

# BUSINESS ASSURANCE

## **Internal Audit Progress Report to Audit Committee: 2016/17 Quarter 1 (including the Quarter 2 Internal Audit Plan)**

**1<sup>st</sup> July 2016**



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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 2016/17 IA assurance, consultancy and grant claim verification work covered during the period 1<sup>st</sup> April to 30<sup>th</sup> June 2016. In addition, it provides an opportunity for the Head of Business Assurance, as the Council's 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 2016 (refer to **Appendix B**).
- 1.2.2 A key feature of the Quarter 1 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 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period.

## 2. Executive Summary

- 2.1 Since the last IA Progress Report presented to the audit committee at its meeting on the 15<sup>th</sup> March 2016, **16 assurance reviews** have been completed to final report stage and **8 consultancy reviews** have been finalised. However, as highlighted at **Appendix A** the vast majority of the work finalised in Quarter 1, has been, as we would expect, in relation to the finalisation of the 2015/16 IA plan.
- 2.2 As a result of this, **91%** of the 2015/16 IA plan was delivered to draft report stage by 31<sup>st</sup> March 2016 and **100%** of the plan was completed to final report by 30<sup>th</sup> June 2016. This is better than the targets set (refer to **Appendix D**) which represents a significant achievement for the IA service and a good performance when compared to previous years. This has been achieved against a backdrop of reduced IA staff resources during the year and the resulting challenges and impact that can have. Further details of 2015/16 are included within the Annual IA Report and Opinion Statement, agreed by CMT and due to be presented to the Audit Committee at its planned meeting of 12<sup>th</sup> July 2016.
- 2.3 IA work on the 2016/17 Quarter 1 IA plan commenced on 1<sup>st</sup> April and the planning stage has now been completed on all Quarter 1 pieces of IA work. Good progress has been made on the plan with all IA reviews at an advanced stage of either fieldwork or reporting. We have also continued to provide a range of advisory and consultancy work across the Council within the quarter, with positive feedback being received from clients that this work is highly valued. There have been **five 2016/17 consultancy reviews completed this quarter** which included two pieces of work around Council's Stores at Harlington Road Depot, two reviews on Children & Young People's Services (CYPS) financial control operations and a review of each of the incentive schemes provided by the Council to private landlords.

- 2.4 There have been four IA Assurance reviews deferred from the 2016/17 Quarter 1 IA operational plan each of which were deemed by the HIA to be justifiable requests. Positively, during the Quarter 1 period there has been **7 additional requests for work** (refer to **Appendix B**). This has helped ensure the effective use of IA resource within the Quarter 1 period. The supplementary work has included two internal investigations, an increasing area of work for Business Assurance which was previously undertaken by other senior officers within the Council. In addition, we were asked to follow-up a **NO** assurance report in relation to Home to School Transport - Safeguarding Arrangements. The purpose of this follow-up review was to provide CMT and the Audit Committee with assurance that positive management action has been taken to mitigate the risks identified.
- 2.5 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 2016/17 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 and provides an analysis of recommendations made (in accordance with the assurance levels and recommendation risk categories outlined at **Appendix E**).
- 3.1.2 On 1<sup>st</sup> April 2016, IA formally commenced work on the 2016/17 Quarter 1 IA plan. However, during the early part of the quarter, IA resource was primarily focussed on finalising completion of the 2015/16 IA plan. The status update of 2015/16 IA work as presented to the Audit Committee at its meeting on 15<sup>th</sup> March 2016, highlighted 16 IA Assurance reviews were ongoing as at the 4<sup>th</sup> March 2016, 10 of which extended into Quarter 1 of 2016/17. Each of these 10 IA Assurance reviews have now progressed to final report stage following management responses to the recommendations raised.
- 3.1.3 A detailed summary of all 2015/16 IA work finalised within Quarter 1 of 2016/17 is available in **the 2015/16 Annual IA Report and Opinion Statement** due to be presented to the Audit Committee on 12<sup>th</sup> July 2016 alongside this progress report.
- 3.1.4 As at 1<sup>st</sup> July 2016, **6** assurance reviews have been progressed to draft report stage. Each of the remaining **4** Quarter 1 assurance audits are at an advanced stage of fieldwork and testing (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 on 22<sup>nd</sup> September 2016.
- 3.1.5 The 2016/17 IA reviews of Risk Management and the Effectiveness of Internal Audit are have been undertaken by Mazars (our external IA partner) which helps provide robust independence. Both reviews are at an advanced stage of reporting and a verbal update will be provided to the Committee on the 12<sup>th</sup> July to help inform the annual HIA opinion. The full reports, including findings and recommendations will be presented to Audit Committee on 22<sup>nd</sup> September 2016.

