

# BUSINESS ASSURANCE

## **Internal Audit Progress Report to Audit Committee: 2016/17 Quarter 2 (including the Quarter 3 Internal Audit Plan)**

**13<sup>th</sup> September 2016**



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The Internal Audit key contacts in connection with this report are:

**Muir Laurie**

Head of Business Assurance

t: 01895 556132

e: [mlaurie@hillingsdon.gov.uk](mailto:mlaurie@hillingsdon.gov.uk)

**Martyn White**

Senior Internal Audit Manager

t: 01895 250354

e: [mwhite@hillingsdon.gov.uk](mailto:mwhite@hillingsdon.gov.uk)

**Elaine Polton**

Assistant Internal Audit Manager

t: 01895 556128

e: [epolton@hillingsdon.gov.uk](mailto:epolton@hillingsdon.gov.uk)

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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 corporate objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit (England) Regulations 2015 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account UK Public Sector IA Standards (PSIAS) or guidance.
- 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> July to 13<sup>th</sup> September 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 2. It also highlights to CMT, the Audit Committee and other IA stakeholders the revisions to the Quarter 2 IA plan since its approval in July 2016 (refer to **Appendix B**).
- 1.2.2 A key feature of the Quarter 2 IA progress report is the inclusion of the Quarter 3 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> October to 31<sup>st</sup> December 2016 period.

## 2. Executive Summary

- 2.1 Since the last IA Progress Report to CMT and the Audit Committee on 1<sup>st</sup> July 2016, **5 assurance reviews** have concluded, **6 consultancy reviews** and **2 follow-up reviews** have been finalised and **2 grant claims** have been certified. We are therefore nearing completion of the programme of IA work for Quarter 1 and Quarter 2.
- 2.2 Our work on the 2016/17 Quarter 2 IA plan commenced on 1<sup>st</sup> July and work is now well underway on all Quarter 2 planned work including **1** additional request for work (refer to **Appendix B**). Good and positive progress has been made on the IA plan this quarter as the team has been fully resourced throughout the quarter which, as a result of an external secondment, has maintained capacity during this period whilst we undertake a recruitment exercise. The enhanced robustness of IA resource has enabled steady progress against the plan despite increasing requests for IA advice and expertise to undertake supplementary work within the quarter. Further, this has enabled us to set an ambitious quarter 3 plan (refer to **Appendix C**).
- 2.3 Key assurance reviews finalised this quarter have included **Health Visiting, New Years Green Lane** and **Housing Benefits**. One of the 5 assurance audits finalised in this quarter received a **LIMITED** assurance opinion over the management of the key risks. This is a positive outcome and is in line with our expectations and the risk-based approach which we deploy. Specifically, IA resources have been targeted on the areas of the highest risk as part of a reduced IA assurance programme. Positive action has been proposed by management to address all of the **HIGH** and **MEDIUM** risk recommendations raised within each respective review and these recommendations will be followed-up by us in due course.

- 2.4 We continue to undertake a variety of IA advisory work across the Council and the feedback we have received is that this work is highly valued. Our data analytics work as well as the consultancy reviews of **Public Health Payments** and **Information Governance Data Protection Training** have been particularly value adding, according to the respective services. Further details of all IA work carried out in this period are included in section 3 of this report.
- 2.5 The Housing Benefit Subsidy Grant Claim has been a significant piece of work for us this quarter, working in liaison with External Audit (Ernst & Young). IA also continues to undertake a variety of consultancy work across the Council. Further details of all IA work carried out in this period are included section 3 of this report.

