



# INTERNAL AUDIT

**Draft Internal Audit Plan 2015/16**

**9<sup>th</sup> March 2015**

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## 1. Introduction

### 1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, which is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit (England) Regulations 2011 that the Council undertakes an adequate and effective IA of its accounting records and of its system of internal control in accordance with the proper practices.
- 1.1.2 IA gives an objective opinion to the Council on whether the control environment, corporate governance arrangements and risk management framework are operating effectively. In 2015/16 the IA service at Hillingdon will continue to apply a fully risk-based approach to its coverage (**on a quarterly basis**). This means that IA gives greater assurance to the Council because it is based on the key risks to the organisation's objectives. As a result, we will not just be commenting on whether the controls operate, but whether they are the right controls to achieve the overall aims of the service.

### 1.2 The Purpose of the Internal Audit Plan

- 1.2.1 The IA Plan is a crucial component of the annual assurance opinion statement provided by the Head of Internal Audit (HIA) to those charged with governance. In order to deliver this assurance it is vital for the organisation to have a comprehensive IA Plan which gives sufficient risk-based coverage and support to management. Hillingdon, in common with all other councils, faces a number of challenges including increased demand for services in a number of key areas. The test for Hillingdon Council is therefore to continue to try to balance the needs of our most vulnerable communities with the continually decreasing financial resources.
- 1.2.2 To help meet this need, the risk-based IA Plan for 2015/16 has been linked to the organisational objectives and strategic priorities, whilst also taking account of the Council's wider assurance framework. In addition, the IA Plan for 2015/16 has been developed in accordance with the recently updated IA Charter and the new IA Strategy for the 2015 to 2019 period.

## 2. The Internal Audit Planning Process

### 2.1 Skills and Resources

- 2.1.1 In line with the Public Sector IA Standards (PSIAS), the HIA is professionally qualified and suitably experienced. The skills mix within the rest of the in-house IA team has significantly changed over the last 12 months and as a result **every member of the IA service is now professionally qualified or is actively studying for a relevant professional qualification**. As part of a service review by the HIA, one IA post was deleted during 2014/15 to reflect the changing skills mix requirements of the Council. However, the in-house IA team is supplemented by partnerships with external providers of IA services for specialist support i.e. ICT audits. Consequently, overall available IA resources fulfil the PSIAS requirements in terms of the combination of professionally qualified and experienced staff. As a result, there are currently sufficient IA resources available to meet the skills and resource requirements needed to deliver the 2015/16 risk-based IA Plan.
- 2.1.2 Demand for IA assurance and consulting services usually exceeds available IA resources at local authorities. This means choices have to be made that will determine the impact IA has upon the organisation and the way key stakeholders perceive the value of IA. The starting point in the IA planning process at Hillingdon is therefore to **determine the total available IA staff resources**.

2.1.3 After deducting an appropriate amount of allocated time for IA planning, reporting, management review, staff training and other IA overhead time, the calculated **total available IA chargeable time for 2015/16** at Hillingdon is **1,300 IA Days**. This represents a 300 days reduction on the 2014/15 IA Plan as a result of the recent IA staff restructure (refer to para 2.1.1) as well as there being no Finance Trainees planned for IA placements during 2015/16.

## 2.2 Planning Sources

2.2.1 Although the IA Plan for the year is determined by the number of days available, the primary purpose of the IA Plan is ensuring that the key risks facing the Council are given sufficient IA attention. Therefore the next step in developing the risk-based annual IA Plan has been to make reference to a variety of planning sources (as per the flowchart of the IA Process attached at **Appendix A**) including:

- **Team Plans** – We carried out a review of team plans where these could be traced, to help us confirm the strategic objectives of each service area;
- **Corporate Risk Register** – We reviewed the Council's corporate risk register to establish those charged with governance's view of the most significant risks facing the Council;
- **Group & Service Risk Registers** – We conducted a review of Group and Service risk registers (where they were in place), to help identify the key risks facing each service;
- **Senior Management** – We have met or spoken with all senior managers across the Council including members of Corporate Management Team (CMT), to develop our knowledge of the risks and challenges facing their services;
- **Key Documents** – We have carried out a desktop review of key Council documents including minutes and reports of Cabinet and various committee meetings, as well as recent Hillingdon Improvement Programme (HIP) reports and the draft budget papers for 2015/16;
- **Audit Committee** – We have met with the Independent Chair of the Audit Committee and have invited comments from other members of the Audit Committee; the draft IA plan will be presented to the Audit Committee at its meeting on 17<sup>th</sup> March 2015 and will be subsequently updated to reflect any further comments and observations the Audit Committee members may have, before being formally finalised and circulated to all key stakeholders by 31<sup>st</sup> March 2015;
- **Members** – We have met with the Leader of the Council to seek his views on the key risks facing the Council; we have invited comments from all Cabinet Members and also intend to discuss the IA planning process at the induction sessions for new Members later this year;
- **External Audit** – We have liaised with Deloitte to discuss any matters of concern and to identify those areas where they are likely to consider IA work to inform their own risk assessment;
- **External Inspections** – We have given consideration to any relevant external inspection or peer review reports i.e. Ofsted; and
- **IA Cumulative Knowledge** – We also make reference to the cumulative knowledge of the IA service of known control weaknesses and risks facing the Council, including the wider strategic issues emerging elsewhere in local government.