#### 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 as well as secondments within the Council continues to help individual IA staff develop, whilst at the same time increasing the value IA provides to the Council.

- 3.2.2 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 improvement suggestions for senior management to consider.
- 3.2.3 Attached at **Appendix A** is a list of consultancy work carried out in Quarter 1. This highlights that **5 consultancy reviews have been completed** within the period with a further **4** reviews currently at an advanced stage.
- 3.2.4 IA was requested to provide independent oversight and verification of the year end stock take of the Council's Stores at Harlington Road Depot (HRD), as well as the transfer of Housing Caretakers stock to HRD stores following a restructure in the Estates Services Team. In both instances, we were satisfied that the stock checks were carried out appropriately and any discrepancies were properly identified, investigated and resolved. IA also raised additional improvement suggestions to help strengthen the control environment which management are considering. Due to the considerable change and IA work in this area over the last year, we have included an assurance review of Stores within the IA plan for Quarter 2 (refer to **Appendix C**).
- 3.2.5 The IA consultancy review of **Children & Young People's Services (CYPS) financial control operations** was concluded within the quarter through the finalisation of consultancy reviews of allowances, prepaid cards and imprested accounts. The payment of allowances review found that the lack of an overarching policy coupled with the limited communication of rate changes resulted in allowances being paid at different rates. Our testing of service request forms and the approval process for allowances also identified irregular payments had been approved with little or no supporting evidence or justification on the ICS Protocol system.
- 3.2.6 The prepaid cards and imprest accounts consultancy review found, through an analysis of the transactions, a wide range of both individual payments and monthly limits. In addition, there was no specific guidance in place or communicated on allowed and disallowed expenditure which has led to possible inappropriate expenditure. IA has outlined improvement suggestions for management to consider in establishing effective management and controls within the respective areas.
- 3.2.7 During the quarter we were asked to undertake a review of each of the incentive schemes provided by the Council to private landlords, including undertaking a comparison of the costs/benefits to the Council over the last 5 years. These incentive schemes help deliver a further 500 homes per year to use as temporary accommodation, helping to reduce the number of residents in Bed & Breakfast (B&B) accommodation and associated expenditure. Detailed analysis was undertaken on the frequency of incentive payments made and their compliance with associated conditions, as well as examining the length of tenancy agreements.
- 3.2.8 Finally, IA continues to provide advice in relation to the 2015/16 the **Annual Governance Statement** (AGS) which includes active participation in the AGS Group meetings. The HIA has liaised with the Head of Policy & Partnerships on the draft AGS in an attempt to ensure it reflects the results of IA coverage in 2015/16.

### 3.3 Grant Claim Verification Work in Quarter 1

- 3.3.1 As detailed at **Appendix A** IA has conducted **2 grant claim verification reviews** within Quarter 1. This includes the quarterly verification work undertaken on the **Troubled Families (TFs) Grant** in which IA tested a sample of TFs that had been identified as being 'turned around' by the Council's TFs Team. Our testing concluded there was sufficient evidence that improvement had been made in 34 of the 47 TFs identified within the claim period. For the remaining 13 families, we were unable to find sufficient evidence to verify that they had been 'turned around'. We understand that the TFs Team is actively progressing this to help mitigate the risk of losing any future TFs grant funding.

3.3.2 IA also carried out verification work regarding the **Social Care Capital Grant** which equates to £580k. The audit work entailed confirming compliance against the grant conditions including verifying that expenditure was in line with the grant claim conditions and guidance. Although we noted there was scope to improve the supporting records held by the Better Care Fund Manager, the claim was verified against the evidence provided. As a result, the claim was signed off by the HIA and Deputy Chief Executive on the 30<sup>th</sup> June 2016, with an unqualified opinion.

3.3.3 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 prior years.

3.4.2 The results from our follow-up work are reported in detail within the **2015/16 Annual IA Report and Opinion Statement**, due to be presented to the Audit Committee at its planned meeting of 12<sup>th</sup> July 2016.