### 3. Analysis of Internal Audit Activity in 2016/17 Quarter 2

#### 3.1 Assurance Work in Quarter 2

- 3.1.1 All IA assurance reviews carried out in the financial year to date are individually listed at **Appendix A**. This list details the assurance levels achieved (in accordance with the assurance level definitions outlined at **Appendix D**) and provides an analysis of recommendations made (in accordance with the recommendation risk categories outlined at **Appendix D**). During this quarter **5** 2016/17 IA assurance reviews have been completed to final report stage (excluding follow-ups), with **6** others progressed to draft report stage and the remaining **3** reviews at the testing stage. In addition, **2** follow-up reviews have been finalised this quarter and **2** other follow-up audits are at the testing stage (refer to **Appendix A** for details).
- 3.1.2 Key assurance reviews finalised this quarter have included Health Visiting and Risk Management. For **Health Visiting** we raised **1 HIGH** and **1 MEDIUM** risk recommendation and gave an overall **LIMITED** assurance opinion. Our testing identified two key control weaknesses including the process in which reports are produced and received from the service provider. In addition, it was found that no formal meeting occurs to monitor performance with no defined or embedded escalation procedure or exception reporting controls occurring when results are lower than expected.
- 3.1.3 The 2016/17 IA review of **Risk Management (RM)** was undertaken by Mazars (our external IA partner) which helps provide robust independence, raising **5 MEDIUM** and **3 LOW** risk recommendations. Their testing identified several areas where the RM framework could be improved i.e. the RM Policy and Guidance was last updated in July 2014, and the guidance document has not been updated to reflect that responsibility for Risk Management facilitation is now under Business Assurance. In addition, the RM Policy and Guidance states that the 'risk appetite' or tolerance of risk that officers are able to exercise should, in general, be considered low. However, the definition of the Council's risk appetite above is not defined clearly to inform management and help drive the Council's risk management processes.
- 3.1.4 Further, whilst there are a few Services and Teams which maintain operational risk registers, it is not common practice or embedded across the Council. As a result, Mazars has concluded that the Council is exposed to the threat of risks at an operational level not being properly identified, monitored and managed. Overall a **REASONABLE** assurance opinion was provided.
- 3.1.5 Other assurance reviews finalised this quarter included Housing Benefits, New Years Green Lane (NYGL) and the Effectiveness of Internal Audit (which is being reported as a separate agenda item to the Audit Committee). Each of these three reviews provided a **REASONABLE** assurance opinion and together raised **16 MEDIUM**, **13 LOW** risk recommendations and **3 NOTABLE PRACTICE** observations. Positive management action has been proposed to address all **HIGH** and **MEDIUM** risk recommendations raised this quarter.

3.1.6 Further, as at 13<sup>th</sup> September, **6** assurance reviews have been progressed to draft report stage and **3** others are at the testing stage. The summary results of these **9** assurance audits will be included in the Quarter 3 progress report due to be presented to Audit Committee on 15<sup>th</sup> December 2016.

## 3.2 Consultancy Work in Quarter 2

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. Attached at **Appendix A** is a list of consultancy work carried out in Quarter 2. This highlights that **7 consultancy reviews have been completed** within the period with a further **1** review currently at an advanced stage.

3.2.3 IA was requested to undertake a review, using data analytics, of the processes and robustness of controls surrounding the purchase, storage and allocation of **Personal Protective Equipment (PPE)**. Our analytical work and subsequent review of internal controls within the Stores function has highlighted areas where risks could be more effectively managed and controls strengthened to further enhance the robustness of the control environment and achievement of objectives.

3.2.4 A consultancy review of **Public Health - Provider Payments Process** was completed following a joint request from the Head of Business Performance, Policy & Standards (Education, Housing & Public Health) and Director of Public Health. This review incorporated both planned reviews of payments to Pharmacies and GPs due to the data flow synergies between both processes. Our review of the processes highlighted that repetitive manual validity checks are undertaken which we believe to be time consuming. We believe that aligning the payment administration processes through the use of a single responsible officer who, in addition to the set up of a separate processing database, could ensure that consistent validation takes place, freeing up resource to undertake spot checks as well as reduce delays in payments to suppliers.

3.2.5 A data analytic consultancy review of **Consent to Drive (CTD)** was requested by the Corporate Director of Finance following concerns highlighted within our IA Assurance reviews of Fleet Management and High Level Mileage. Our testing of the 3 month period of Apr to Jun 2016 identified 79 employees who were in receipt of mileage payments without a valid CTD in place.

3.2.6 Further testing identified that the current records for mileage claims and CTD form completion are maintained within two separate teams whose respective systems do not interface. As a result, no automated process was in place to ensure that a valid CTD is held for each employee undertaking business mileage and therefore claiming and receiving mileage reimbursement. Equally there was no formalised process in place to identify those employees driving for work purposes but not claiming mileage expenses.

3.2.7 Our testing also identified that no compensating controls such as reconciliations between the two systems were in place to minimise the associated risks posed. We have been informed that all of the issues identified in this consultancy review are planned to be addressed by the HR & OD Service Manager as part of the implementation of the Oracle HR system.