## 2.3 Risk Assessment

2.3.1 Using the knowledge gained through considering the planning sources, we carry out a comprehensive **audit needs analysis** and define what is known as the **audit universe** (a long list of areas for potential IA review). We then conduct an IA risk assessment for each area in the audit universe based on **three elements** as set out over the page:

Element	Definition
<b>Inherent Risk</b>	Our assessment of the overall level of risk associated with the audit area. This is effectively a gross relative risk of the potential impact of this area.
<b>Control Risk</b>	Our assessment and cumulative knowledge of the risk that exists within a particular area based upon the controls that we understand the Council has put in place. This affects the likelihood of the risk being realised.
<b>Materiality</b>	Our assessment of the potential financial or organisational impact. This might be judged by the potential for a monetary loss or the extent to which it impacts on core Council objectives.

2.3.2 The Council's risk management framework is not sufficiently mature to place full reliance on the corporate, group and service risk registers to identify all the risks the Council faces. However, the corporate and group risk registers are developed adequately enough to inform the IA risk assessment process, including calculating the total audit risk. The total audit risk score is determined using each of the elements above (para 2.3.1) which enables each area in the audit universe to be categorised into one of three **overall risk assessment** areas as follows:

Overall Risk Assessment	Definition
<b>HIGH</b>	This relates to a <b>significant threat</b> or opportunity that impacts the Council's corporate objectives. This has an impact on the Council's reputation, statutory compliance, finances or key corporate objectives.
<b>MEDIUM</b>	This relates to a <b>potentially significant threat</b> or opportunity that impacts on either corporate or operational objectives. This has an adverse impact on the Department's reputation, adherence to Council policy, the departmental budget or service plan objectives.
<b>LOW</b>	This relates to a <b>minor threat</b> or opportunity that impacts on operational objectives. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives.

### 3. The 2015/16 Internal Audit Plan

- 3.1 The results of the **overall risk assessment** process are then used to determine IA priorities and produce the allocation of IA resources. The HIP helps the Council deal with the budget pressures and increasing demand for its services. However, this transformational work results in a fast changing control environment and we have therefore introduced a revised method to IA planning in 2015/16. The new approach now provides for a **high-level estimation** of where we expect to utilise our resources over the coming year, with detailed operational IA Plans being produced and agreed by CMT and Audit Committee on a **quarterly basis**. This should help ensure that IA resources are directed in a more flexible and targeted manner to maximise the benefit to our stakeholders.
- 3.2 Attached at **Appendix B** is a pie chart which provides the IA Plan high-level estimation by audit type for 2015/16. We believe this allocation provides the best value to our key stakeholders, using a risk-based approach to internal control, risk management and corporate governance. The relevant senior managers will be consulted with regards to the individual reviews that make up each of the high-level categories. Actual time spent on each category will be detailed in the quarterly IA progress reports.

3.3 The definitions of types of IA work and allocation (as highlighted in the high-level IA Plan at **Appendix B**) are as follows:

Type of IA Work	Definition	% of IA Plan	IA Plan Allocation
Assurance	Work which provides comfort to CMT and the Audit Committee that risks to the achievement of objectives (including transformation projects) are being effectively mitigated and arrangements are operating as expected.	50%	650 Days
Consultancy & Advice	Work where the primary purpose is to advise and support management to improve systems and processes, mitigate risk and enable the achievement of objectives.	22%	286 Days
Core Financial Systems	Assurance coverage of the core financial processes that have a material impact on the financial position of the Council.	10%	130 Days
RBIA - CRR	<u>Risk-based IA (RBIA)</u> reviews that provide assurance on the Council's strategic risks identified in the <u>Corporate Risk Register (CRR)</u> .	7%	91 Days
Grant Claims	Grant work on behalf of the Council including the Housing Subsidy and Troubled Families claims.	6%	78 Days
Follow Up	Activity which ascertains the implementation of agreed management actions.	3%	39 Days
Facilitation	Activity which supports CMT in their management of risk and the production of the Annual Governance Statement.	2%	26 Days
		<b>100%</b>	<b>1,300 Days</b>

3.4 However, as stated earlier, IA will **carry out a quarterly planning cycle** behind the high-level plan to ensure that we have the flexibility to respond to the dynamic environment in which the Council operates. As a result, formal updates of the IA Plan will be reported to CMT and the Audit Committee as part of the quarterly progress reports. This ensures that the risk-based IA approach is a continuous process in line with the PSIAS. This will also make sure that the IA Plan will be subject to quarterly review to ensure it remains aligned with the Council's objectives and the risks identified by management.

3.5 CMT and the Audit Committee should also note that **there are a significant number of audit areas identified in the audit universe which fall below the risk threshold**. These areas are therefore unlikely to form part of the detailed operational IA Plans produced each quarter, unless specifically requested by management.

3.6 Attached at **Appendix C** is the detailed operational IA plan for **Quarter 1** as agreed with the relevant senior managers. The detailed IA Plan has a number **key features** including:

- **ICT Audit** – The IA Plan makes provision for specialised computer audit work to be undertaken by our external contractor with some support provided by the in-house team. The scope of this assurance work will be to assess and report upon the adequacy of the key ICT controls present within major Council systems.
- **Projects** – Many local authorities have projects which struggle to deliver the benefits that are expected of them, often having major knock on effects with other projects and sometimes even conflicting with other projects. We can provide quality assurance on projects through the entire life cycle of change, from project identification through to final delivery.

