

INTERNAL AUDIT

**Progress Report to Audit Committee
for 2015/16 Quarter 1 (including the
2015/16 Quarter 2 IA Plan)**

24th June 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 The UK Public Sector IA Standards (PSIAS) defines the nature of IA and set out basic principles for carrying out IA within the public sector. The PSIAS helps the Council to establish a framework for providing IA services, which adds value to the organisation, leading to improved organisational processes and operations.

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

- 1.2.1 This progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all 2015/16 IA assurance, consultancy and grant claim verification work covered during the period 1st April to 24th June 2015. In addition, it provides an opportunity for the Head of Internal Audit (HIA) to highlight any significant issues arising from IA work in Quarter 1. It also highlights to CMT, the Audit Committee and other IA stakeholders the revisions to the Quarter 1 IA plan since its approval in March 2015 (refer to **Appendix B**).
- 1.2.2 A new feature of the IA progress report is the inclusion of the Quarter 2 IA plan (refer to **Appendix C**). This has been produced in consultation with senior managers over the last few weeks and sets out the planned programme of IA coverage due to commence in the 1st July to 30th September 2015 period.

2. Executive Summary

- 2.1 Since the last IA Progress Report on 9th March 2015, **22 assurance reviews** have been completed to final report stage, **8 consultancy reviews** have been finalised and **1 grant claim** has been certified. However, as highlighted at **Appendix A** the vast majority of work finalised in Quarter 1, has been, as we would expect, in relation to the 2014/15 IA plan.
- 2.2 In fact **96%** of the revised 2014/15 IA plan was delivered to draft report stage by 31st March 2015 and **100%** of the plan was completed to final report by 29th May 2015. This is a major achievement for the IA service and Council when compared to previous years. Further details of this are included within the 2014/15 Annual IA Report and Opinion Statement, due to be presented to the Audit Committee at its planned meeting of 2nd July 2015.
- 2.3 IA work on the 2015/16 Quarter 1 IA plan commenced on 1st April and planning has now been initiated on all Quarter 1 pieces of IA work. Good progress has been made on the plan with **82%** of audits at an advanced stage of either testing or reporting.
- 2.4 Within the quarter we have finalised **3** 2015/16 IA assurance reviews including **the Effectiveness of IA** and **the Effectiveness of the Audit Committee** reviews. Both reviews resulted in **REASONABLE** assurance opinions being given (see **Appendix A** for analysis of recommendations raised). The full reports of each review are due to be presented to the Audit Committee at its planned meetings of 2nd July 2015. However, the key headlines from the Effectiveness of IA review found IA to be **fully compliant with 95%** of the PSIAS and 5% partial compliance. In the Effectiveness of the Audit Committee review, we noted some areas where currently the Committee does not currently conform with good practice i.e. there is currently no training and development plan in place and the Committee's Terms of Reference has not been subject to an annual review during 2014/15.

- 2.5 The other 2015/16 assurance review finalised this quarter related to the **Music Service**. Our recently issued final report provided a **LIMITED** assurance opinion and raised **8 MEDIUM** and **5 LOW** risk recommendations and **1 NOTABLE PRACTICE** observation. Our testing identified control weaknesses surrounding the inventory of musical instruments and gaps relating to some teachers providing tuition to pupils having not undertaken appropriate safeguarding training. Further, we identified that the designated safeguarding officer had not received advanced training (as required by the Children Act 1989 and 2004).
- 2.6 Further details of IA work carried out in the Quarter 1 period are included below at section 3 of this report.

3. Analysis of Internal Audit Activity in 2015/16 Quarter 1

3.1 Assurance Work in Quarter 1

- 3.1.1 All IA assurance reviews carried out in Quarter 1 are individually listed at **Appendix A**. This list details the assurance levels achieved (in accordance with the assurance level definitions outlined at **Appendix E**) and provides an analysis of recommendations made (in accordance with the recommendation risk categories outlined at **Appendix E**).
- 3.1.2 On 1st April 2015, IA commenced work on the 2015/16 Quarter 1 IA plan. During the early part of the quarter, IA resource was focussed on finalising completion of the 2014/15 IA plan. Consequently, as at 24th June, only **3** 2015/16 IA assurance reviews have been completed to final report stage (although **4** other assurance reviews are at draft report stage). The 3 finalised 2015/16 assurance reviews relate to the **Music Service**, as well as the **Effectiveness of IA** and the **Effectiveness of the Audit Committee**, both of which are due to be presented to the Audit Committee as separate reports at its planned meeting of 2nd July 2015.
- 3.1.3 All IA Quarter 1 work is under way, with a further **6** Quarter 1 assurance audits in progress (refer to **Appendix A** for details). The summary results of these audits will be included in the Quarter 2 progress report due to be presented to Audit Committee at its planned meeting of 24th September 2015.

