

BUSINESS ASSURANCE

Annual Internal Audit Report & Opinion Statement 2016/17

19th June 2017



HILLINGDON
LONDON

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Contents

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1. Introduction

1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA), which is part of the Council's Business Assurance (BA) service, provides an independent assurance and consultancy service that underpins good governance. This 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 (Amendments) (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 public sector internal auditing standards or guidance.
- 1.1.2 IA give an objective opinion to the Council on whether the control environment is operating as expected. In 'traditional' IA teams this usually means compliance testing of internal controls. However, the IA service at Hillingdon fully embraces the risk based approach which means IA provides greater assurance to the Council because it is focused on the key risks to the achievement of the organisation's objectives. As a result, IA does not just comment on whether the controls operate, but whether they are the right controls to mitigate risk and enhance the likelihood of achieving the overall aims of the service.
- 1.1.3 The UK Public Sector IA Standards (PSIAS) promote further improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. They stress the importance of robust, independent and objective IA arrangements to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement (AGS).

1.2 The Purpose of the Annual Internal Audit Report and Opinion Statement

- 1.2.1 This annual report summarises the main findings arising from all of the 2016/17 IA assurance and consultancy work. The report also provides IA key stakeholders including the Council's Corporate Management Team (CMT) and the Audit Committee, with an opportunity to hold the Council's Head of Business Assurance (HBA) [as the Council's statutory Head of Internal Audit (HIA)] to account on delivery of the 2016/17 IA Plan and on the effectiveness of the IA service.
- 1.2.2 The UK PSIAS require the HIA to deliver an annual IA report and opinion statement that can be used by the organisation to inform its AGS. Therefore, in setting out how it meets the reporting requirements, this report and opinion statement also outlines how IA has supported the Authority in meeting the requirements of the Accounts and Audit (England) Regulations 2015.

2. Executive Summary

- 2.1 Despite a significant reduction in IA capacity during the year, the HBA is pleased to report that **the 2016/17 IA plan was 93% complete to draft report stage by 31st March and 100% complete by 19th June 2017**. This is an excellent achievement for IA and the Council and highlights the continued collaborative approach that IA is taking in working with management to help achieve positive outcomes for the Council.
- 2.2 Delivery of the IA plan for 2016/17 has been achieved in a relatively timely manner against a backdrop of continuous change and improvement for the BA service and the Council. These improvements have included continuing to embed a risk based approach to help focus IA resources, restructuring the IA team to generate greater front line capacity and enhancing the application of lean auditing principles to the IA process. This has incorporated the evolution of IA software (TeamMate) which continues to improve the efficiency of the IA service, in particular the IA follow-up process. Further details of IA performance can be found at section 6 of this report.

2.3 From the work undertaken and from the other sources of assurance referred to in para 3.7:

*It is the HIA's opinion that overall IA can provide **REASONABLE** assurance that the system of internal control that has been in place at Hillingdon Council for the year ended 31st March 2017 accords with proper practice, except for the significant internal control issues referred to in para 3.8 (see para 3.12 for further details).*

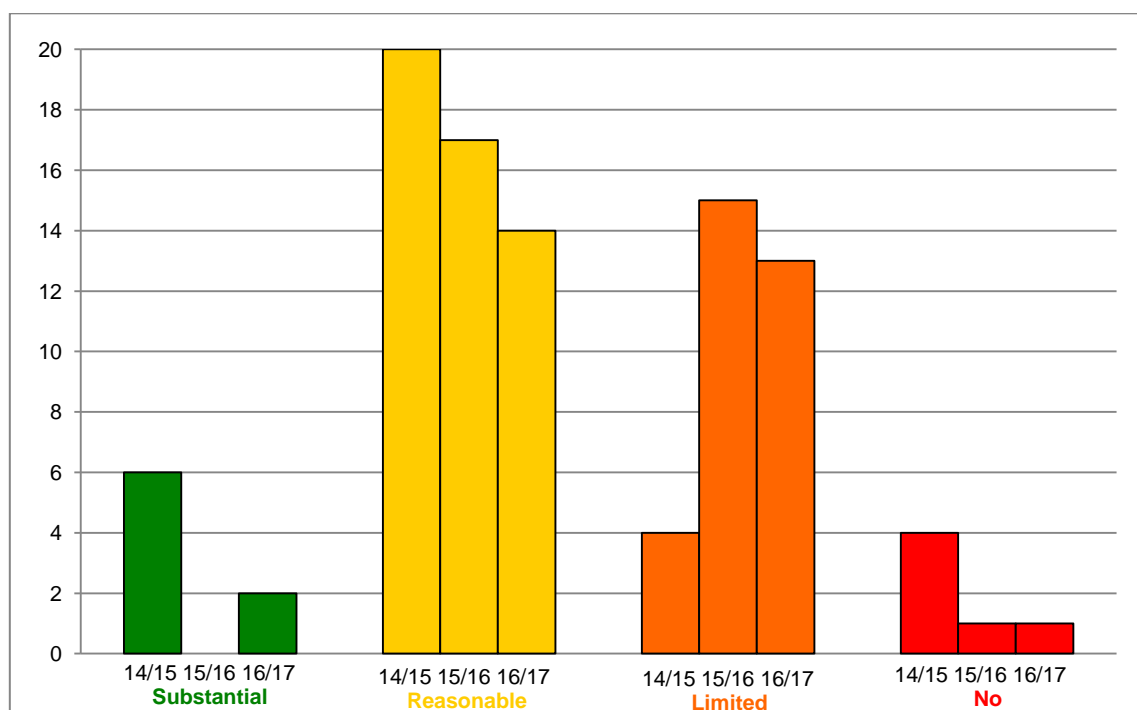
2.4 In total **67** pieces of IA work have been delivered as part of the 2016/17 IA plan. This included **30** assurance reviews, **10** follow-up reviews, **15** consultancy reviews and **12** grant claim audits. Nearly half of the **30** assurance reviews resulted in a **LIMITED** (43%) or **NO** (3%) assurance IA opinion. Whilst this may appear concerning, this provides positive assurance to the Audit Committee and CMT that IA resource is focused on the right areas, often highlighted by management as known areas of concern.

