team members in both ICT and Finance. However, the HIA did agree on this and therefore a second audit took place that revisited areas that had been missed, for e.g. user security, validation of interfaces etc. The second audit report provided a more accurate review of the system and its processes".

Learning Disabilities Residential Placements

"My only slightly negative comment would be that whilst the audit itself was undertaken in a timely fashion the overall timetable appeared to slip so it wasn't completed in the originally defined period. However, this didn't make any difference to the business and the report has been useful".

5. Forward Look

5.1 Looking ahead to 2015/16 Quarter 1, **a new IA Strategy** document will be in place that will have a five-year time horizon and 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.

5.2 As a result of the fast changing control environment we have introduced **a quarterly approach to IA planning in 2015/16**. Specifically, as well as providing a high-level estimation of where we expect to utilise our resources over the coming year, we will produce quarterly detailed operational IA Plans in liaison with management. The quarterly IA Plans will be agreed by CMT and Audit Committee as part of the quarterly progress reports. They should help ensure that IA resources are directed in a more flexible and targeted manner to maximise the benefit to our stakeholders.

5.3   The software in use by IA (TeamMate) will continue to help **improve the monitoring, follow-up and tracking of IA recommendations** by management. After a successful pilot with the Finance directorate, TeamMate recommendation tracking has now been rolled out to the Administration, Children & Young People's Services and Adult Social Care Services Groups, with implementation in the Residents Services Group due to follow shortly. Appropriate TeamMate training has been provided to the relevant Council staff and this enhanced process will allow IA and senior management to more easily monitor the progress and status of all IA recommendations and the action plans established. The new process will also place greater responsibility on management, as owners of the risks, to provide progress updates on their recommendations.

5.4   The **Quality Assurance & Improvement Programme** (QAIP) developed in accordance with the IA Charter is in the process of being reviewed and updated. The QAIP is designed to provide assurance that the work of IA continues to be fully compliant with the UK PSIAS and also helps enable the ongoing performance monitoring of IA activity. The progress of the QAIP is due to be highlighted in the HIA Annual IA Report & Opinion Statement, due to be presented to Audit Committee at its meeting in July 2015.

5.5   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 FCCA, CMIIA
Head of Internal Audit

9th March 2015

APPENDIX A

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2014/15 – QUARTER 4

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 – Quarter 4:

IA Ref.	IA Review Area	Status as at 9th March 2015	Assurance Level	Risk Rating				CFQ Received?
				H	**M**	**L**	**NP**	
A8	Corporate Construction	IA assurance review not undertaken	**No**	-	-	-	-	N/A
A17	Housing Repairs	IA assurance review not undertaken	**No**	-	-	-	-	N/A
A30	Housing - Planned Maintenance Work	IA assurance review not undertaken	**No**	-	-	-	-	N/A
A24b	Mental Health Residential Placements	Final report issued 23rd January 2015	**Reasonable**	-	3	1	2	**Overdue**
A24a	Learning Disabilities Residential Placements	Final report issued 29th January 2015	**Reasonable**	-	2	2	1	✓
A35	Schools - Contracts & Procurement Schools visited: Bishop Winnington-Ingram CoE, Colham Manor Primary, Glebe Primary, Grange Park Junior, Newnham Infant, Oak Farm Infant, Oak Farm Junior, Ryefield Primary, William Byrd and Yeading Junior.	Final report issued 30th January 2015	**Reasonable**	-	24	-	-	Not yet due
A20	Capita Income ICT System	Final report issued 5th February 2015	**Reasonable**	-	6	5	-	✓
A5	IAS Data Quality (Adult Services)	Final report issued 10th February 2015	**Reasonable**	1	3	-	-	✓
CF4	Housing Benefits	Final report issued 13th February 2015	**Reasonable**	-	3	2	1	✓
A28	Imported Food Office (formerly Airport Services)	Final report issued 13th February 2015	**Substantial**	-	2	2	1	✓
CF6	Treasury Management	Final report issued 13th February 2015	**Substantial**	-	-	2	-	✓

APPENDIX A (cont'd)

2014/15 IA Assurance Reviews – Quarter 4 (cont'd):

IA Ref.	IA Review Area	Status as at 9th March 2015	Assurance Level	Risk Rating H	M	L	NP	CFQ Received?
CF1	Payroll	Draft report issued 25th February 2015						
CF10	Capital Accounting	Draft report issued 2nd March 2015						
A21a	Data Protection	Revised draft report in progress						
A21b	Freedom of Information	Revised draft report in progress						
A11	Performance Management	Revised draft report in progress						
A38	Chantry School (**Follow-up**)	Draft report in progress						
CF7	Council Tax and NNDR Inspections	Draft report in progress						
A33	Corporate Governance (**Follow-up**)	Draft report in progress						
CF5	Budgetary Control	Testing in progress						
CF8	Pensions (Investments)	Testing in progress						
A19	Leisure Services Contract Management	Testing in progress						
A34	Risk Management (**Follow-up**)	Testing in progress						
A40	Schools - Governance Arrangements Schools visited: Deansfield Primary, Grange Park Junior, Heathrow Primary, Lady Bankes Infant, Lady Bankes Junior, Whitehall Junior & William Byrd Primary.	Testing in progress						
A6	Ofsted Improvement Action Plan	Testing in progress						
A37	High Level Mileage Users	Testing in progress						
CF3	E-Invoices (**Follow-up**)	Testing of previous in progress						
CF12	Creditors (**Follow-up**)	Testing in progress						
CF13	Debtors (**Follow-up**)	Testing in progress						
CF15	Housing Rents (**Follow-up**)	Testing in progress						