### 3.3 Grant Claim Verification Work in Quarter 2

3.3.1 During this quarter IA has also assisted the Council's External Auditors (Ernst & Young), with a review of the Council's **Housing Benefit Subsidy Grant Claim**. This work has included:

- Module 2 - Up Rating

Testing to help ensure the Council's Revenues and Benefits software is using the correct housing benefit parameters to calculate benefit entitlement;

- Module 3 - Workbooks

Testing calculations and verifying evidence for an initial sample of 60 cases (HRA, Non HRA and Private Tenants); and

- Module 5 - Software Diagnostic Tool

Testing to ensure the claim had been completed using recognised software for completion and benefit 'granted' to benefit 'paid' was reconciled in accordance with the software supplier's instructions. IA documented evidence to verify that the Council had complied with a series of control questions relevant to the Benefits software.

3.3.2 The Housing Benefit Subsidy Grant Claim audit has been a significant piece of work for IA involving approximately 30 IA days of testing. Nevertheless, the work we carry out in this area saves the Council considerable money by way of a reduced External Audit fee in relation to grant claims. This type of approach also demonstrates good collaborative working between IA and External Audit, as well as an effective and efficient use of IA and Council resources.

3.3.3 As detailed at **Appendix A** IA has conducted **2 further grant claim verification reviews** within Quarter 2, one of which is still in progress. These include verification work regarding the **Disabled Facilities Grant (DFG)** and the **Bus Subsidy Grant** which equate to £1.76m and £21.7k respectively.

3.3.4 The **DFG** provides a framework for local authorities to provide mandatory grants for housing adaptations for disabled people to enable them to live independently in their own homes, whether they be privately owned, rented or social housing. **Our DFG certification work is ongoing, testing compliance, in particular expenditure, against the set grant conditions.** The deadline for the grant claim to Department for Communities and Local Government (DCLG) is 30<sup>th</sup> September 2016 and therefore the results from our work will be included in the Quarter 3 progress report due to be presented to Audit Committee on 15<sup>th</sup> December 2016.

3.3.5 The Local Authority **Bus Subsidy Grant** for 2015/16 covers both commercial and non-commercial bus routes and is administered centrally by the Department for Transport. The Grant is the partial refund on fuel duty received from the government by operators of local bus services in England. To the best of our knowledge and belief, and having carried out appropriate investigations and checks, it is our opinion that, in all significant respects, the conditions attached to Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant Determination 2015/16 have been complied with. 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 2

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. In addition to this, we have taken a renewed approach to follow-up work within the year, actively following up on prior **Limited** or **No** assurance reports within 6 months to a year after their issue. This approach provides additional assurance to CMT and the Audit Committee over the implementation of IA recommendations and whether the control environment is now operating as intended.

- 3.4.2 Attached at **Appendix A** is a list of all IA follow-up work undertaken out in this quarter. This highlights that **2 follow-up** reviews have been completed within the period, with a further **2** reviews currently at an advanced stage of testing. The two follow-up reviews completed this quarter were on the **No** assurance 2015/16 review of **Home to School Transport - Safeguarding Arrangements** and the **Limited** assurance 2015/16 review of **Hillingdon Music Service**.
- 3.4.3 Within the **Home to School Transport** follow-up we concluded that **3** of the **9** recommendations raised were deemed **Implemented** as at 5<sup>th</sup> July 2016. Each of the remaining **6** recommendations was deemed to have been **Partly Implemented**. In **5** cases the recommendation implementation date had not yet passed, however sufficient evidence was available to support that positive management action had been taken to address the risk. In each of these **5** cases controls are not yet fully embedded with further action required to ensure that the pending implementation dates are achieved. One recommendation, due 31<sup>st</sup> March 2016, was deemed **Partly Implemented** at the time of this review.
- 3.4.4 Following the **Hillingdon Music Service** (HMS) follow-up review, we concluded that **4** of the **8** recommendations raised in the June 2015 final IA assurance report were **Implemented**. Of the remaining recommendations raised, **3** were deemed to have been **Partly Implemented** with evidence available to support that positive management action had been taken to address the risks.
- 3.4.5 One recommendation, due 31<sup>st</sup> August 2015, was deemed to be **Not Implemented** at the time of this review. This relates to management's location of HR files for all HMS staff where, at the time of follow-up, it was established that the service were at a very early stage of creating staff folders and transferring these on a Google Drive. Of the 10 staff included in our sample for testing, we found very limited and inconsistent information being held. As a result, further action is still required to ensure that this risk is being appropriately controlled. Management have now proposed to address this risk by 31 December 2016, which we will follow-up in due course.