2.5 **All of the 2016/17 HIGH and MEDIUM risk recommendations raised by IA were accepted by the relevant managers/risk owners, with positive action proposed to TREAT all these risks** (this includes the issues highlighted in the quarterly IA progress reports presented to the Audit Committee and CMT during 2016/17). Further analysis of the IA assurance levels issued in 2016/17 along with a breakdown of the risk recommendations raised can be found at section 4 of this report.

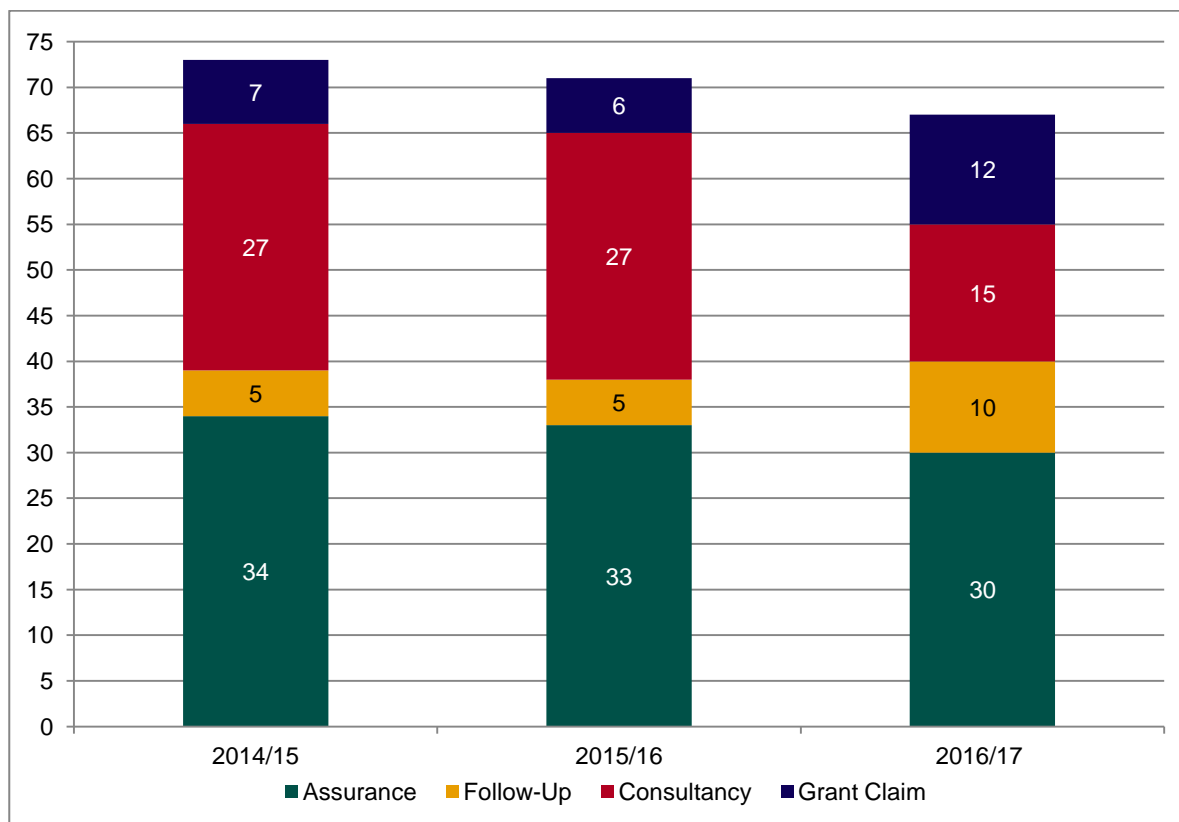
2.6 The table below provides an analytical review of assurance opinions issued by IA over the last 3 years which demonstrates a broadly consistent picture, in particular over the last two years:

Assurance Level	2014/15	2015/16	2016/17
Substantial	6	0	2
Reasonable	20	17	14
Limited	4	15	13
No	4	1	1
Totals	34	33	30

2.7 The bar chart below highlights that IA assurance reviews are increasingly focussed on the areas of greatest risk:



- 2.8 Greater IA resource has been deployed on following-up recommendations during 2016/17, as highlighted by the bar chart below, comparing the deployment of IA resources:



- 2.9 Focussing dedicated IA resource to the process of **following-up recommendations** that are due to have been implemented, has helped to continue to achieve a positive outcome for the Council during 2016/17. Specifically, as at 19th June 2017, **100%** of the **HIGH** risk recommendations raised in 2016/17 that have fallen due (6 of 15) have been confirmed by management as in place. Each of the remaining nine **HIGH** risk recommendations implementation date had not yet passed. IA verification work is ongoing to confirm these recommendations are embedded and operating as intended. Further details of the follow-up of previous IA recommendations can be found at section 5 of this report.

3. Head of Internal Audit Opinion Statement 2016/17

3.1 Background

- 3.1.1 The HIA opinion statement is provided partly to help inform the Chief Executive and Leader of the Council to assist them in completing the AGS, which forms part of the statutory Statement of Accounts for the 2016/17 year.
- 3.1.2 The AGS provides public assurances about the effectiveness of the Council's governance arrangements, including the system of internal control. The HIA opinion statement meets the Authority's statutory requirement under Regulation 6 of the Accounts and Audit (Amendments) (England) Regulations 2015 and is in line with the UK PSIAS.

3.2 Scope of Responsibility

- 3.2.1 The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

- 3.2.2 In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. Specifically, the Council has a statutory responsibility for conducting a review of the effectiveness of the system of internal control on at least an annual basis.