- **Contracts** – With the increasing number of contracts in operation across the Council, there will be an increased focus by IA on contract related ‘assurance’ audits. This will include reviews of the procurement process, as well as contract management arrangements for the significant / high value contracts.
- **Consultancy** – In line with the PSIAS, IA coverage will include a range of consultancy work. The table at para 3.3 and chart at **Appendix B** highlights that 286 days has been allocated for IA consultancy which includes advice, training, facilitation or conducting specific consultancy reviews. Through participation in corporate project groups we will also provide insightful, independent and informed advice in order to reduce the risk of project failure.
- **Anti-Fraud and Anti-Corruption** – Whilst the Corporate Fraud Investigation Team (CFIT) is the lead assurance provider for the Council on fraud and corruption, IA has a responsibility to give regard to the possibility of fraud and corruption as part of its coverage. As a consequence IA will review the Council’s anti-fraud and anti-corruption key controls as part of its ‘assurance’ coverage whilst also continuing to work closely with the CFIT.
- **Schools** – Previously IA coverage of Hillingdon schools was carried out using a cyclical approach over a three year basis. From 2014/15 onwards the HIA introduced a risk-based approach to IA assurance reviews of Hillingdon schools. In particular cross-cutting audits of themed areas are carried out at a risk-based selection of schools. The results of this work are made suitably anonymous and then distributed to all Hillingdon schools to help share best practice.
- **Value for Money** – As part of our ‘assurance’ coverage, IA will conduct Value for Money (VfM) reviews on specific areas of expenditure and seek to reach a judgement on whether good VfM has been achieved by the Council. Good VfM is defined as the optimal use of resources to achieve the intended outcomes (i.e. economy, efficiency and effectiveness). Our role is not to question the Council's policy objectives, but to provide independent and rigorous analysis to CMT and to the Audit Committee on the way in which public money has been spent to achieve policy objectives. As well as reaching an overall conclusion on VfM, where applicable we will make recommendations on how to achieve better VfM and to improve the services under examination.
- **Core Financial Systems** – The table at para 3.3 and chart at **Appendix B** highlights that 130 days have been allocated for coverage of the core financial systems. This represents a significant reduction of the previous year’s coverage (300 days in 2014/15 - see bar chart at **Appendix B**), which reflects the substantial assurance we can take from the results of our previous testing in this area.
- **Contingency** – An allocation for unprogrammed work will be included in each quarterly operational IA Plan. This will be used to respond to urgent requests for unplanned IA work. Where requests for work are not urgent, they will form part of the following quarter’s operational IA Plan.

#### 4. Internal Audit Reporting

- 4.1 IA reports the findings of its work in detail to key officers at the conclusion of each piece of its work, although Corporate Directors would be immediately informed of any significant internal control weaknesses identified by IA. With the exception of consultancy reviews (including grant claim audits), all reports issued by IA include an assurance rating on the basis of the **IA Assurance Levels and Definitions** included at **Appendix D**.
- 4.2 A quarterly IA progress report is submitted to CMT and the Audit Committee, which summarises IA performance and work carried out in the period. These reports include an update on the progress made against the delivery of the IA Plan and provide details of IA work completed to date, the assurance opinions given and the number and type of recommendations made.

- 4.3 In future, the quarterly progress reports will also include the detailed operational IA Plan for the following quarter. As highlighted earlier, this will allow the IA Plan to be more flexible and responsive to the dynamic level of change throughout the organisation.
- 4.4 In addition, an annual IA report is presented to CMT and the Audit Committee which includes the HIA's statutory opinion statement on the Council's internal control, risk management and corporate governance arrangements. The individual assurance ratings help determine the overall audit opinion at the end of the financial year, although other factors such as implementation of IA recommendations will have a bearing too. The annual IA report contributes to the assurances underpinning the Council's Annual Governance Statement.

## 5. The Internal Audit Follow Up Process

- 5.1 IA evaluates the Council's progress in implementing management agreed recommendations against set targets, although detailed follow up work will not be carried out by IA for any **LOW** risk recommendations. The full definitions of all the **IA Risk Ratings** are included at **Appendix E**. If progress is unsatisfactory or management fail to provide a reasonable response to our follow up requests, IA will implement the escalation procedure agreed with CMT, as clearly set out in the IA / Management Protocol (which is in the process of being further updated).
- 5.2 Linked to this, it is important that all key stakeholders are clear on the role of IA; IA does not tell management what to do; it identifies internal control, risk management and corporate governance weaknesses along with notable practices for management's attention. 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**):
- i) **Transfer** the risk i.e. insure against it;
  - ii) **Terminate** the risk i.e. stop carrying out the activity that creates the potential risk;
  - iii) **Treat** the risk i.e. take mitigating action to reduce the risk; and
  - iv) **Tolerate** the risk i.e. do nothing and accept that there is a potential risk that could materialise.
- 5.3 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. Progress on the implementation of IA recommendations will continue to be formally reported to CMT and the Audit Committee on a quarterly basis.

## 6. Measuring Internal Audit Performance

### 6.1 The Public Sector Internal Audit Standards

- 6.1.1 The PSIAS came into effect on 1 April 2013 with the intention of promoting further improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. The new standards 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.

### 6.2 Internal Audit Measures of Success

- 6.2.1 The PSIAS are also clear that IA should be adding value to the organisation in which it operates. At a time when all areas of the Council are being urged to deliver better and more efficient services, it is absolutely right that IA demonstrates improvements in its services.



### 6.3 Reporting Internal Audit Performance

6.3.1 There are a wide range of IA stakeholders to satisfy, but the key stakeholders for the purposes of the IA progress reports are CMT and the Audit Committee. Further to this, attached at **Appendix F** are the agreed **IA KPIs** for use in 2015/16. We will continue to use the monitoring data maintained on our dedicated IA software system (TeamMate). A summary of actual IA performance against the targeted performance will continue to be reported to CMT and the Audit Committee as part of the quarterly IA progress reports. These results will allow all stakeholders to measure the performance and robustness of the IA service at Hillingdon.