### 3.5 Other Internal Audit Work in Quarter 2

- 3.5.1 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 undertaken our risk based planning meetings, alongside operational and corporate risk discussions due to the synergies between these two functions. Further to this, we have produced the detailed operational IA plan for Quarter 3 (refer to **Appendix C**) in consultation with management.
- 3.5.2 This quarterly planning cycle continues to help ensure that IA resources are directed in a more flexible and targeted manner to maximise resources as well as the benefit to our stakeholders.
- 3.5.3 The Head of Business Assurance has responsibility for a range of non-core IA services, including the facilitation of risk management, information governance and business continuity across the Council. In addition, the Business Assurance team conduct internal disciplinary and fact finding investigations, where requested to do so by the Head of Business Improvement & HR.

## 4. Analysis of Internal Audit Performance in 2016/17 Quarter 2

- 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 in the table overleaf.

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. Actual cumulative IA performance against KPIs in the 1<sup>st</sup> April to 13<sup>th</sup> September 2016 period is highlighted in the table below:

KPI Ref.	Performance Measure	Target Performance	Actual Performance	RAG Status
KPI 1	2016/17 <b>HIGH</b> risk IA recommendations where positive management action is proposed	98%	100%	GREEN
KPI 2	2016/17 <b>MEDIUM</b> risk IA recommendations where positive management action is proposed	95%	100%	GREEN
KPI 3	2016/17 <b>HIGH</b> risk IA recommendations where management action is taken within agreed timescale	90%	100%	GREEN
KPI 4	2016/17 <b>MEDIUM</b> risk IA recommendations where management action is taken within agreed timescale	75%	100%	GREEN
KPI 5	Percentage of annual (Q1 to Q4) IA Plan delivered to <b>draft report</b> stage by 31 <sup>st</sup> March	90%	95%	GREEN
KPI 6	Percentage of annual (Q1 to Q4) IA Plan delivered to <b>final report</b> stage by 31 <sup>st</sup> March	80%	90%	GREEN
KPI 7	Percentage of draft reports issued as a final report within 15 working days	75%	71%	AMBER
KPI 8	Client Satisfaction Rating (from CFQs)	85%	85%	GREEN
KPI 9	IA work fully compliant with the UK <b>PSIAS</b> and <b>IIA Code of Ethics</b>	100%	100%	GREEN

4.3 Performance against KPI 7 is currently being reported as **AMBER**. This is primarily due to two instances where management responses to the draft reports have not been received within the set timescales. Whilst we facilitate this process, we are reliant on timely management responses to achieve this indicator. Other than these two anomalies we are happy to report that the time taken to finalise final reports from draft stage is on average only 11 working days. Due to historic non performance against KPI 7 we have commenced providing greater oversight of compliance against this KPI to Corporate Directors as part of a quarterly IA dashboard, reporting a snapshot of IA performance at a Group level.

4.4 We are currently exceeding several of our KPI targets and achieving the relatively ambitious KPI 8 (Client Satisfaction Rating) which we are hopeful will continue throughout the remainder of the year as the volume of CFQ feedback increases. In addition, due to the increasing trend of consultancy reviews undertaken within the service, we have commenced sending formal CFQs for consultancy reviews within the quarter. This should therefore provide an accurate quantitative indicator as to the value and quality of the range of services provided by IA.



- 4.5 KPI 9 refers to the IA process complying with the **PSIAS** and the **IIA Code of Ethics**. We have a duty to complete reviews within these guidelines, which is encompassed in our IA and management review processes. This is reported as 100% compliant following the annual **Effectiveness of IA** review. However, our External Quality Assessment (EQA), scheduled for January 2017, will provide an enhanced value against this KPI.