3.3 The Purpose of the System of Internal Control

- 3.3.1 The Council's system of internal control is designed to manage risk to a reasonable level rather than to completely eliminate the risk of failure to achieve policies, aims and objectives. Consequently, it can only provide a reasonable, and not absolute, assurance of effectiveness.
- 3.3.2 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's vision, strategic priorities, policies, aims and objectives. It also is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.4 Annual Opinion Statement on the Effectiveness of the System of Internal Control

- 3.4.1 The HIA opinion is based primarily on the work carried out by the Council's IA service during 2016/17, as well as a small number of other assurance providers. Where the work of the Corporate Fraud Investigations Team (CFIT) has identified weaknesses of a systematic nature that impact on the system of internal control, this has been considered in forming the HIA opinion.
- 3.4.2 The IA Plan for 2016/17 was developed primarily to provide CMT and the Audit Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, including an assessment of the Council's corporate governance arrangements and risk management framework.

3.5 Basis of Assurance

- 3.5.1 All of the IA reviews carried out in 2016/17 have been conducted in accordance with the UK PSIAS. An independent assurance review of the IA service finalised in July 2016 confirmed that Hillingdon's IA service has overall met the requirements of the UK PSIAS in 2016/17. An external quality assurance (EQA) review of the IA service is due to commence in July 2017.
- 3.5.2 In line with the UK PSIAS, the HIA is professionally qualified and suitably experienced. The skills mix within the rest of the in-house IA team has evolved during the year with **every single member of the IA team either fully qualified or actively studying for a relevant professional IA qualification**. This has been supported by our external IA partner provider Mazars. As a result, the 2016/17 IA resources fulfilled the UK PSIAS requirements in terms of the combination of professionally qualified and suitably experienced staff.

3.6 Qualifications to the Opinion

- 3.6.1 During 2016/17 the Council's IA service:
- had **unrestricted access to all areas and systems** across the authority;
 - received **appropriate co-operation from officers and members**; and
 - had **sufficient resources to enable it to provide adequate coverage** of the authority's control environment to provide the overall opinion (refer to para 3.12.3).

As a consequence, **there are no qualifications to the HIA opinion statement for 2016/17.**

3.7 Other Assurance Providers

3.7.1 In formulating the HIA overall opinion on the Council's system of internal control, the HBA has taken into account the work undertaken by other sources of assurance, and their resulting findings and conclusions which included:

- Coverage of the Corporate Fraud Investigations Team;
- The work of the Corporate Risk Management Group (refer to para 3.10);
- The work of the Corporate Governance Working Group (refer to para 3.11);
- The work of the Business Continuity Management Group;
- The work of the Hillingdon Information Assurance Group (HIAG);
- The Audit Committee - an IA assurance review of the effectiveness of the Audit Committee was reported in November 2016.
- External inspections i.e. Ofsted; and
- Coverage by External Audit (EY) including grant claim certification i.e. HB Subsidy.

3.8 Significant Internal Control Weaknesses

3.8.1 IA is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise during the year.

3.8.2 **There were several significant control weaknesses identified by IA during 2016/17.** Work is ongoing to strengthen the Council's control environment in relation to the significant control weaknesses identified. These included (but are not limited to):

1. The 2016/17 IA review identified a wide range of **physical access control** gaps which cumulatively created significant opportunity for an unauthorised person to gain access to restricted Council areas. The likelihood of potential security breaches within the Civic Centre is increased due to the nature, usage, foot-fall and design features of the building, as well as involvement of high profile political figures. However, following this IA assurance review, Management have taken prompt positive action to reduce the likelihood of security breaches within the Civic Centre.
2. Our assurance and consultancy work continues to identify **contract management shortcomings** across the Council (as previously reported in the IA Annual Reports for both 2014/15 and 2015/16). Generally, weaknesses identified stem from a lack of clarity over strategic and operational contract management/monitoring responsibilities. This has in some areas of the organisation impacted oversight and monitoring of contractor delivery. Specifically IA coverage has highlighted varying degrees of contract management by service managers and their interaction with the Corporate Procurement team. We are aware that during 2016/17 the Corporate Procurement team has undergone significant transformation and Management are confident that the control gaps will be resolved moving forward. This will be achieved through clarity of responsibility between management and the Corporate Procurement team, as well as the ongoing implementation, maintenance and automation within the Capital E-Sourcing solution.
3. There are significant gaps in records management and document retention across the Council. This has been highlighted in IA reviews during the year in relation to the retention of key contractual documentation i.e. signed agreements, terms and conditions of contract, service specifications, pricing schedules, SLAs and the agreed contractor performance metrics/KPIs. Weaknesses were also noted in the documentation and processes for evidencing agreed variations to contract. This can in part be attributed to the significant restructure within Corporate Procurement. However, greater clarity over the corporate records management and document retention processes and defining roles and responsibilities is still required.

4. A key theme identified throughout a number of IA reviews within 2016/17 was the noticeable control weaknesses and/or gap in the 'second line of defence'. This included service risk management (refer to para. 3.10) and in particular quality control and inspection. In line with this theme, several audits within 2016/17 have identified gaps in, or the absence of, data quality and quality assurance controls, impacting and potentially compromising the accuracy, reliability and integrity of data. Whilst the reduction in focus on the 'second line of defence' may be attributed to reducing resource as a result of austerity, its absence could significantly impact service delivery, including management information, decision making and statutory compliance.
5. Following the decision taken by Schools Forum in October 2015, IA no longer carries out thematic audits or cyclical reviews in local authority (LA) maintained schools. IA coverage in this area is now reduced to the statutory minimum and as a result Hillingdon maintained schools are only subject to IA reviews where there is a known significant risk. Known risks in schools will be considered and identified with LA partners including Members, Schools Finance and the Schools Improvement Team. There of course remains an obligation for all maintained schools to appropriately manage their risks and to comply with their policies and financial regulations. Given that accountability for the internal control environment rests with School Management and their Governing Body, risk management, internal control and policy compliance should continue to be monitored appropriately within the existing school's governance and committee structures. However, where there are sufficient concerns raised regarding practice or risk management at a Hillingdon maintained school, the Council (via IA) retains the authority to carry out an independent assurance audit of that school at any reasonable time.