### 3.5 Other Internal Audit Work in Quarter 1

3.5.1 An IA follow-up review of **Home School Transport - Safeguarding Arrangements** was appended to the Quarter 1 plan to provide assurance over the **1 HIGH** and **8 MEDIUM** risk recommendations raised. The initial 2015/16 IA review received a **NO** assurance opinion in which we identified a number of control gaps in relation to monitoring systems for taxi drivers and passenger assistants, pre-employment checks, training, escalation procedures and reporting processes. Our testing in this area is in progress and we understand that management are actively progressing the risks identified in this area. The results of this audit will be reported to Audit Committee at its planned meeting of 22<sup>nd</sup> September 2016.

3.5.2 IIA Standard 1312-1 states that an IA service must undergo an external quality assessment (EQA) at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. This is also a requirement under the Public Sector Internal Audit Standards. Our EQA of the London Borough of Hackney's IA Service, as part of the London partnership arrangement, has been completed and reported to the London Audit Group for moderation before going to Hackney's Audit Committee. The EQA of Hillingdon's IA service is scheduled for Quarter 4 of the 2016/17 financial year.

3.5.3 During Quarter 1, IA has also conducted 2 pieces of investigation works. These included an internal disciplinary investigation and an internal grievance case review, both requested by the Head of Business Improvement and HR.

3.5.4 We continue to undertake a quarterly approach to IA planning to ensure emerging risks and new areas of concern are captured, particularly within the fast changing environment the Council operates in. 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.

## 4. Analysis of Internal Audit Performance in 2016/17 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. In line with best practice, for the 2016/17 year IA will report quarterly to CMT and the Audit Committee on the 9 KPIs listed at **Appendix D**.

- 4.2 We believe that the 2016/17 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. We are currently in the process of reviewing the internal IA KPIs, supporting each of the 9 IA KPIs reported to Audit Committee, to ensure that we effectively capture and measure IA delivery as well as seek continuous improvement within the service.
- 4.3 As at 1<sup>st</sup> July 2016, there are only 5 2016/17 IA assurance reports at draft report issued stage, therefore it would not be of sufficient value at this stage to report on 2016/17 performance against the IA KPIs. The analysis of overall IA performance for the 2015/16 period is reported in full within the **2015/16 Annual IA Report and Opinion Statement** presented to the Audit Committee alongside this progress report.

## 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 2015/16 Annual IA Report & Opinion Statement, due to be presented to the Audit Committee at its planned meeting of 12<sup>th</sup> July 2016.
- 5.2 From the 1<sup>st</sup> April 2016, the Relevant Internal Audit Standard Setters (RIASS) have adopted two additions to the PSIAS following a consultation period during which practitioners and other interested parties commented on the changes. The two additions related to the Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing.
- 5.3 Business Assurance continues to invest in the training and development of its staff with:
- 2 members of the team recently having completed the exam elements of the Certified Member of the Institute of Internal Auditors (CMIIA) qualification;
  - 2 members commencing on the CMIIA qualification after successfully attaining the Practitioner of the Institute of Internal Auditors (PIIA) qualification level; and
  - 1 Trainee Internal Auditor is due to commence the revised Certified Internal Auditor (CIA) training programme next month.
- 5.4 There has been a notable reduction in IA resources arising from the Head of Business Assurance obtaining additional responsibility for the facilitation of the Council's risk management, information governance and business continuity arrangements. The subsequent shortfall in IA resource is currently being covered through a secondment of a Senior Internal Auditor from Mazars (our external IA partner provider) whilst we look to recruit to a vacant post.
- 5.5 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 Business Assurance**

1<sup>st</sup> July 2016

**APPENDIX A****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2016/17 ~ 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

**2016/17 IA Assurance Reviews - Quarter 1:**

IA Ref.	IA Review Area	Status as at 1 <sup>st</sup> July 2016	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
16-A11	Risk Management	Draft report issued on 24 <sup>th</sup> June 2016						
16-A12	Review of the Effectiveness of IA	Draft report issued on 24 <sup>th</sup> June 2016						
16-A5	New Years Green Lane (NYGL)	Draft report issued on 30 <sup>th</sup> June 2016						
16-A9	Health Visiting	Draft report issued on 30 <sup>th</sup> June 2016						
16-A14	Home to School Transport - Safeguarding Arrangements (Follow-up)	Draft report issued on 1 <sup>st</sup> July 2016						
16-A3	Housing Benefits	Draft report in progress						
16-A1	Lease Agreements	ToR issued; fieldwork in progress						
16-A4	Physical Access Controls, including Security Arrangements	ToR issued; fieldwork in progress						
16-A7	Corporate Debtors	ToR issued; fieldwork in progress						
16-A10	Fees and Charges	ToR issued; fieldwork in progress						
<b>Total Number of IA Recommendations Raised in 2016/17 Quarter 1</b>				-	-	-	-	
<b>Total % of IA Recommendations Raised in 2016/17 Quarter 1</b>				- %	- %	- %	-	