## 5. Forward Look

- 5.1 The **Quality Assurance & Improvement Programme** (QAIP) developed in accordance with the IA Charter has been subject to review and update, 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.
- 5.2 Following on from the 2016/17 Assurance review of the Effectiveness of IA, the first full quality assurance of our TeamMate files will be undertaken at the end of September to provide assurance to the Audit Committee on improvements against issues identified. Thematic reviews on key aspects of the IA service will then be undertaken, the findings and resulting action plan will be reported to the Committee on 15<sup>th</sup> December for oversight and quality assurance purposes.
- 5.3 Moving into Quarter 3 we plan to further enhance the utilisation of our TeamMate software. This includes plans to introduce a quarterly Group dashboard to each respective Corporate Director and their Senior Management Team meeting. This will align to our quarterly planning process and should provide further clarity on the work of Business Assurance throughout the year. In addition, this will highlight performance against KPIs as well as IA recommendations falling due or overdue at a Group level.
- 5.4 The Head of Business Assurance has gained additional responsibility for the facilitation of the risk management, information governance and business continuity across the Council. Whilst this creates valuable synergies between these functions and IA, this additional responsibility, coupled with the increasing number of internal disciplinary investigations being undertaken by Business Assurance, has resulted in a notable reduction in our resource. The shortfall in 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 2. 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**

13<sup>th</sup> September 2016

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

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

**2016/17 IA Assurance Reviews:**

IA Ref.	IA Review Area	Status as at 13 <sup>th</sup> September 2016	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
16-A9	Health Visiting	Final report issued on 20 <sup>th</sup> Jul 2016	Limited	1	1	0	0	✓
16-A11	Risk Management	Final report issued on 7 <sup>th</sup> Jul 2016	Reasonable	0	5	3	0	N/A
16-A12	Review of the Effectiveness of IA	Final report issued on 7 <sup>th</sup> Jul 2016	Reasonable	0	2	3	2	N/A
16-A5	New Years Green Lane (NYGL)	Final report issued on 20 <sup>th</sup> Jul 2016	Reasonable	0	6	2	0	✓
16-A3	Housing Benefits	Final report issued on 26 <sup>th</sup> Jul 2016	Reasonable	0	3	5	1	✓
16-A1	Lease Agreements	Draft report issued on 11 <sup>th</sup> Aug 2016						
16-A4	Physical Access Controls, including Security Arrangements	Draft report issued on 26 <sup>th</sup> Aug 2016						
16-A10	Fees and Charges	Draft report issued on 7 <sup>th</sup> Sep 2016						
16-A7	Corporate Debtors	Draft report issued on 12 <sup>th</sup> Sep 2016						
16-A13	Review of the Effectiveness of the Audit Committee	Draft report in progress						
16-A16	Sheltered Housing	Draft report in progress						
16-A15	ICS Data Quality- Financial Controls	Testing in progress						
16-A17	Council Stores	Testing in progress						
16-A19	Logical Access Controls	Testing in progress						
<b>Total Number of IA Recommendations Raised in 2016/17</b>				<b>1</b>	<b>17</b>	<b>13</b>	<b>3</b>	
<b>Total % of IA Recommendations Raised in 2016/17</b>				<b>3%</b>	<b>55%</b>	<b>42%</b>	<b>-</b>	

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

IA Ref.	IA Review Area	Status as at 13 <sup>th</sup> September 2016	CFQ Received?
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	N/A
16-C3	Benefits - BACs processing	Memo issued on 14 <sup>th</sup> July 2016	✓
16-C9	Data Analytics (Personal Protective Equipment)	Memo issued on 18 <sup>th</sup> July 2016	✓
16-C5	Digital broadcasting of Council meetings	Memo issued on 19 <sup>th</sup> July 2016	✓
16-C13	Data Analytics (consent to drive vs. mileage claimed)	Memo issued on 3 <sup>rd</sup> August 2016	✓
16-C7	Public Health - Provider Payments Process (Pharmacy)	Memo issued on 11 <sup>th</sup> August 2016	Not yet due
16-C12	Public Health - Provider Payments Process (GPs) - Combined with 16-C7	Memo issued on 11 <sup>th</sup> August 2016	
16-C11	Information Governance - Data Protection Training	Memo issued on 5 <sup>th</sup> September 2016	Not yet due
16-C10	Domiciliary Care Payments	In Progress	