3.9 Internal Control Improvements

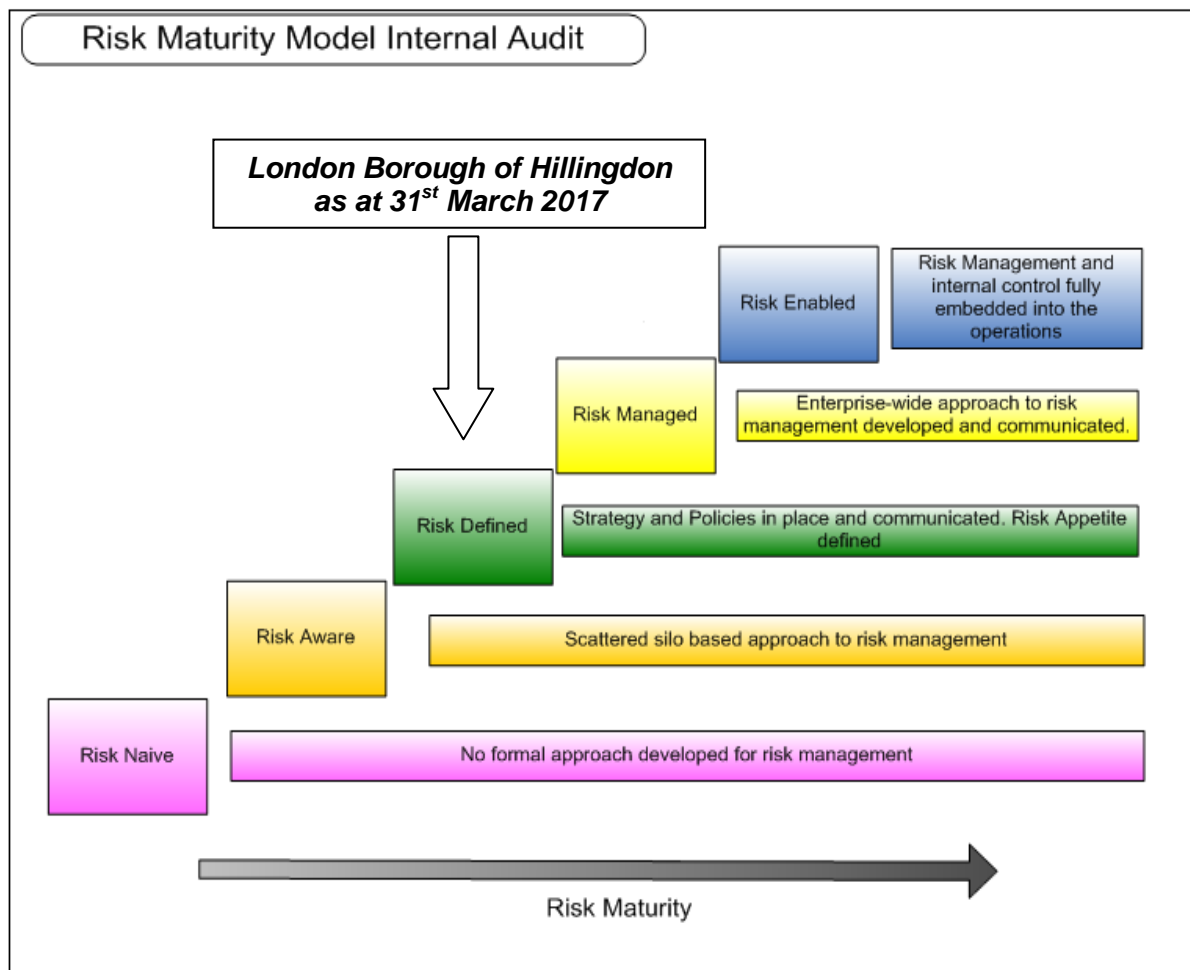
- 3.9.1 In addition to the action taken by senior management to address the significant control weaknesses, IA has identified during the year a number of areas where other improvements have strengthened the control environment. These include:
- The **controls surrounding the Council's core financial systems are strong**. There was a significant change in 2015/16 relating to the upgrade of the Oracle Financials system. Substantial work in this area was undertaken to safeguard the integrity of data through the transition, with assurance over the upgrade and associated changes in controls of the core financial systems was built into the 2016/17 plan.
 - The Council has been successful at continuing to **achieve transformational savings and improve its financial resilience**. This has been done whilst at the same time continuing to deliver a range of innovative projects to help drive forward major change across the Council. The Hillingdon Improvement Programme (HIP) has been a fundamental part of this success and helped **improve the services delivered to residents** in line with the Council's vision of '*Putting Our Residents First*'.

3.10 Risk Management

- 3.10.1 Risk Management (RM) is the process by which risks are identified and evaluated so that appropriate risk treatment measures can be applied to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Council to achieve its objectives and fulfil its strategic priorities.
- 3.10.2 The IA opinion on the effectiveness of the Council's RM arrangements is based on **the Chartered Institute of Internal Auditors' Risk Maturity Model**. IA has identified that there is good RM practice in an increasing number of areas of the Council's operations, but there remains some services where the understanding of RM could be improved. Further, IA's review of the Council's RM arrangements concluded that whilst the approach to RM at a strategic level was good, risk identification and management at a more operational level is a somewhat scattered, silo based approach.