**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2016/17 ~ QUARTER 1 (cont'd)****2016/17 IA Consultancy Reviews - Quarter 1:**

IA Ref.	IA Review Area	Status as at 1 <sup>st</sup> July 2016
16-C4	Stores - Year End Stock Take	Memo issued on 21 <sup>st</sup> April 2016
16-C2a	Children and Young Peoples Service (CYPS) Financial Controls - Allowances	Memo issued on 19 <sup>th</sup> May 2016
16-C2b	Children and Young Peoples Service (CYPS) Financial Controls - P'Cards & Imprest	Memo issued on 19 <sup>th</sup> May 2016
16-C8	Stores - Stock Transfer	Memo issued on 20 <sup>th</sup> May 2016
16-C6	Private Sector Landlord Scheme	Memo issued on 3 <sup>rd</sup> June 2016
16-C3	Benefits - BACs processing	Draft report issued on 1 <sup>st</sup> July 2016
16-C1	Data Analytics (Personal Protective Equipment)	Draft report in progress
16-C5	Digital broadcasting of Council meetings	Draft report in progress
16-C7	Public Health Payments - Pharmacy	Terms of Reference issued; fieldwork in progress

**2016/17 IA Grant Claim Verification Reviews - Quarter 1:**

IA Ref.	IA Review Area	Status as at 1 <sup>st</sup> July 2016
16-GC1	Troubled Families Grant - Quarter 1	Memo issued 3 <sup>rd</sup> May 2016
16-GC2	Social Care Capital Grant	Certified and memo issued on 30 <sup>th</sup> June 2016

**2016/17 Investigation Work - Quarter 1:**

IA Ref.	Investigation Area	Status as at 1 <sup>st</sup> July 2016
16-InvB	Investigation B(ii)	Investigation ongoing
16-InvF	Investigation F	Investigation concluded

**APPENDIX B****REVISIONS TO THE 2016/17 INTERNAL AUDIT PLAN ~ QUARTER 1****IA work ADDED to the 2016/17 Operational IA Plan for Quarter 1:**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
16-A14	Home to School Transport - Safeguarding Arrangements Follow-up	Assurance	<b>Tony Zaman,</b> Corporate Director of Social Care	The 2015/16 IA assurance review of this area was finalised in March 2016 and received a <b>NO</b> IA assurance opinion. There were <b>1 HIGH</b> and <b>8 MEDIUM</b> risk recommendations raised. We were requested by the Corporate Director of Social Care to undertake a follow-up review to ensure the control issues identified in the initial review have been effectively addressed.
16-C6	Private Sector Landlord Scheme	Consultancy	<b>Councillor Ray Puddifoot,</b> Leader of the Council	IA was requested by the Leader of the Council to conduct a review of Private Sector Leases, analysing the various incentives, grants and schemes available to landlords within the borough.
16-C7	Public Health Payments - Pharmacy	Consultancy	<b>Daniel Kennedy,</b> Head of Business Performance, Policy & Standards	IA was requested by the Head of Business Performance, Policy & Standards to review current control arrangements and potential areas for improvement to deliver efficiencies savings with regards to Public Health payments to pharmacies.
16-GC1	Troubled Families Grant - Quarter 1	Grant Claim	<b>Tony Zaman,</b> Corporate Director of Social Care	The Troubled Families programme is a Government scheme under the Department for Communities and Local Government (DCLG) with the stated objective of helping troubled families turn their lives around. The Council receives a payment by results grant from the DCLG for each identified 'turned around' troubled family. As per the grant conditions, IA undertook verification work to confirm identified troubled families have been successfully 'turned around'.