### 6.4 Analysing Internal Audit Performance

6.4.1 All nine of the agreed IA KPIs (per **Appendix F**) need management co-operation to enable them to be achieved. In fact IA in isolation is unable to achieve any of these KPIs; they can influence the results but they cannot completely control them i.e. IA KPI 3 (**HIGH** risk IA recommendations where management action is taken within agreed timescale). IA can influence this KPI by raising pragmatic recommendations and agreeing reasonable timescales with management, but ultimately the reliance is on management to strengthen the control environment in the agreed timeframe.

6.4.2 It is therefore important that interpretation of the IA KPIs is not taken in isolation, as other factors should be taken into account i.e. the increased risk focused IA approach being applied to the IA Plan in 2015/16 will potentially result in a greater number of **HIGH** risk recommendations and a greater number of **LIMITED** assurance reports. The IA KPI targets are ambitious, but they are achievable and realistic for a high performing IA service, which is what we strive to be at Hillingdon. In terms of KPI 8 (Client Satisfaction Rating), this is based on an average score of 3.4 out of 4.0 from the IA Client Feedback Questionnaires completed by management. KPI 9 (IA reviews compliant with the PSIAS and IIA Code of Ethics) is an internal quality check completed by the HIA and Deputy HIA to verify that all IA work meets the required standards.

### 6.5 Individual Internal Audit Staff Performance

6.5.1 As well as the KPIs for quarterly reporting to CMT and the Audit Committee, a further set of performance measures were introduced by the HIA in 2014 that are used to monitor and assess the performance of individual staff in the IA team. These operational performance measures form the basis of the annual performance targets for IA staff and are aligned to the detailed IA procedures and standards, as set out in the IA Manual and outlined in the IA Charter, both of which have been recently updated. The IA standards aim to ensure that all IA staff follow a consistent process for each piece of IA work and that the planned IA programme is completed within agreed timescales and to the required quality standards.

## 7. Acknowledgement

7.1 The draft IA Plan was formally considered by CMT at its meeting on 4<sup>th</sup> March and is due to be presented to the Audit Committee at its meeting on 17<sup>th</sup> March. It will then be finalised by 31<sup>st</sup> March 2015 and circulated to a number of key stakeholders including all senior managers across the Council.

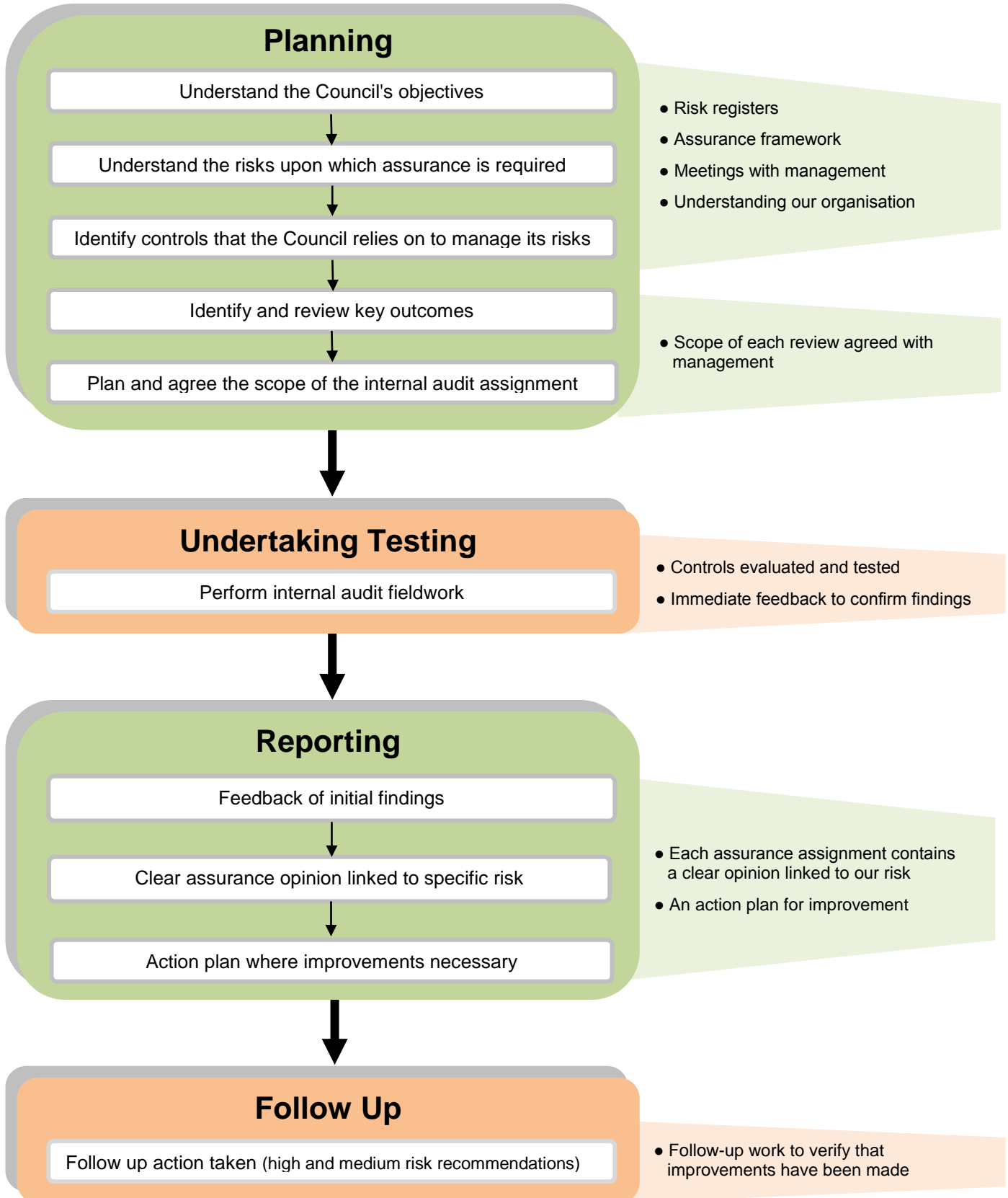
7.2 IA would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the Council's management as part of the risk-based planning process.