3.2 Consultancy Work in Quarter 1

- 3.2.1 IA continues to undertake a variety of consultancy work across the Council. The consultancy coverage includes IA staff **attending working and project groups**, whilst ensuring they are clear about whether they are attending in an assurance or advisory capacity. This type of approach continues to help increase IA's knowledge of corporate developments that feed into the risk based deployment of IA resource on assurance work. Also, participation in working and project groups continues to help 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 observations and suggestions for senior management to consider.
- 3.2.2 Attached at **Appendix A** is a list of consultancy work carried out in Quarter 1. This highlights that **4** consultancy reviews have been completed and **9** other reviews are in progress. IA has recently begun providing consultancy advice to management in relation to **Corporate Construction, Housing - Planned Maintenance and Housing Repairs**. These areas were assessed as **HIGH** risk and were originally included in the 2014/15 IA plan as assurance reviews, but were deferred at the request of management to allow time for significant restructures to take place. IA advice in these areas is at a relatively early stage, but it is clear these services are going through a period of major transition and that it is going to take some time for the new operating model to become fully effective. IA will continue to liaise with management in an attempt to provide advice on the structure and processes being implemented.

- 3.2.3 We have also completed a piece of consultancy work this quarter for **Hillingdon Adult & Community Learning**. We conducted testing (in the form of a mock audit) on a sample of Individual Learner Records (ILRs) for learners funded by the Education Funding Agency (EFA) to ensure compliance with EFA Funding Regulations (FRs). We identified improvement suggestions for management to consider to help ensure that in future sufficient evidence is in place to meet the requirements of the EFA FRs. The Service Manager - Adult & Community Learning Service was grateful for the support provided by IA and has already begun to take positive action to address the gaps to meet EFA evidence requirements.
- 3.2.4 A consultancy review of **Children & Young People's Services financial control operations** is also in progress, which will incorporate the planned consultancy review of Looked After Children - Asylum & Indigenous. The scope for this review is focused on prepaid cards and payment of allowances relating to fostering, adoption and care leavers.
- 3.2.5 IA continues to provide advice in relation to the 2014/15 the **Annual Governance Statement (AGS)** which includes active participation in the AGS Group meetings. The HIA recently met with the Head of Policy & Partnerships to discuss the draft AGS in an attempt to ensure it reflects the results of IA coverage in 2014/15.

3.3 Grant Claim Verification Work in Quarter 1

- 3.3.1 As detailed at **Appendix A** (ref 15-GC1), IA continues to carry out quarterly verification work on the **Troubled Families Grant**. IA tested a sample of 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 all of the troubled families in our sample and that each case tested had achieved the 'continuous employment' requirement.
- 3.3.2 There has been no other grant claim verification work carried out by IA this quarter.

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

- 3.4.1 IA continues to monitor all **HIGH** and **MEDIUM** risk recommendations raised, through to the point where the recommendation has either been implemented, or a satisfactory alternative risk response has been proposed by management. Follow-up work within this quarter has been undertaken on all outstanding IA recommendations arising from 2012/13, 2013/14 and 2014/15 coverage.
- 3.4.2 The results from our follow-up work are reported in detail within the 2014/15 Annual IA Report and Opinion Statement, due to be presented to the Audit Committee at its planned meeting of 2nd July 2015.

3.5 Other Internal Audit Work in Quarter 1

- 3.5.1 During this quarter, IA held a team strategic planning day to reflect on the achievements of the IA service over the last 12 months. This provided an opportunity for the team to consider what we had learnt throughout the year and to think about the challenges ahead for the IA service. This day helped generate a number of improvement ideas for the IA service which we will be looking to take forward and implement during 2015/16.
- 3.5.2 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 year, we now produce quarterly detailed operational IA plans in liaison with management. Over the last month we have produced the detailed operational IA plan for Quarter 2 (refer to **Appendix C**) in consultation with management. The quarterly planning cycle should help ensure that IA resources are directed in a more flexible and targeted manner to maximise the benefit to our stakeholders.