- 3.10.3 The RM policy and guidance was updated and approved in January 2017 with comprehensive detail as well as the clarity of roles, responsibilities and accountabilities of Members and Officers in relation to RM. The Council has a well established Corporate Risk Management Group (CRMG) in place which meets quarterly and discusses strategic (corporate) risk issues in a sufficient manner. Strategic risks are monitored and reviewed by Group SMTs, CMT as well as the Audit Committee on a quarterly basis. In addition, whilst it is the responsibility of all employees to identify and manage risks effectively, there are designated risk champions representative for each Group (Directorate) with accountability assigned for each identified strategic risk to own and manage, in liaison with the lead Cabinet Member.
- 3.10.4 However, the Council needs to further improve the process for identifying and recording risks at an operational level. In particular, IA's judgement in this area is that risks below Group level are not being consistently identified and treated across the organisation. Further, service risk registers, whilst encouraged, are not in place for a number of areas across the Council. We have therefore concluded that the approach to managing operational risks still requires significant work if the Council is to achieve a **Risk Managed** enterprise-wide approach to risk management.
- 3.10.5 Nevertheless, a number of enhancements to risk management arrangements have been noted throughout the year. This includes the establishment of risk appetite statements for each risk within the corporate risk register and the communication of the updated RM policy and guidance. As a result, the IA assessment of **the Council's Risk Management maturity is** that the Council was **Risk Defined** as at 31st March 2017 (previously **Risk Aware** as at 31st March 2016). In our opinion, the Council demonstrates all the main characteristics of a **Risk Defined** maturity level and the key requirements that apply to this maturity level are now in place.

CHARTERED INSTITUTE OF INTERNAL AUDITORS' RISK MATURITY MODEL



3.11 Corporate Governance

3.11.1 The 2016/17 IA opinion on the effectiveness of the Council's corporate governance arrangements is based on the **Langland's Report on 'Good Governance Standard for Public Services'**. The Langland's report contains best practice governance in the public sector and IA's assessment is highlighted in the table overleaf:

Langland's Governance Principles	IA Assessment of Hillingdon
1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users.	SUBSTANTIAL Assurance - The Council's vision and strategic priorities are clearly communicated and understood by officers. The Council's vision ' <i>putting our residents first</i> ' provides the clear direction that is required to fulfil the Council's purpose and achieve positive outcomes for residents. Even without a formal corporate business plan, the overarching strategies of the Hillingdon Improvement Programme /Business Improvement Delivery programme and Medium Term Financial Forecast provides the steer and focus to achieve the Council's vision and strategic priorities.
2. Good governance means performing effectively in clearly defined functions and roles.	REASONABLE Assurance - The Council's Constitution comprehensively sets out how the Council is governed with the function/role of the Cabinet clearly defined and documented. Further, the roles and responsibilities for the HIP Steering Group and CMT have strengthened during the year. As a result, it is IA's opinion, that the organisational structure is fit for purpose to deliver the Council's vision and priorities. Nevertheless, there is scope to further improve understanding of governance across the Council and to provide additional clarity relating to roles and responsibilities.
3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour.	REASONABLE Assurance - The Council has a Code of Conduct in place for both officers and Members to ensure values and behaviours are upheld consistently across the Council. Member and officer relations were found to be good with no significant concerns. An Anti-Fraud and Anti-Corruption Strategy has recently been subject to significant update and will be underpinned by a full range of supporting policies and procedures including the Council's Whistleblowing Policy. The Council does not maintain a Local Code of (Corporate) Governance, this would assist the Council to demonstrate that the Council adheres to the desired CG culture. It would also help improve accountability to stakeholders and allow staff to better understand the benefits of good governance.
4. Good governance means taking informed, transparent decisions and managing risk.	REASONABLE Assurance - The Cabinet operates as an effective Member decision making body which is known by officers for usually making swift decisions. IA confirmed that a Cabinet Scheme of Delegations (SD) was in place and Group SDs are in place and have been updated within the year. (cont'd/)

Langland's Governance Principles	IA Assessment of Hillingdon
	<p>(/cont'd)</p> <p>RM arrangements were found to be in place and have been reviewed separately by IA. The Council's AGS process was overall found to be adequate, although there remains scope for further improving understanding across the Council of what governance is and what it means.</p>
<p>5. Good governance means developing the capacity and capability of the governing body to be effective.</p>	<p>REASONABLE Assurance - The Council's Cabinet brings direction and stability to the organisation. It has demonstrated that it provides continuity of knowledge and relationships, with minimal change to the Cabinet Members/ roles this year. There are induction, training and development arrangements in place to help ensure Members have the rights skills and knowledge to perform their Cabinet duties effectively. Member performance is evaluated by their respective political groups. Officers were positive about the role and clear direction that the Cabinet provides.</p>
<p>6. Good governance means engaging stakeholders and making accountability real.</p>	<p>REASONABLE Assurance - The Council engages with stakeholders using an array of engagement and consultation activities to make accountability real. There is clear accountability between the Cabinet and its Executive Committees. Policy Overview (PO) and Scrutiny arrangements are in place and appropriately reported. The recommendations proposed by PO Committees are generally endorsed by the Cabinet. Various mechanisms are in place to obtain feedback and engage with officers, residents and service users. Petition and consultation arrangements were also found to be in place. IA identified there is further scope for improvement with regards to reporting of key information in relation to the Council's Vision, Strategic Priorities, Strategies, financial position, performance, achievements, outcomes and satisfaction of service users. This, including alignment to Service Planning, will improve accountability and enhance stakeholder confidence, trust and interest.</p>