**APPENDIX B (cont'd)****REVISIONS TO THE 2016/17 INTERNAL AUDIT PLAN ~ QUARTER 1****IA work ADDED to the 2016/17 Operational IA Plan for Quarter 1 (cont'd):**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
16-GC2	Social Care Capital Grant	Grant Claim	<b>Tony Zaman,</b> Corporate Director of Social Care	The Social Care Capital Grant is paid directly from the government to local authorities and forms a part of the wider changes involving the Better Care Fund. IA was requested to review and confirm the Council has complied with the grant determinations.
16-Inv B(ii)	Investigation B(ii)	IA Investigation Work	<b>Pauline Moore</b> Head of Business Improvement and HR	We were asked by the Head of Business Improvement and HR to review an internal grievance case.
16-Inv F	Investigation F	IA Investigation Work	<b>Pauline Moore</b> Head of Business Improvement and HR	We were asked by the Head of Business Improvement and HR to undertake an internal disciplinary investigation.

**IA work DEFERRED from the 2016/17 Operational IA Plan for Quarter 1:**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
16-A2	Management and Control of Void Dwellings	Assurance	<b>Jean Palmer,</b> Deputy Chief Executive & Corporate Director of Residents Services	Following the initial planning meetings, this review was deferred to January 2017 to allow management sufficient time to review current working practices and address known weaknesses within the service.
16-A6	Contract Management	Assurance	<b>Paul Whaymand,</b> Corporate Director of Finance	Further to discussions with management, it was established that the contract selected for audit is currently being reviewed, and subsequently we agreed to defer this audit to Quarter 3 of 2016/17.

**APPENDIX B (cont'd)****REVISIONS TO THE 2016/17 INTERNAL AUDIT PLAN ~ QUARTER 1****IA work DEFERRED from the 2016/17 Operational IA Plan for Quarter 1:**

IA Ref.	Planned IA Review Area	Review Type	Review Sponsor	Scope / Rationale
16-A8	TeleCareLine	Assurance	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Given the recent transformational reviews within this area and following discussions with management, this IA review has been deferred to Quarter 3 of 2016/17 to enable transformation changes time to become embedded throughout the service area.
16-A13	Review of the Effectiveness of the Audit Committee	Assurance	<b>Fran Beasley,</b> Chief Executive and Corporate Director of Administration	This review was agreed to be conducted by Mazars (the Council's external IA partner provider). Following discussions around timings and resources, it was agreed this review would be best carried out during Quarter 2.