**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2016/17****2016/17 IA Follow-Up Reviews:**

IA Ref.	IA Follow-Up Review Area	Status as at 13 <sup>th</sup> September 2016	Recommendations			CFQ Received?
			Implemented	Partly Implemented	Not Implemented	
16-A14	Home to School Transport - Safeguarding Arrangements	Final report issued on 6 <sup>th</sup> Jul 2016	3	6	-	✓
16-A23	Music Service	Final report issued on 8 <sup>th</sup> Aug 2016	4	3	1	Not yet due
16-A21	Deprivation of Liberty Safeguards (DoLS)	Testing in progress				
16-A22	Library Imprest Accounts	Testing in progress				

**2016/17 IA Grant Claim Verification Reviews:**

IA Ref.	IA Review Area	Status as at 13 <sup>th</sup> September 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
16-GC5	Troubled Families Grant - Quarter 2	Certified and memo issued on 30 <sup>th</sup> June 2016
16-GC3	Bus Subsidy Grant	Certified and memo issued on 1 <sup>st</sup> September 2016
16-GC4	Housing Benefit Subsidy Grant	IA testing completed on 12 <sup>th</sup> September 2015
16-GC6	Disabled Facilities Grant	Certification testing ongoing, due by 30 <sup>th</sup> September 2016

**APPENDIX B****REVISIONS TO THE 2016/17 INTERNAL AUDIT PLAN ~ QUARTER 2****IA work ADDED to the 2016/17 Operational IA Plan for Quarter 2:**

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
16-A24	Anti Social Behaviour Investigations Team (ASBIT)	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Anti-social behaviour covers a wide range of behaviour, such as damaging the environment, low-level disputes and clashes of life-style, or causing serious nuisance to others and even threats of violence and criminal activity. This assurance review will look at the efficiency and effectiveness of processes involved within the ASBIT to ensure that the impact of Anti social behaviour on residents is minimised.

**IA work DEFERRED from the 2016/17 Operational IA Plan for Quarter 2:**

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
16-A18	Community Safety Arrangements - CCTV	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Following initial discussions and agreement to this audit we were advised that there is substantial ongoing work in this area on known weaknesses within the control environment. Management have therefore requested this review be deferred until Quarter 4 to provide greater assurance over the management of service risks, strategic and operational arrangements moving forward.
16-A20	Domiciliary Care	Follow-Up	<b>HIGH</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	The original 2015/16 IA assurance review received a <b>LIMITED</b> assurance opinion raising <b>1 HIGH</b> and <b>5 MEDIUM</b> risk recommendations however, following the initial planning meetings, it was established that due to the lack of progress against the IA recommendations that a follow-up review would not be beneficial at this stage. Due to the structural and management changes in this area we have obtained revised responses, including implementation dates, to the issues raised within our report. We will then undertake a formal follow-up review.

**APPENDIX C****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 3****IA work scheduled to commence in the 1<sup>st</sup> October to 31<sup>st</sup> December 2016 period:**

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
16-A6a	Contract Management (Residents Services)	Assurance	<b>HIGH</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Managing a service contract effectively is key to ensuring that contract objectives are met and value for money is achieved. The contracts register consists of over 1,000 contracts and due to the size of the Council there are a large number of key strategic service contracts in place. This review will seek to provide assurance over the management of one of the Council's key contracts within Residents Services to ensure that the expected value for money is obtained and the contract is being managed in a consistent, efficient and effective manner.
16-A6b	Contract Management (Social Care)	Assurance	<b>HIGH</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	As above, this review will seek to provide assurance over the management of one of the Council's key contracts within Adult Social Care to ensure that the expected value for money is obtained and the contract is being managed in a consistent, efficient and effective manner.
16-A25	Better Care Fund (BCF)	Assurance	<b>HIGH</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	The BCF is a national scheme to encourage health (NHS England) and social care (LBH) to work together more closely than before to help to provide a better experience of care. Whilst 2016/17 is the second year of the BCF scheme, and it is an opportune time to undertake an assurance review on the joint working arrangements to achieve the various outcomes of schemes within the BCF Plan.
16-A26	Business Support / Technical Admin - Safeguarding	Assurance	<b>HIGH</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	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. Due to the nature of the function and its involvement with confidential and restricted data, we have been requested by management to provide assurance over the management of the service's data protection risk to ensure that safeguards and enhanced controls are operating effectively.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 3****IA work scheduled to commence in the 1<sup>st</sup> October to 31<sup>st</sup> December 2016 period:**