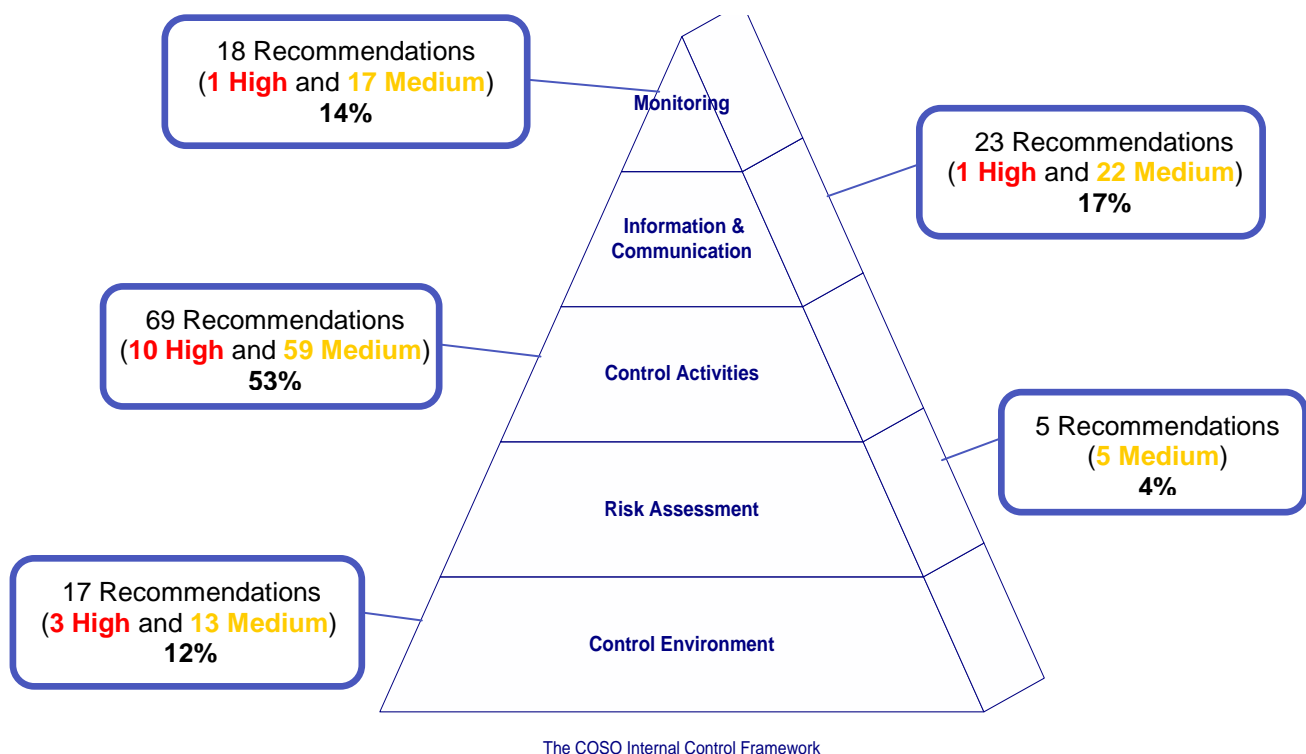
3.11.2 As a result, **Hillingdon's overall Governance arrangements were assessed by IA as REASONABLE**. The Council's vision and strategic priorities provides both officers and Members with a very clear direction. This is complimented by a strong and stable political leadership that controls and leads the organisation to achieve positive outcomes for residents. The Council's governance arrangements are underpinned by its Constitution which explains how the Council is governed and how it operates.

3.11.3 IA also noted the Cabinet is collectively viewed as effective and renowned for generally quick decision making. In IA's opinion, although the Council's CG arrangements are not fully in line with more traditional CG models, **the outcomes the Council has achieved within a period of austerity measures and constant change are exceptionally good**. This demonstrates that the overall direction and control is a good fit for the organisation at this time. It is clear that the Council put their residents at the forefront of all activity that it engages in, maintaining a high resident satisfaction rating.

- 3.11.4 The Council exemplifies strong financial management and control that is illustrated by the relatively healthy reserves balances. The Council continues to uphold a 0% council tax increase for all Hillingdon residents for the 9th consecutive year, and up to and including 2018/19 (12 years in total for those aged over 65).
- 3.11.5 During the last financial year, the council also invested in its road resurfacing programme and this will continue and will include pavements. Safety was also prioritised in 2016 with investment of over £2m in CCTV cameras to enforce “Keep Clear” parking restrictions outside schools across the borough. The environment and safety were also a consideration in investing £5.2m in a new street lighting programme to replace all street lights in Hillingdon with LED lighting.
- 3.11.6 Education continues to be a Council priority and LBH continues to ensure that every child in the borough has a school place near to where they live. The focus of the Council's school building and expansion programme, one of the largest in London, has turned to secondary schools, with the £35m rebuilt Northwood School opening last year.

3.12 Internal Control

- 3.12.1 The IA opinion on the Council's internal control system is **based on the best practice on Internal Control from the Committee of Sponsoring Organisations of the Treadway Committee (COSO)**.
- 3.12.2 The diagram below details the elements of the COSO internal control framework and analyses all **131 HIGH** and **MEDIUM** risk IA recommendations (per para. 5.8) raised during the 2016/17 year:



- 3.12.3 As expected the majority of IA recommendations related to improvements over control activities. These include recommendations relating to written procedures, authorisations, reconciliations and segregation of duties. The other components of the framework have a relative proportionate share of recommendations. As noted at para 3.10, there are some weaknesses within the operational risk management processes. As a result, although there were only a few IA recommendations raised in 2016/17 that related to the risk assessment component of the COSO framework, it should not be inferred that risk assessment is completely robust.

3.12.4 The individual IA assurance ratings help determine the overall audit opinion at the end of the financial year, although other factors such as implementation of IA recommendations have a bearing too. From the IA work undertaken in 2016/17, and the other sources of assurance referred to in para 3.7, **it is the HIA's opinion that overall IA can provide REASONABLE assurance that the system of internal control that has been in place at the Council for the year ending 31st March 2017 accords with proper practice**, except for the significant internal control issues referred to in para 3.8.