Muir Laurie ACCA CMIIA  
**Head of Internal Audit**

9<sup>th</sup> March 2015

**THE INTERNAL AUDIT PROCESS**

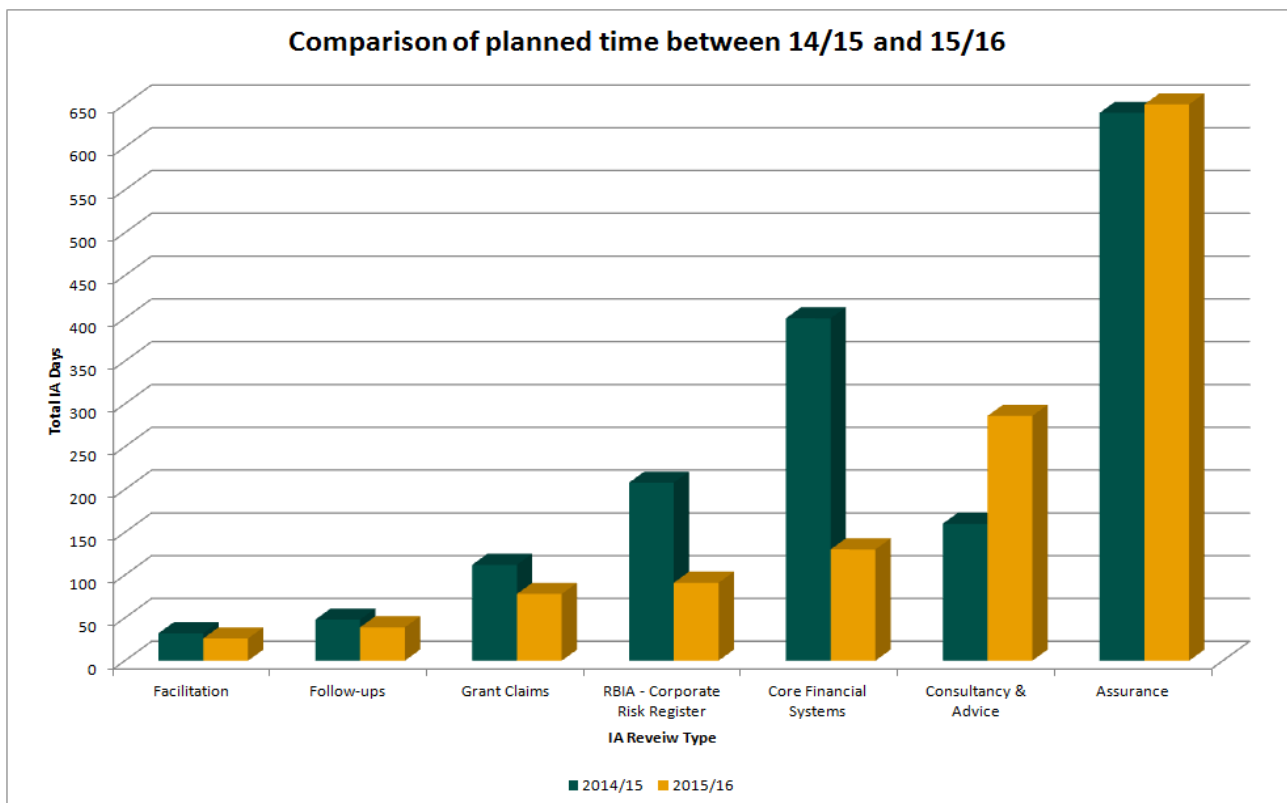
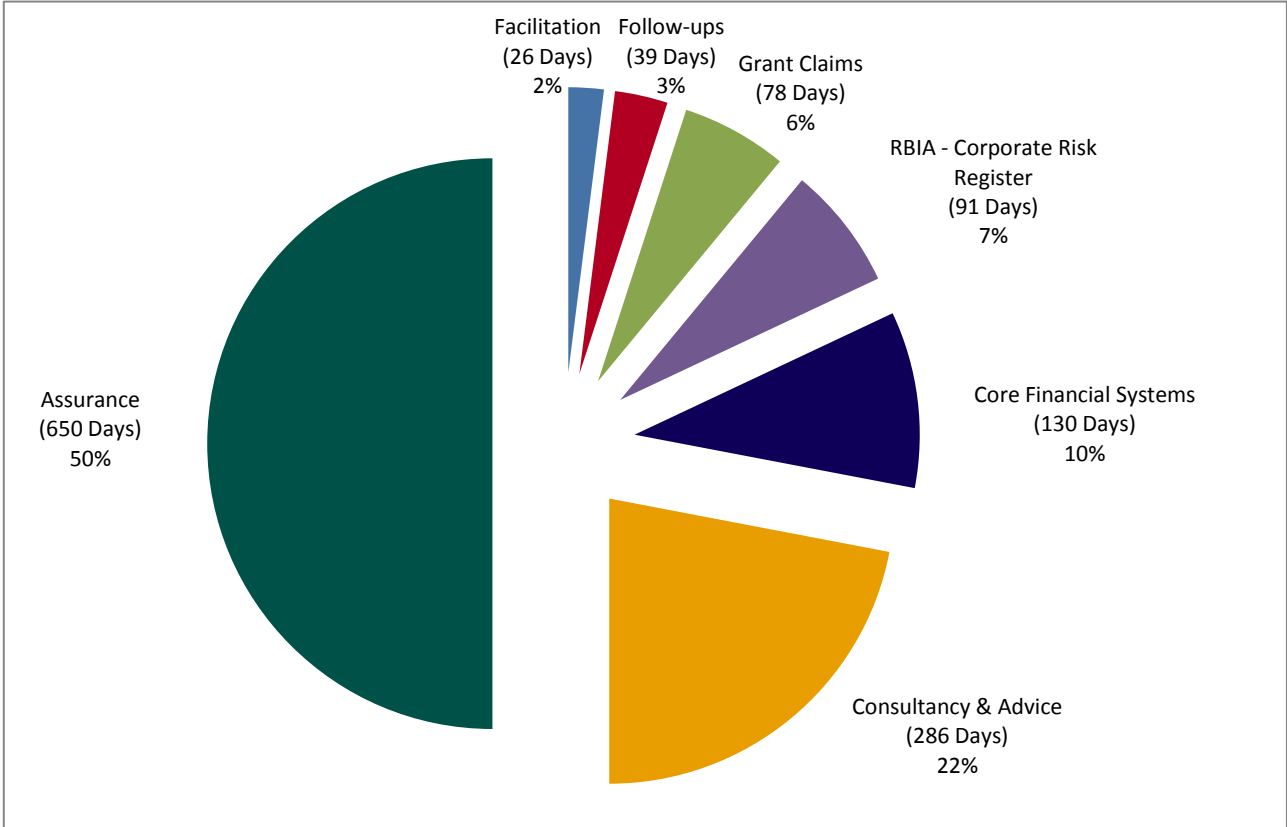
As per para 2.2.1, once total IA available IA resources have been determined, the overall IA process is summarised below:



**APPENDIX B**

**THE 2015/16 ANNUAL INTERNAL AUDIT PLAN ~ ESTIMATED ALLOCATION BY AUDIT TYPE**

As per the definitions at para 3.3, the annual IA Plan estimated allocation by audit type is as follows:



**APPENDIX C****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2015/16 ~ QUARTER 1****IA work scheduled to commence in the 1<sup>st</sup> April to 30<sup>th</sup> June 2015 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
15-A1	Troubled Families Programme	Assurance	<b>HIGH</b>	<b>Tony Zaman,</b> Director of Adult Services and Interim Director Children & Young People's Services	The Troubled Families Programme is being expanded to work with more families from 2015 through to 2020, with £200m funding for all authorities in 2015/16. This review will focus on the risks for Hillingdon concerned with the identification of families, data collection, evidence, reporting, budgeting and the quarterly sign-off of the grant claim returns.
15-A2	Schools - Pupil Premium Funding	Assurance	<b>HIGH</b>	<b>Jean Palmer,</b> Deputy Chief Executive & Corporate Director of Residents Services	Our planning sources have identified significant concerns at some Hillingdon Schools in relation to the effective use of Pupil Premium Funding to support the attainment of disadvantaged pupils. This thematic assurance review will therefore provide management with independent assurance on the internal controls and governance arrangements in place in this area.
15-A3	Personalised Budgets & Financial Assessments (Adults & Children's)	Assurance	<b>HIGH</b>	<b>Tony Zaman,</b> Director of Adult Services and Interim Director Children & Young People's Services	Following the introduction of the Care Act 2014 and the Children & Families Act 2014, significant reforms for both Adults and Children's social work included changes to local authority duties to provide personal budgets for people with eligible needs. This assurance audit will establish how well the Council is doing at managing the significant risks it is exposed to in relation to this system. IA will also review the anti-fraud and anti-corruption key controls in this system as part of its coverage.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2015/16 ~ QUARTER 1 (cont'd)****IA work scheduled to commence in the 1<sup>st</sup> April to 30<sup>th</sup> June 2015 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
15-A4	Schools - Use of Supply Teachers	Assurance	<b>HIGH</b>	<b>Jean Palmer</b> , Deputy Chief Executive & Corporate Director of Residents Services	Our planning sources have identified significant concerns in relation to the retention of permanent staff and use of supply teachers at some Hillingdon Schools. This thematic assurance review will therefore provide management with independent assurance on the internal controls and governance arrangements in place in relation to the use of supply teachers at Hillingdon Schools.
15-A5	Absence Management	Assurance	<b>MEDIUM</b>	<b>Fran Beasley</b> , Chief Executive & Corporate Director of Administration	It is now just over a year since the Council introduced the new Absence Management Policy and started working with FirstCare (who provide the absence management service) and Health Management Ltd (who supply the occupational health services). The Council is in the process of reviewing its absence management policies, therefore now is an appropriate time for IA to provide independent assurance to management on this area.
15-A6	Review of the effectiveness of Internal Audit	Assurance	<b>MEDIUM</b>	<b>Paul Whaymand</b> , Corporate Director of Finance	Following the 2013/14 IA assurance review in this area, IA is due to undertake a follow-up review with a refined scope that focuses on the implementation of the high and medium risk recommendations.
15-A7	Review of the effectiveness of the Audit Committee	Assurance	<b>MEDIUM</b>	<b>Fran Beasley</b> , Chief Executive & Corporate Director of Administration	Following the 2013/14 IA assurance review in this area, IA is due to undertake a follow-up review with a refined scope that focuses on the implementation of the high and medium risk recommendations.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2015/16 ~ QUARTER 1 (cont'd)****IA work scheduled to commence in the 1<sup>st</sup> April to 30<sup>th</sup> June 2015 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
15-A8	Mortuary	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> , Deputy Chief Executive & Corporate Director of Residents Services	A new Coroner was appointed eighteen months ago and as a result a number of significant changes to the Mortuary procedures and processes were required. There has also been relatively high staff turnover and some other operational issues. As a consequence, management are now keen for IA to provide independent assurance on this area.