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
16-A27	Semi Independent Living - including contract management	Assurance	<b>HIGH</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	The Council is committed to providing excellent standards of care to looked after children and young people so that they have the best possible chance of happiness and success. The council provides a sufficient number of high quality placements to fully meet the diverse needs of Hillingdon's looked after young people in accordance with the statutory obligations of the Children Act 1989. To achieve this aim, the council works in partnership with a range of Semi- Independent Living providers.
16-A28	Insurance	Assurance	<b>MEDIUM</b>	<b>Paul Whaymand,</b> Corporate Director of Finance	Insurance is a way of managing risk and a precaution against a possible unwanted outcome. Insurance is used to protect against the possibility of loss, usually financial, transferring transfer the risk in exchange for a payment or premium. This assurance review will focus on all aspects of the Council's insurance service, including the proactive and reactive arrangements to claims handling and trend identification to minimise the impact of financial loss.
16-A29	Library Book Procurement	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Key library activities revolved around ensuring that appropriate resources were acquired in time, on budget and that a robust collection management policy was in place to ensure that shelf-space was available for new acquisitions. There increasing amount of digital content available provides further opportunities for libraries to grow and develop their collections in ways previously not possible. However, librarians require tools to ensure that they are able to manage the procurement process effectively whilst ensuring the end-user is able to enjoy the full potential of both the digital and print worlds. This will be a joint review with the Council's Business Improvement Delivery (BID) Team to ensure that the future library book procurement model offers value for money and is fit for purpose.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 3****IA work scheduled to commence in the 1<sup>st</sup> October to 31<sup>st</sup> December 2016 period:**

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
16-A30	Planning application processing team - Quality Control	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Applications may be submitted electronically via the Planning Portal or in hard copy. The outcome of applications will be decided under delegated powers unless councillors request that the application is heard by a committee. The following applications will always be heard by one of the three planning committees: larger, more controversial or complex planning applications as well as 'major' applications. This IA review will seek to provide assurance over the quality control in the delegated decision making process.
16-A31	Local Land Charges	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	A local land charge is a restriction on a piece of land or property that can limit its use or bind the owner to a payment of a sum of money. Charges can include planning decisions; road agreements; tree preservation orders; conservation areas and listed buildings notices; environmental health notices and charges or objections made against previous owners. This assurance review will seek to confirm compliance with the Land Charges Act 1975 as well as the accuracy of the charging and the register maintained.
16-A32	Building Control	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	The Building Control Service provides advice, support, plan checking and site inspections in compliance with Building Regulations for the construction industry, residents, other professionals and internal customers. Responsibilities also include the processing and approval of building control applications. This review will assess the efficiency and effectiveness of the service, ensuring that sufficient and robust procedures are in place and operated in accordance with the Building Act 1984 and the Building (Local Authority Charges) Regulations 2010.



**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 3****IA work scheduled to commence in the 1<sup>st</sup> October to 31<sup>st</sup> December 2016 period:**

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
16-A33	Corporate Fraud Investigations Team	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Fraud Investigation Team (CFIT) supports this by providing efficient value for money anti-fraud activities and investigates all referrals to an appropriate outcome. The Team provides support, advice and assistance on all matters of fraud risk including prevention, fraud detection, other criminal activity and deterrent measures. Further to a request from the Deputy Director, Residents Services, we have been asked to undertake a review of the CFIT, including a benchmarking exercise against other London Boroughs.
16-A34	Main Accounting System	Assurance	<b>MEDIUM</b>	<b>Paul Whaymand,</b> Corporate Director of Finance	External Audit seek to place reliance on the internal controls which support the financial reporting processes. These IT general controls (ITGCs) over information systems form a key part of this control framework, contributing indirectly to the achievement of many or all of the financial statement assertions. Following the upgrade from Oracle Financials R11 to R12, it would be prudent to provide assurance over the enhancements to the ITGCs of Oracle to ensure that access to Oracle and financial data and transactions is appropriate.
16-A35	Fostering Pathway	Assurance	<b>MEDIUM</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	At Hillingdon we're seeing the positive impact of embracing new ways of working. Our Children's Pathway programme has transformed the way we deliver services. Smart commercial thinking is ensuring we have the resources to give children and families a brighter future in our communities. This assurance review will provide further comfort that the fostering pathway new ways of working are robust and operating effectively.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 3****IA work scheduled to commence in the 1<sup>st</sup> October to 31<sup>st</sup> December 2016 period:**