- 3.5.3 This quarter, two senior members of the IA team attended the Schools Forum meeting to briefly discuss the IA thematic reviews of schools that have been carried out during 2014/15. We also explained the areas we have identified as **HIGH** risk scheduled for coverage in 2015/16 and sought the views of the Forum on our planned coverage. We were informed that the issues we have highlighted in the thematic reviews over the last 12 months have been well received and have helped schools to improve their working practices. We also received positive feedback on our participation at the Forum meeting and on the planned IA coverage of schools in 2015/16.
- 3.5.4 In the early part of this quarter, three senior members of the IA team undertook the PRINCE2® (Projects in a Controlled Environment) Foundation training. They successfully passed the project management exams at the end of the course which further enhances the qualifications of the IA service. It also enables more of the IA team to offer project assurance and support to management, at a time when there is an increasing number of business critical projects going on across the Council.

4. Analysis of Internal Audit Performance in 2015/16 Quarter 1

- 4.1 The IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. They assist IA and the Council in helping measure how successful IA has been in achieving its strategic and operational objectives. For the 2015/16 year, IA will report quarterly to CMT and the Audit Committee on the 9 KPIs listed at **Appendix D**. Previously, IA reported on 10 KPIs but one KPI has now been retired. This KPI was previously referred to as 'KPI 3 - **LOW** risk IA recommendations where positive management action is proposed'. The reason this KPI has been retired is because 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.
- 4.2 We believe that the 2015/16 IA KPIs are meaningful and will provide sufficient challenge to the IA service. They measure the quality, efficiency and effectiveness of the IA service and thus assist us in providing an added value assurance and consulting service to our range of stakeholders. As at 24th June 2015, there have only been **3** 2015/16 IA assurance reports issued as final reports, therefore it would not be of sufficient value at this stage to report on 2015/16 performance against the IA KPIs. The analysis of IA performance for the 2014/15 period is reported in full within the **2014/15 Annual IA Report and Opinion Statement** which is due to be presented to the Audit Committee at its planned meeting of 2nd July 2015.

5. Forward Look

- 5.1 The **Quality Assurance & Improvement Programme** (QAIP) developed in accordance with the IA Charter is in the process of being reviewed and updated, with improvement initiatives being formally assigned to members of the IA team. The QAIP is designed to provide assurance that IA work continues to be fully compliant with the UK PSIAS and also helps enable the ongoing performance monitoring and improvement of IA activity. The progress of the QAIP is highlighted in the 2014/15 Annual IA Report & Opinion Statement, due to be presented to the Audit Committee at its planned meeting of 2nd July 2015.
- 5.2 Following the closure of the Audit Commission on 31st March 2015, some functions have been transferred to **Public Sector Audit Appointments Limited** (PSAA). The PSAA will aim to ensure that public money continues to be properly accounted for and protected during the transition to the new local appointment regime to be established under the Local Audit and Accountability Act 2014. The PSAA will oversee the delivery of audit services provided to relevant authorities. From the 1st April 2015, PSAA have been tasked with ensuring External Audit is appointed to all relevant authorities. During quarter two, IA will be liaising with our new External Auditors (Ernst & Young) to ensure a dovetailed approach to audit coverage at Hillingdon continues.

- 5.3 A key member of the IA team has recently left Hillingdon to take up an IA Manager position with the Central Government's Internal Audit Agency. There is also a couple of other staff changes expected within IA during Quarter 2. As well as an external recruitment exercise, these changes will hopefully provide other members of the IA team with an opportunity to take on more responsibility, in line with the recently updated IA Strategy 2015-20.
- 5.4 IA would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the Council during Quarter 1. There are no other matters that the HIA needs to bring to the attention of CMT or the Audit Committee at this time.