15-A9	Value Added Tax	Assurance	<b>MEDIUM</b>	<b>Paul Whaymand</b> , Corporate Director of Finance	Value Added Tax (VAT) is the third largest source of Government revenues, charged at 20% on supplies of goods and services. This review will be conducted by a VAT specialist auditor and will provide independent assurance on the Council's compliance with VAT and seek to identify any potential opportunities to reduce the Council's VAT liabilities.
15-A10	Officers' Scheme of Delegations	Assurance	<b>MEDIUM</b>	<b>Fran Beasley</b> , Chief Executive & Corporate Director of Administration	Following the ongoing transformational changes and restructuring of services with changing areas of responsibilities, compliance with the Officers' Scheme of Delegation represents a risk to the Council.
15-A11	Imprest Accounts	Assurance	<b>MEDIUM</b>	<b>Paul Whaymand</b> , Corporate Director of Finance	System risks in relation to Imprest account set-ups and closing, as well as expenditure approval and authorisations have been identified. Consequently, a review by IA to provide independent assurance of this area has been requested by management.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2015/16 ~ QUARTER 1 (cont'd)****IA work scheduled to commence in the 1<sup>st</sup> April to 30<sup>th</sup> June 2015 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
15-A12	Corporate Procurement & Commissioning	Assurance	<b>MEDIUM</b>	<b>Paul Whaymand,</b> Corporate Director of Finance	The new National Procurement Strategy for local government stresses the importance of developing professional and technical expertise with a view to understanding and implementing the flexibilities afforded by the EU Procurement Directives which have come into effect from April 2014. EU member states have two years to implement the requirements of the new directives into national law by April 2016. This assurance review has been requested by management to assess how well the Council is doing to comply with these new requirements and consider any implications of the 2015 Public Contract regulations.
15-A13	Music Service	Assurance	<b>MEDIUM</b>	<b>Jean Palmer,</b> Deputy Chief Executive & Corporate Director of Residents Services	As part of the IA planning process, management have requested independent assurance that the service risks are being appropriately managed.
15-A14	Purchasing Cards	Assurance	<b>MEDIUM</b>	<b>Paul Whaymand,</b> Corporate Director of Finance	The Council is exposed to inherent risks in relation to the processes to control and monitor expenditure of Purchasing Cards as well as the retention of supporting documentation to validate purchases. As a result, management are now keen for IA to provide independent assurance on this area.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2015/16 ~ QUARTER 1 (cont'd)****IA work scheduled to commence in the 1<sup>st</sup> April to 30<sup>th</sup> June 2015 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
15-CR1	Deprivation of Liberty Safeguards	RBIA - CRR	<i>As per Risk Register</i>	<b>Tony Zaman,</b> Director of Adult Services and Interim Director Children & Young People's Services	A risk in relation to the Deprivation of Liberty Safeguards (DoLS) is identified in the Adult Social Care Services Group Risk Register (ref: AS147). There is also an expected increase in the amount of DoLS authorisations for Hillingdon during 2015/16. Consequently, management would welcome a risk based IA assurance review of this area.
15-GC1	Troubled Families Grant Claim	Grant Claim	N/A	<b>Tony Zaman,</b> Director of Adult Services and Interim Director Children & Young People's Services	IA will continue to provide quarterly support to the Troubled Families Team to verify evidence presented that identified troubled families have been 'turned around' by the Council.
15-C1	Looked After Children (Asylum & Indigenous)	Consultancy	N/A	<b>Tony Zaman,</b> Director of Adult Services and Interim Director Children & Young People's Services	Risks in relation to the sign-off and authorisation processes for Asylum and Indigenous Looked After Children have been identified as a potential area of concern. As a result, IA consultancy advice on this process would be welcomed by management.
15-C2	Review of Children & Young People's Services financial control operations	Consultancy	N/A	<b>Tony Zaman,</b> Director of Adult Services and Interim Director Children & Young People's Services	Risks in relation to the use of pre-paid cards, payment of allowances and other key financial controls have been identified as a potential area of concern. As a result, management would welcome IA consultancy advice on the processes operating in these areas.