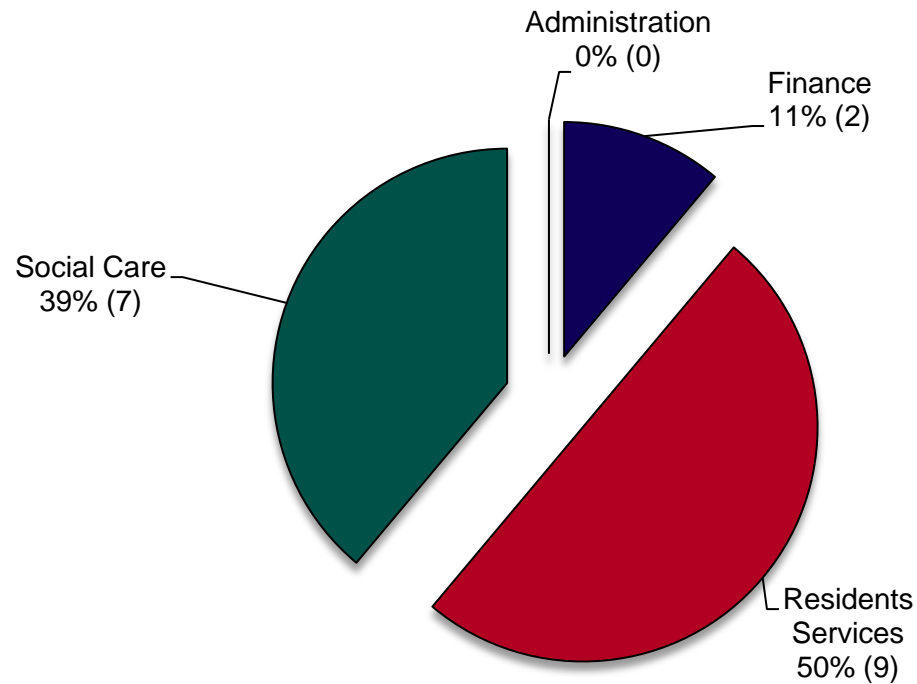
IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
16-A36	Ofsted Readiness	Assurance	<b>MEDIUM</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	The Ofsted inspection will look at the Council's services for children in need of help and protection; children looked after and care leavers. This assurance review will focus on the readiness of Children and Young People's Service for an Ofsted inspection seeking to demonstrate the Council's commitment to high standards of practice, management and leadership in the safeguarding of children.
16-A37	Youth Offending Service Assessments	Assurance	<b>MEDIUM</b>	<b>Tony Zaman,</b> Corporate Director of Social Care	Research has shown that children who get into trouble are often troubled children: those who come into contact with the criminal justice system often have multiple needs and difficulties which must be identified and addressed in order to reduce their offending. Assessments can help pinpoint these factors. This assurance review will focus on the comprehensive assessment that should take into account the nature of the young person's offence, the young person's personal circumstances and their attitudes and beliefs which aims to provide a clear indication of the types of intervention needed to help a young person lead a law-abiding life in the future.
16-A38	Tenancy Management	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	The tenancy management team helps residents understand their tenancy agreements of Council owned properties, including dealing with all housing tenancy and leaseholder related queries. This includes the 'end to end' tenancy management services from the point of entry into Council housing to the point of tenancy termination and encompasses all key tenancy events which arise during the lifetime of the tenancy. This assurance review will focus on the arrangements in place for the robust management of all types of tenancies, including the value for money arrangements.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 3****IA work scheduled to commence in the 1<sup>st</sup> October to 31<sup>st</sup> December 2016 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
16-A39	Change Control	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Change management process is a formal set of procedures and steps that are set in place to manage all changes, updates, or modifications to hardware and software (systems) across the organisation. This IT assurance review will aim to assess whether change processes are conducted in line with organisational policy.
16-GC7	Troubled Families Grant - Quarter 3	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'.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2016/17 ~ QUARTER 3**

**IA work scheduled to commence in the 1<sup>st</sup> October to 31<sup>st</sup> December 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 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 D (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>