Muir Laurie FCCA, CMIIA
Head of Internal Audit

24th June 2015

APPENDIX A**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2015/16 ~ QUARTER 1**

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

2015/16 IA Assurance Reviews - Quarter 1:

IA Ref.	IA Review Area	Status as at 24 th June 2015	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
15-A6	Review of the Effectiveness of Internal Audit	Final report issued on 9 th June 2015	REASONABLE	0	3	6	0	N/A
15-A7	Review of the Effectiveness of the Audit Committee	Final report issued on 24 th June 2015	REASONABLE	0	2	3	0	Not yet due
15-A13	Music Service	Final report issued on 24 th June 2015	LIMITED	0	8	5	1	Not yet due
15-A2	Schools - Pupil Premium Funding	Draft report in progress						
15-CR1	Deprivation of Liberty Safeguards	Draft report in progress						
15-A11	Imprest Accounts	Draft report in progress						
15-A14	Purchasing Cards	Draft report in progress						
15-A1	Troubled Families Programme (TFP)	A TFP Project Group has now been formed and IA will be providing advice to the Project Group on a consultancy basis, rather than conducting an assurance audit as originally planned.	-	-	-	-	-	-
15-A3a	Personalised Budgets (Adults & Children)	Testing in progress						
15-A5	Absence Management	Testing in progress						
15-A10	Officers' Scheme of Delegations	Testing in progress						

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2015/16 ~ QUARTER 1 (cont'd)****2015/16 IA Assurance Reviews - Quarter 1 (cont'd):**

IA Ref.	IA Review Area	Status as at 24 th June 2015	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
15-A12	Corporate Procurement & Commissioning	Testing in progress						
15-A4	Schools - Use of Supply Teachers	Planning/ background research						
15-A9	Value Added Tax	Planning/ background research						
Total Number of IA Recommendations Raised in 2015/16 Quarter 1				0	13	14	1	
Total % of IA Recommendations Raised in 2015/16 Quarter 1				0%	48%	52%	-	

2015/16 IA Consultancy Reviews - Quarter 1:

IA Ref.	IA Review Area	Status as at 24 th June 2015
15-C4a	Data Protection Policy Review	Final consultancy memo issued 28 th April 2015
15-C4b	Information Governance Policy Review	Final consultancy memo issued 11 th May 2015
15-C8	Procurement Tender Evaluation Records (refer to Appendix B)	Final consultancy memo issued 29 th May 2015
15-C3	Education Funding Agency (EFA) Mock Audit - Hillingdon Adult & Community Learning	Final consultancy memo issued 5 th June 2015
15-C2	Review of Children & Young People's Services financial control operations (this review will incorporate the planned review of Looked After Children - Asylum & Indigenous)	Testing in progress
15-C5	First Aid Quality Assurance Review (refer to Appendix B)	Testing in progress
15-C6	Stores Management (refer to Appendix B)	Testing in progress
15-C9	Whistleblowing Investigation (refer to Appendix B)	Testing in progress
15-C10	Mortuary (previously planned to be an assurance review)	Draft consultancy memo being drafted
15-C11	Corporate Construction	Advice in progress
15-C12	Housing - Planned Maintenance	Advice in progress
15-C13	Housing Repairs	Advice in progress
15-C14	Textiles Recycling Processes (refer to Appendix B)	Planning/ background research underway

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2015/16 ~ QUARTER 1 (cont'd)****2015/16 IA Grant Claim Verification Reviews - Quarter 1:**

IA Ref.	IA Review Area	Status as at 24 th June 2015
15-GC1	Troubled Families Grant - Quarter 1	Memo issued 29 th May 2015

APPENDIX B**REVISIONS TO THE 2015/16 INTERNAL AUDIT PLAN ~ QUARTER 1****IA reviews ADDED to the 2015/16 Operational IA Plan for Quarter 1:**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
15-C5	First Aid Quality Assurance Review	Consultancy	Pauline Moore , Head of Human Resources (HR)	Following a management request from HR, IA was asked to perform a consultancy review of first aid qualification procedures & processes that are accredited by Qualifications Network (QNUK) to help ensure compliance with the QNUK requirements.
15-C6	Stores Management	Consultancy	Nigel Dicker , Deputy Director - Residents Services	At the request of the Deputy Director, IA was asked to perform a consultancy review to confirm if the stocks and stores at Harlington Road Depot are being procured, managed and distributed in an efficient, effective and economical manner.
15-C8	Procurement Tender Evaluation Records	Consultancy	Paul Whaymand , Corporate Director of Finance	At the request of the Corporate Director, IA was asked to undertake a piece of work relating to evidencing tender evaluation records. The sample testing focussed on contracts and/ or projects that were valued above the procurement thresholds outlined by the Official Journal of the European Union (OJEU).
15-C9	Whistleblowing Investigation	Consultancy	Tony Zaman , Director of Adult Services and Interim Director Children & Young People's Services	We have been asked to independently investigate a Whistleblowing allegation received by the Council. Work on this is ongoing.
15-C14	Textiles Recycling Processes	Consultancy	Paul Whaymand , Corporate Director of Finance	At the request of the Corporate Director, IA was asked to review and provide some advice in relation to the robustness of the textiles recycling processes and procedures currently in operation.