**APPENDIX C****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2****IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
16-A15	ICS Data Quality- Financial Controls	Assurance	<b>HIGH</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	ICS is an integrated web-based information system utilised by Children & Young People's Services to maintain a single record of a service user's care requirements, ranging from care planning process and referral history to financial assessments and management. This review will aim to provide assurance around the quality of data held within the system, with a particular focus around financial information. Data quality refers to the accuracy, completeness, validity and timeliness of data to support business operations and aid in decision making and planning.
16-A13	Review of the Effectiveness of the Audit Committee	Assurance	<b>MEDIUM</b>	<b>Fran Beasley,</b> Chief Executive and Corporate Director of Administration	An effective and independent AC is a key element in the Council's corporate governance and risk management framework. An effective AC leads to improved internal control, risk management and financial reporting. It provides a forum for discussing key issues raised by IA and External Audit, working independently to provide assurance to the Council. <i>(This IA review was deferred from the 2016/17 Quarter 1 IA plan into Quarter 2 IA plan.)</i>
16-A16	Sheltered Housing	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	The Council owns and manages 21 sheltered housing schemes across the borough, designed to help residents aged 60 or over maintain their independence in friendly and secure communities. This review will focus on the administration aspects of allocating and managing sheltered housing units, as well as internal procedures for staff and training.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2****IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period (cont'd):**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
16-A17	Council Stores	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	The Council's stores, located at Harlington Road Depot, stock a variety supplies to support the Council's service operations. An initial IA Consultancy review was undertaken in July 2015, with 3 further pieces of IA work involving the Council's stores subsequently being conducted. This review will aim to provide management assurance over the current control environment and implementation of IA 'improvement suggestions' to address previous weaknesses.
16-A18	Community Safety Arrangements - CCTV	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Council's cameras are used to detect, prevent or investigate crime and anti-social behaviour throughout the borough to ensure the safety of residents and property. This review will aim to provide assurance to management over the current strategic and operational arrangements.
16-A19	Domiciliary Care	Assurance (Follow-Up)	<b>HIGH</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	Following the 2015/16 IA assurance review in this area which received a <b>LIMITED</b> assurance opinion, this follow-up review, with a refined scope, will focus on the implementation of the <b>1 HIGH</b> and <b>5 MEDIUM</b> risk recommendations raised and associated improvements to the control environment.
16-A20	Logical Access Controls	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	As logical access controls are the primary means used to management and protect information assets, this assurance review will assess the adequacy of such access controls in relation to identification and authentication, specifically Logon IDs, passwords, token devices, access control lists and logical access security administration.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2****IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period (cont'd):**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
16-A21	Deprivation of Liberty Safeguards (DoLS)	Assurance (Follow-Up)	<b>HIGH</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	Following the 2015/16 IA assurance review in this area which received a <b>LIMITED</b> assurance opinion this follow-up review, with a refined scope, that focuses on the implementation of the <b>6 MEDIUM</b> risk recommendations raised.
16-A22	Library Imprest Accounts	Assurance (Follow-Up)	<b>MEDIUM</b>	<b>Paul Whaymand,</b> Corporate Director of Finance	Following the 2015/16 IA Consultancy review in this area, we are due to undertake a follow-up review to provide management with assurance over the enhancements to the control environment around imprest accounts for libraries.
16-A23	Music Service	Assurance (Follow-Up)	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Following the 2015/16 IA assurance review in this area which received a <b>LIMITED</b> IA assurance opinion, this follow-up review, with a refined scope that focuses on the implementation of the <b>8 MEDIUM</b> risk recommendations raised and associated improvements to the control environment.
16-C10	Domiciliary Care Payments	Consultancy	<b>MEDIUM</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	Domiciliary care refers to a range of support services and personal care delivered to an individual within their home. Service users will undergo a variety of assessments and support planning to establish the number of hours of care they require per week; including financial assessments to determine whether they are eligible to receive financial support. The Head of Social Work has requested a consultancy review to identify potential improvements to processes specifically around client billing and financial support provided to service users.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2****IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period (cont'd):**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
16-C11	Information Governance - Data Protection Training	Consultancy	<b>MEDIUM</b>	<b>Fran Beasley,</b> Chief Executive and Corporate Director of Administration	The Council has a statutory requirement to comply with the Data Protection Act (DPA), with breaches potentially subject to financial penalties and/ or adverse publicity. We have been asked to undertake a review of the recent DPA training for staff to establish its effectiveness.
16-C12	Public Health - Provider Payments Process (GPs)	Consultancy	<b>MEDIUM</b>	<b>Daniel Kennedy,</b> Head of Business Performance, Policy & Standards	The NHS health check is a prevention programme that provides free health checks for residents through local GPs or participating pharmacies, subject to eligibility criteria. Similar to the 2016/17 Quarter 1 consultancy work on pharmacy payments, this review will assess the current procedures, checks and controls around GP payment processes.
16-C13	Data Analytics	Consultancy	<b>MEDIUM</b>	<b>Paul Whaymand,</b> Corporate Director of Finance	We plan to utilise our dedicated data analytical tool (IDEA) to run individual reports on transactional data. Analysis work performed will provide assurance on accuracy of the data sets with any anomalies identified referred to management for investigation and follow-up audits to identify any internal control failures.
16-GC3	Bus Subsidy Grant	Grant Claim	N/A	<b>Fran Beasley,</b> Chief Executive and Corporate Director of Administration	The London Borough of Hillingdon receives a Local Authority Bus Subsidy Grant from the Department of Transport for operating local transport/ bus services. As per the grant conditions, IA are required to undertake verification work and perform the necessary checks to declare the grant determination have been complied with.