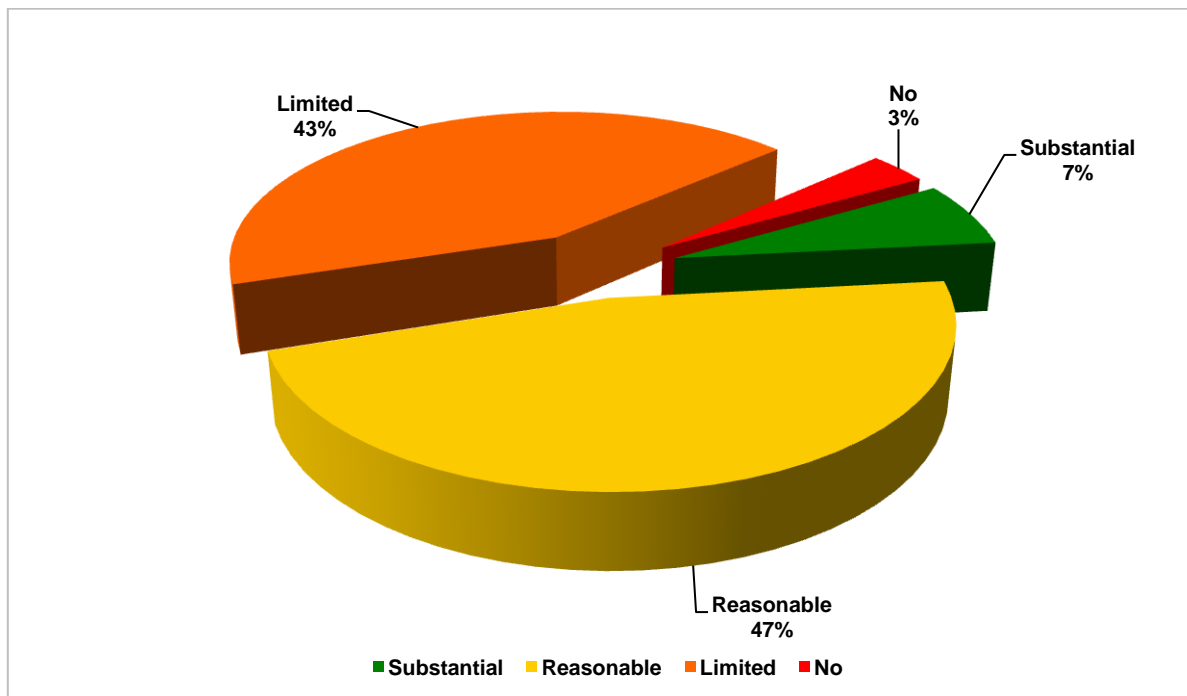
4. Analysis of Internal Audit Activity 2016/17

4.1 Internal Audit Assurance Work 2016/17

4.1.1 The 2016/17 IA assurance work is summarised by the assurance level achieved (definitions of the IA assurance levels are included at **Appendix B**) as per the table below:

Assurance Level	Number of 2016/17 IA Assurance Reports	Percentage Split 2016/17	Comparison	
			2015/16	2014/15
SUBSTANTIAL	2	7%	0% (0)	18% (6)
REASONABLE	14	47%	52% (17)	59% (20)
LIMITED	13	43%	45% (15)	12% (4)
NO	1	3%	3% (1)	12% (4)
TOTAL	30	100%	100% (33)	100% (34)

4.1.2 The pie chart below depicts the levels of assurances achieved based on a percentage of the total 2016/17 assurance audits completed by IA:



4.1.3 The Chart above highlights the positive news for the Council that 47% of the areas audited in 2016/17 were assessed by IA as providing **REASONABLE** levels of assurance. Further, results from 2016/17 IA Assurance work represent a 2% percent increase in total assurance reports obtaining either a substantial and reasonable opinion when compared to the prior year. This is positive given the risk based focus of IA coverage and the increased alignment of IA work to the key risks facing the Council, and demonstrates an overall improvement in the control environment across the Council in 2016/17.

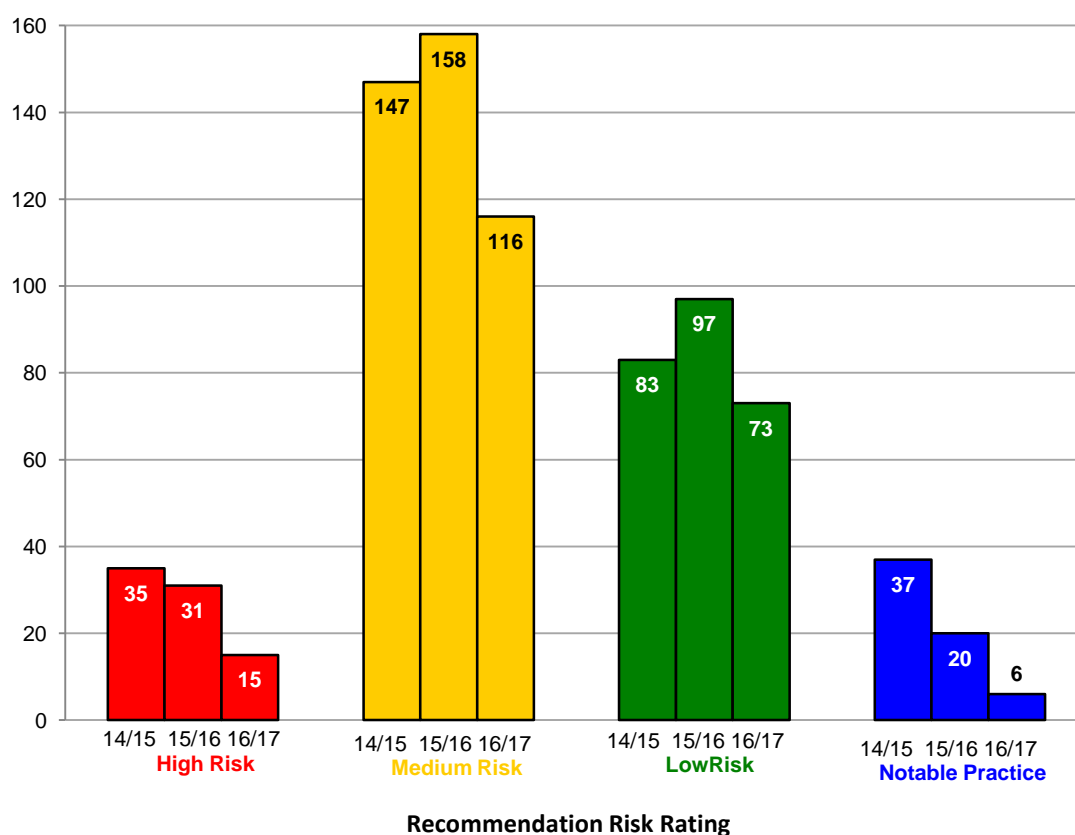
4.1.4 The individual assurance reviews carried out during 2016/17 are fully listed at **Appendix A** which highlights the assurance levels achieved (as outlined at **Appendix B**) and provides an analysis of the IA recommendations made (in accordance with the risk ratings as outlined at **Appendix C**).