APPENDIX B (cont'd)**REVISIONS TO THE 2015/16 INTERNAL AUDIT PLAN ~ QUARTER 1****IA reviews DEFERRED from the 2015/16 Operational IA Plan for Quarter 1:**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
15-A3b	Financial Assessments	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 3 IA plan. This review was originally planned to be conducted alongside the Personalised Budgets assurance review, however, both will now be audited separately, with the assurance review of Personalised Budgets currently in progress (refer to <u>Appendix A</u>).
15-C7	24+ Advanced Learning Loans Mock Audit - Hillingdon Adult & Community Learning	Consultancy	Andy Evans, Deputy Director - Corporate Finance & Head of Operational Finance	This audit has now been deferred to the Quarter 2 IA plan (refer to <u>Appendix C</u>).

APPENDIX C**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2015/16 ~ QUARTER 2****IA work scheduled to commence in the 1st July to 30th September 2015 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
15-A15	Performance Management	Assurance	MEDIUM	Fran Beasley, Chief Executive & Corporate Director of Administration	Our planning sources identified some concerns in relation to the performance management framework within the Council. This audit will review the 'Golden Thread' which links plans and targets together and how this thread runs through them, connecting the broad strategic objectives of the Council and its partners with the actions of managers and staff at service, team and individual level.
15-A16	Records Management and Document Retention Policy	Assurance	MEDIUM	Fran Beasley, Chief Executive & Corporate Director of Administration	Following the recent IA reviews of Data Protection and Freedom of Information, the Council would like assurance over its current document retention arrangements. This audit will consider if the current Records Management and Document Retention Policy is up to date, is in line with good practice, has been clearly communicated and is being operated effectively across the Council.
15-A17	Schools - Safeguarding	Assurance	MEDIUM	Jean Palmer, Deputy Chief Executive & Corporate Director of Residents Services	This audit was previously deferred as reported to the Audit Committee in the 2014/15 Quarter 4 Progress Report (dated 9 th March 2015). This audit will now be performed in 2015/16 Quarter 2.
15-A18	E-Invoices	Assurance	MEDIUM	Paul Whaymand, Corporate Director of Finance	These core financial system audits were deferred from 2014/15, due to delays caused by the Oracle upgrade from R11 to R12. The status of each these audits was reported to the Audit Committee in the 2014/15 Quarter 4 Progress Report (dated 9 th March 2015). These audits are now expected to commence at the end of September 2015, subject to agreement with the relevant managers.
15-A19	Main Accounting System				
15-A20	Creditors				
15-A21	Debtors				

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2015/16 ~ QUARTER 2 (cont'd)**IA work scheduled to commence in the 1st July to 30th September 2015 period:

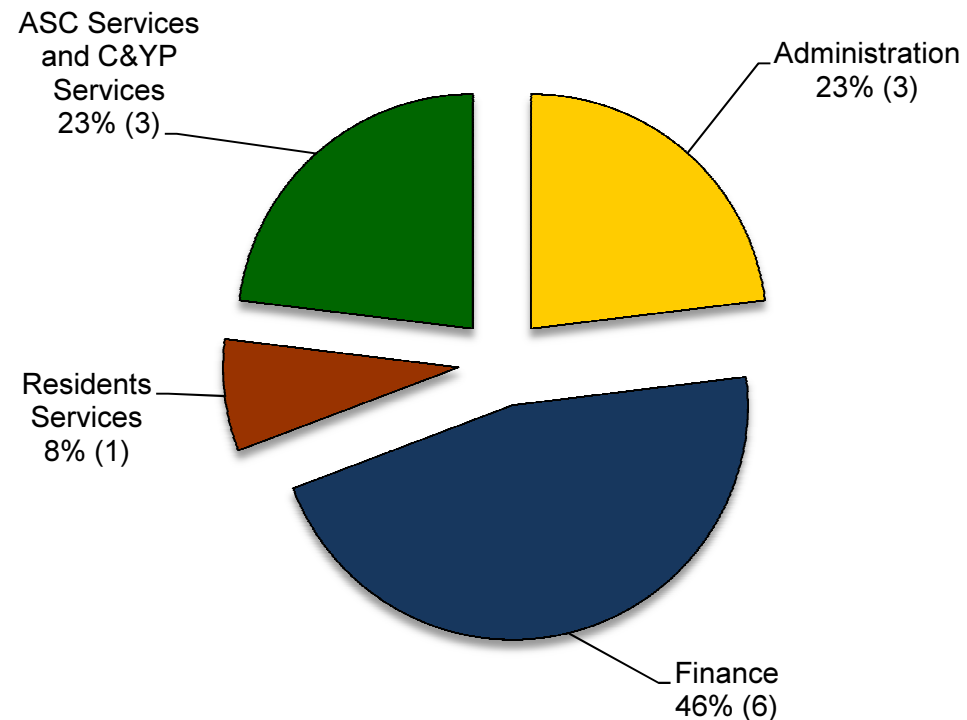
IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
15-A22	Reablement Service	Assurance	MEDIUM	Tony Zaman, Director of Adult Services and Interim Director Children & Young People's Services	Reablement is a short and intensive service, usually delivered in the home, which is offered to people with disabilities and those who are frail or recovering from an illness or injury. This assurance audit will establish how well the Council is delivering this service, meeting the demands of service users and working to stringent budgetary constraints.
15-CR2	Child Sexual Exploitation (CSE)	RBIA - CYPS CRR	As per Risk Register	Tony Zaman, Director of Adult Services and Interim Director Children & Young People's Services	A risk in relation to Child Sexual Exploitation (CSE) is identified in the Children & Young People's Services Group Risk Register (ref: CYPS 152). There is an increased demand for specific CSE child protection services, an increase in costs of specialist therapeutic safe placements and risk to the Council's reputation from adverse media attention. Consequently, management would welcome a piece of consultancy work in this area.
15-C7	24+Advanced Learning Loans Mock Audit - Hillingdon Adult & Community Learning	Consultancy	N/A	Andy Evans, Deputy Director - Corporate Finance & Head of Operational Finance	IA will continue to undertake a mock audit of Individual Learner Records (ILRs) for a sample of learners funded by the 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's Services and the Adult & Community Learning Service prepare for a formal audit of ILRs by the SFA during 2015/16 (if selected).

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2015/16 ~ QUARTER 2 (cont'd)****IA work scheduled to commence in the 1st July to 30th September 2015 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
15-GC2	Bus Subsidy Grant	Grant Claim	N/A	Fran Beasley, Chief Executive & Corporate Director of Administration	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 requires Head of Internal Audit certification.
15-GC3	Housing Benefits Subsidy Grant	Grant Claim	N/A	Rob Smith, Head of Revenues and Benefits	Local authorities responsible for administering housing benefit claim subsidy from the Department for Work and Pensions in accordance with section 140 of the Social Security Administration Act 1992 and the Income-related Benefits (Subsidy to Authorities) Order 1998, SI 562 as amended. External Audit (Deloitte for the 2014/15 period) is required to certify the Council's claim. IA provides assistance to Deloitte by carrying out independent verification testing.
15-GC4	Troubled Families (Q2)	Grant Claim	N/A	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 checks that the grant claim is only made for families where there was sufficient evidence of improvement in the last six months, as per the payment by results criteria.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2015/16 ~ QUARTER 2 (cont'd)**

IA work scheduled to commence in the 1st July to 30th September 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 asked to provide an alternative audit in their Group.

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

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

All IA KPIs Target Performance for 2015/16 are the same as 2014/15, except for:

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

Key for above:

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

Key for future reporting on actual KPI performance:

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

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

ASSURANCE LEVEL	DEFINITION
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 E (cont'd)**INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

RISK	DEFINITION
<p>HIGH</p> <p>●</p>	<p>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.</p>
<p>MEDIUM</p> <p>●</p>	<p>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.</p>
<p>LOW</p> <p>●</p>	<p>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.</p>
<p>NOTABLE PRACTICE</p> <p>●</p>	<p>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.</p>