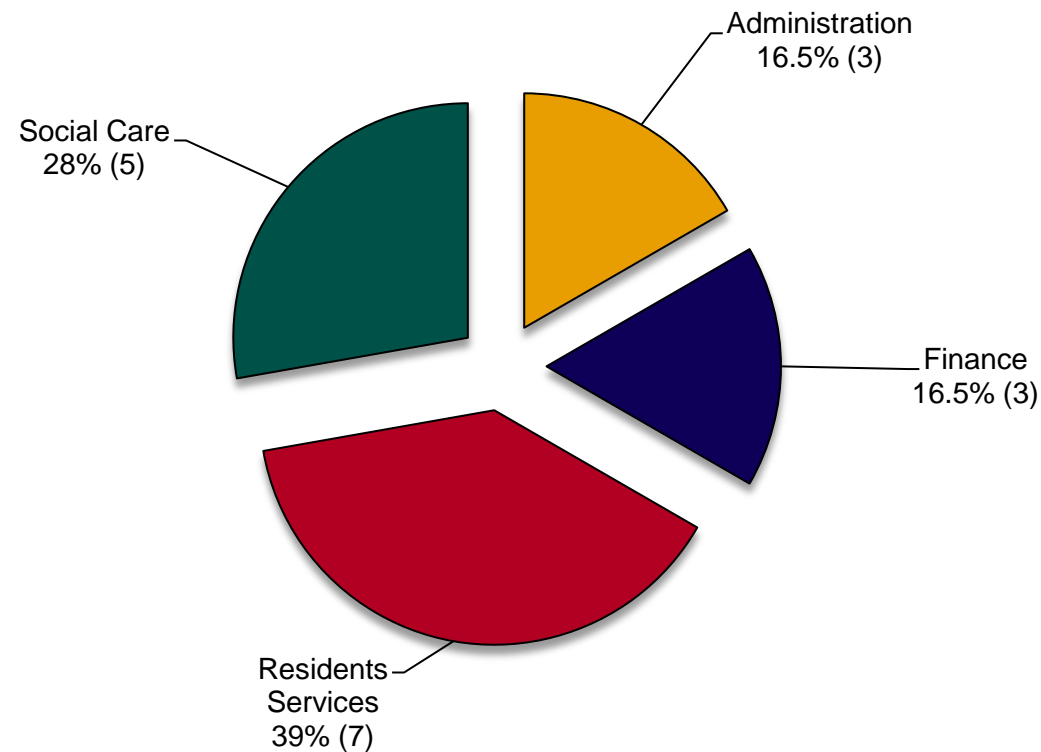


**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2****IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 period (cont'd):**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
16-GC4	Housing Benefits Subsidy Grant	Grant Claim	N/A	<b>Rob Smith,</b> 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. Ernst & Young LLP (EY), as the Council's appointed external auditor for 2015/16, is required to certify the Council's claim. It has been agreed that IA will carry out the initial verification testing to reduce EY's testing and associated external audit fees.
16-GC5	Troubled Families Grant - Quarter 2	Grant Claim	N/A	<b>Tony Zaman,</b> Corporate Director of Social Care	The Troubled Families programme is a Government scheme under the Department for Communities and Local Government (DCLG) with the stated objective of helping troubled families turn their lives around. The Council receives a payment by results grant from the DCLG for each identified 'turned around' troubled family. As per the grant conditions, IA will undertake verification work to confirm identified troubled families have been 'turned around'.
16-GC6	Disabled Facilities Grant (DFG)	Grant Claim	N/A	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Disabled facilities grants (DFGs) are provided by the Council to help meet the cost of adapting a property for the needs of a disabled person. IA are required to undertake verification work for the DFG claim due for submission on the 30 <sup>th</sup> September 2016.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 2 (cont'd)**

**IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2016 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 2016/17**

KPI Ref.	Performance Measure	Target Performance
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 <sup>st</sup> March	<b>90%</b>
KPI 6	Percentage of IA Plan delivered to <b>final report</b> stage by 31 <sup>st</sup> March	<b>80%</b>
KPI 7	Percentage of draft reports issued as a final report within 15 working days <sup>1</sup>	<b>75%</b>
KPI 8	Client Satisfaction Rating <sup>2</sup> (from CFQs)	<b>85%</b>
KPI 9	IA work fully compliant with the UK <b>PSIAS</b> and <b>IIA Code of Ethics</b>	<b>100%</b>

All IA KPIs Target Performance for 2016/17 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
<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 (cont'd)****INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

RISK	DEFINITION
<p style="text-align: center;"><b>HIGH</b></p> <p style="text-align: center;">●</p>	<p>The recommendation relates to a <b>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></p>
<p style="text-align: center;"><b>MEDIUM</b></p> <p style="text-align: center;">●</p>	<p>The recommendation relates to a <b>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></p>
<p style="text-align: center;"><b>LOW</b></p> <p style="text-align: center;">●</p>	<p>The recommendation relates to a <b>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></p>
<p style="text-align: center;"><b>NOTABLE PRACTICE</b></p> <p style="text-align: center;">●</p>	<p>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></p>