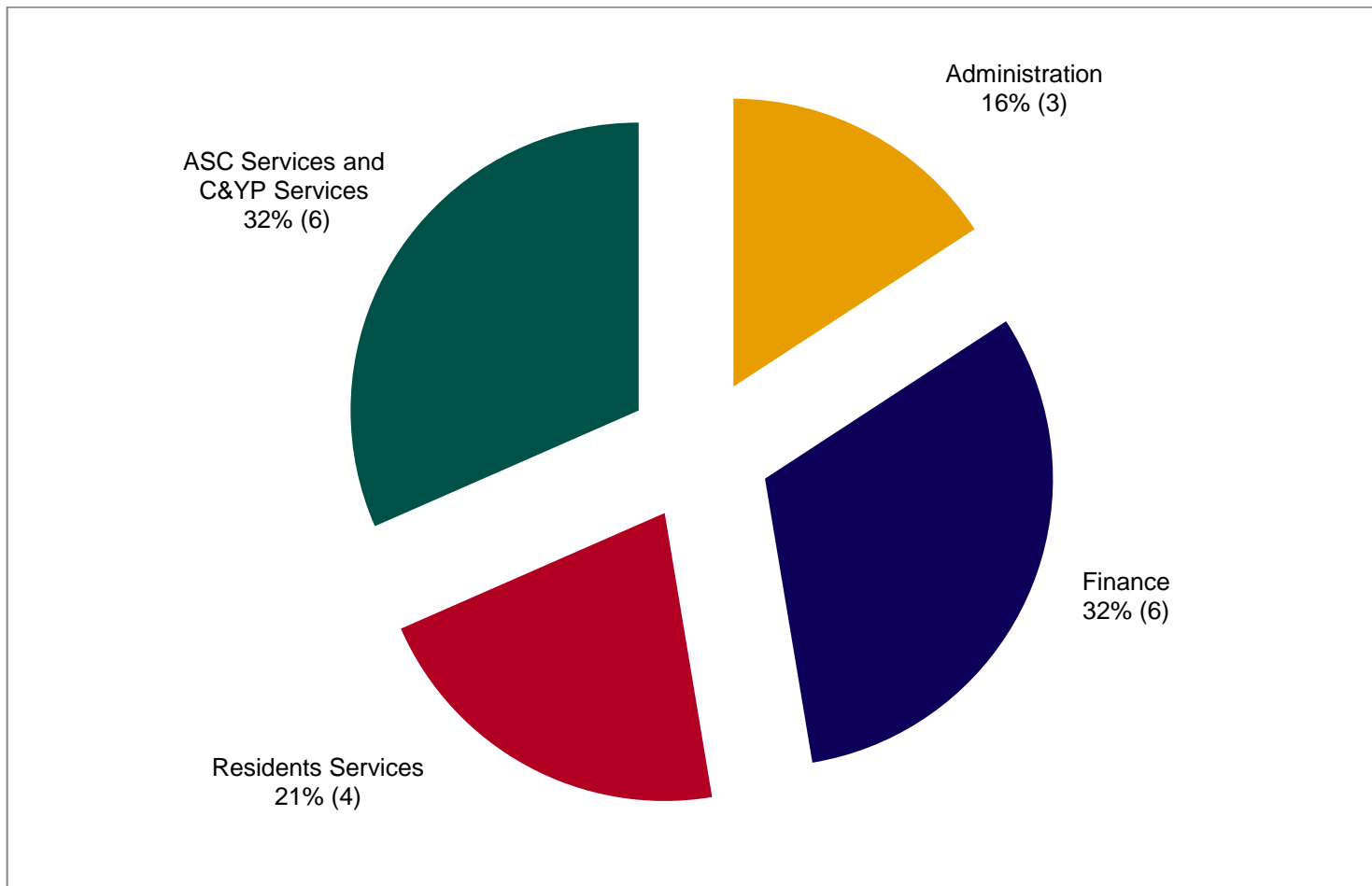
**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2015/16 ~ QUARTER 1 (cont'd)****IA work scheduled to commence in the 1<sup>st</sup> April to 30<sup>th</sup> June 2015 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
15-C3	EFA & SFA Mock Audit - Hillingdon Adult & Community Learning	Consultancy	N/A	<b>Paul Whaymand,</b> Corporate Director of Finance	IA will continue to undertake a mock audit of Individual Learner Records (ILRs) for a sample of learners funded by the Education Funding Agency (EFA) and 24+ Advanced Learning Loans to ensure compliance with Skills Funding Agency (SFA) Funding Rules. Consultancy work of this nature will assist the Finance Group as well as the Children & Young People Service and the Adult & Community Learning Service prepare for a formal audit of ILRs by the SFA & EFA during 2015/16 (if selected).

**APPENDIX C (cont'd)**

**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2015/16 ~ QUARTER 1 (cont'd)**

**IA work scheduled to commence in the 1<sup>st</sup> April to 30<sup>th</sup> June 2015 period – Analysis by Corporate Director:**



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

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

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





**1. Control Environment:** The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- Establishing and monitoring the achievement of the authority's objectives;
- The facilitation of policy and decision-making;
- Ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- The financial management of the authority and the reporting of financial management; and
- The performance management of the authority and the reporting of performance management.

**2. Risk Appetite:** The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.

**3. Residual Risk:** The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

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

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

**INTERNAL AUDIT KEY PERFORMANCE INDICATORS 2015/16**

The Key Performance Indicators (KPIs) for IA quarterly reporting to CMT and the Audit Committee in 2015/16 are set out below:

KPI Ref.	Performance Measure	Target Performance 2015/16
KPI 1	<b>HIGH</b> risk IA recommendations where positive management action is proposed	<b>98%</b>
KPI 2	<b>MEDIUM</b> risk IA recommendations where positive management action is proposed	<b>95%</b>
KPI 3	<b>HIGH</b> risk IA recommendations where management action is taken within agreed timescale	<b>90%</b>
KPI 4	<b>MEDIUM</b> risk IA recommendations where management action is taken within agreed timescale	<b>75%</b>
KPI 5	Percentage of IA Plan delivered to <b>draft report</b> stage by 31 March	<b>90%</b>
KPI 6	Percentage of IA Plan delivered to <b>final report</b> stage by 31 March	<b>80%</b>
KPI 7	Percentage of draft reports issued as a final report within 15 working days <sup>1</sup>	<b>80%</b>
KPI 8	Client Satisfaction Rating (from completed CFQs) <sup>2</sup>	<b>85%</b>
KPI 9	IA work fully compliant with the <b>PSIAS</b> and <b>IIA Code of Ethics</b>	<b>100%</b>

All KPIs Target Performance for 2015/16 is the same as 2014/15, except for **KPI 7** <sup>1</sup> where Target Performance for 2014/15 was 90% (**10% decrease**) and **KPI 8** <sup>2</sup> where Target Performance for 2014/15 was 80% (**5% decrease**).

**Key for above:**

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

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

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