APPENDIX A (cont'd)

2014/15 IA Assurance Reviews – Quarter 4 (cont'd):

IA Ref.	IA Review Area	Status as at 9th March 2015	Assurance Level	Risk Rating				CFQ Received?
				H	**M**	**L**	**NP**	
CF14	Cash and Bank (**Follow-up**) (formerly Cash Collection Services)	Testing in progress						
Total Number of IA Recommendations Raised in 2014/15 – Quarter 4				1	43	14	5	
Total % of IA Recommendations Raised in 2014/15 – Quarter 4				2%	68%	22%	8%	

2014/15 IA Consultancy Reviews – Quarter 4:

IA Ref.	IA Review Area	Status as at 9th March 2015
CF2	Asset Register	Final consultancy memo issued 9th December 2014
C17	Transitional Arrangements (Preparation for Peer Review)	Final consultancy memo issued 6th February 2015
C3	Standby Payments	Final consultancy memo issued 24th February 2015
C19	Telecare Third Party Payments	Verbal consultancy advice provided
C20	Establishment Voluntary Funds	Verbal consultancy advice provided
C21	Capital eSourcing	Verbal consultancy advice provided
C22	Implementation of system for managing DBS Checks	Verbal consultancy advice provided
C14	EFA & SFA Mock Audit - Hillingdon Adult & Community Learning	Consultancy memo in progress
C18	Review of Children's Centres	ToR issued 15th January 2015; fieldwork in progress
C16	Northgate Contract Management (previously an assurance review)	Work in progress
C23	Work Orders for Street Scene Maintenance	Work in progress

2014/15 IA Grant Claim Verification Reviews – Quarter 4:

IA Ref.	IA Review Area	Status as at 9th March 2015
GC7	Troubled Families Grant – Quarter 4	IA memo issued 12th January 2015

<u>APPENDIX B</u>

<u>REVISIONS TO THE 2014/15 INTERNAL AUDIT PLAN – QUARTER 4</u>

IA reviews added to the 2014/15 Operational IA Plan for Quarter 4:

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
GC7	Troubled Families Grant Claim - Q4	Grant Claim Verification	**Tony Zaman**, Director of Adult Services and Interim Director Children & Young People's Services	The Council receives a payment by results grant from the Government for each identified 'turned around' troubled family. 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 (refer to **Appendix A**).
A37	High Level Mileage Users	Assurance	**Fran Beasley**, Chief Executive and Corporate Director of Administration	Following analysis performed by Strategic Finance in this area, HR have asked for an added value IA review of the process to confirm compliance with Council Policies in this area and identify areas for improvement (refer to **Appendix A**).

IA reviews deferred from the 2014/15 Operational IA Plan for Quarter 4:

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
A8	Corporate Construction	Assurance	**Jean Palmer**, Deputy Chief Executive and Corporate Director of Residents Services	These IA assurance reviews have not been undertaken at the request of management due to a period of significant staff restructuring and consultation which has yet to be finalised. As a result, we have given a **NO** assurance opinion to CMT and the Audit Committee on these areas (refer to **Appendix A**). IA will work with management on a consultancy basis to provide advice and support in relation to the design and implementation of the new processes and procedures in these areas.
A17	Housing Repairs	Assurance	**Jean Palmer**, Deputy Chief Executive and Corporate Director of Residents Services	
A30	Housing - Planned Maintenance Work	Assurance	**Jean Palmer**, Deputy Chief Executive and Corporate Director of Residents Services	
CF3	E-Invoices	Assurance	**Paul Whaymand**, Corporate Director of Finance	At the request of the Director, these four audits have now been deferred to the Quarter 2 2015/16 IA Plan due to delays caused by the Oracle upgrade from R11 to R12. In the interim, the High and Medium risk recommendations from our 2013/14 reviews in these areas will be followed up.
CF11	Main Accounting System			
CF12	Creditors			
CF13	Debtors			

APPENDIX B (cont'd)

IA reviews deferred from the 2014/15 Operational IA Plan for Quarter 4 (cont'd):

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
A22	Schools - Safeguarding	Assurance	**Jean Palmer**, Deputy Chief Executive and Corporate Director of Residents Services	Following a risk assessment this review has now been deferred to Quarter 2 of the 2015/16 IA Plan.
A23	Corporate Procurement & Commissioning	Assurance	**Paul Whaymand**, Corporate Director of Finance	At the request of the Head of Procurement, this review has now been deferred to early in the Quarter 1 2015/16 IA Plan.
A25	Personalised Budgets & Financial Assessments - Children's & Adults	Assurance	**Tony Zaman**, Director of Adult Services and Interim Director Children & Young People's Services	At the request of the Director, this audit has now been deferred to the Quarter 1 2015/16 IA Plan due to staffing and operational pressures.
A29	Schools - ICT Arrangements	Assurance	**Jean Palmer**, Deputy Chief Executive and Corporate Director of Residents Services	Following a risk assessment this review has now been deferred to the Quarter 2 2015/16 IA Plan.
A31	HIP / BID / Transformation Programme	Assurance	**Fran Beasley**, Chief Executive and Corporate Director of Administration	Following a risk assessment this review has now been removed from the 2014/15 IA Plan. The related risks will continue to be picked up as part of ongoing IA consultancy work.
A32	Absence Management System	Assurance	**Fran Beasley**, Chief Executive and Corporate Director of Administration	At the request of the Head of HR, this review has now been deferred to early in the Quarter 1 2015/16 IA Plan.

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.

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 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**.