4.1.5 For the **30** IA assurance reviews and **10** follow-up reviews conducted, there were **204** IA assurance recommendations raised in total in 2016/17:

Risk Rating	Number of 2016/17 IA Recommendations	Percentage Split 2016/17	Comparison	
			2015/16	2014/15
HIGH	15	7%	11% (31)	13% (35)
MEDIUM	116	57%	55% (158)	56% (147)
LOW	73	36%	34% (97)	31% (83)
TOTALS	204	100%	100% (286)	100% (265)
NOTABLE PRACTICE	6	-	20	37

4.1.6 Given that an increasingly risk based IA approach has been applied in 2016/17, it is in line with IA's expectations that approximately **two thirds of the IA recommendations raised** are **HIGH** or **MEDIUM** risk.

4.1.7 The breakdown of all 2016/17 IA recommendations (plus notable practices) by risk rating (as outlined at **Appendix C**), is provided in the bar chart below, including a comparison with comparative prior year data:



4.1.8 The bar chart above highlights that there were **15 HIGH** risk recommendations raised by IA in 2016/17. We therefore believe that in light of the results, and given the risk based approach to IA work introduced during 2013/14, this demonstrates an overall improvement in the control environment across the Council in 2016/17.

4.2 Internal Audit Consultancy Work 2016/17

- 4.2.1 During 2016/17 there has been a continued volume of consultancy work, advice and guidance that IA has been asked to provide across the Council. This, in addition to the enhanced role that IA now has in helping Council services improve, is a sign of the achievement of the collaborative approach that IA strives to deliver to help services to succeed.
- 4.2.2 In addition to the traditional consultancy reviews, this type of work includes IA staff sitting on project/working groups, whilst ensuring IA staff are clear about whether they are there in an assurance or advisory capacity. This type of approach is helping increase IA's knowledge of corporate developments which feeds into the risk based deployment of IA resource on assurance work. Also, participation in project/ working groups as well as secondments within the business is helping individual IA staff develop, whilst at the same time increasing the value IA provides to the Council.
- 4.2.3 Further to this, in line with the UK PSIAS, IA coverage this year included a range of consultancy work. This included testing/ certification of several grant claims including **the Housing Benefits Subsidy grant claim** on behalf of External Audit (EY). In addition, the Head of IA was an active member or the chair of a number of corporate project groups including the Corporate Risk Management Group, Business Continuity Management Group, Corporate Governance Working Group, Corporate Health & Safety Forum, and the Hillingdon Information Assurance Group. As part of this participation, IA aims to provide insightful, independent and informed advice in order to reduce the risk of the Council failing to achieve its objectives.
- 4.2.4 As detailed at **Appendix A**, IA also conducted **15** consultancy pieces of work in 2016/17, including reviews. This included support and data analytical work in relation to Council Stores, Public Health - Provider Payments and Children and Young Peoples Service (CYPS) Financial Controls.

4.3 Quality Assurance and Improvement Programme 2016/17

- 4.3.1 In accordance with the UK PSIAS Attribute Standard 1300 and the IA Charter, a Quality Assurance and Improvement Programme (QAIP) has been developed by IA. This covers all aspects of IA Activity (IAA) and is designed to enable an evaluation of the IAA's conformance with the UK PSIAS and an evaluation of whether internal auditors apply the *Code of Ethics*. The QAIP also helps enable the ongoing performance monitoring of IAA and sets out how IA is maintaining the required quality standards and achieving continuous improvement.
- 4.3.2 A significant amount of time has been spent refining the IA QAIP during 2015/16 and early 2016/17 enabling the QAIP to be refocused and reflective of the challenges incurred within 2015/16, providing an opportunity to help generate ideas on how IA can further improve to help services continue to succeed. Progress and results of QAIP reviews have subsequently been reported within quarterly updates to CMT and the Audit Committee.
- 4.3.3 Further, the 2016/17 review of the effectiveness of IA provided additional assurance over the quality of IA processes within the year. The External Quality Assurance (EQA) review, planned for 2017/18, should provide further assurance over the quality of IA practices, with findings incorporated into the QAIP for ongoing monitoring and reporting.

5. Internal Audit Follow Up 2016/17

- 5.1 IA monitors all **HIGH** and **MEDIUM** risk recommendations raised (excluding those at schools), through to the point where the recommendation has either been fully implemented, or a satisfactory alternative risk response has been proposed by management.

- 5.2 IA does not follow-up **LOW** risk IA recommendations as they are minor risks including compliance with best practice, or issues that have a minimal impact on a Service's reputation i.e. adherence to local procedures. It would also take a disproportionate amount of time for IA to robustly follow-up **LOW** risk recommendations. The full definitions of the IA recommendation risk ratings are included at **Appendix C**.
- 5.3 The implementation of recommendations raised by IA continues to be monitored through TeamCentral (a module of the IA software TeamMate) which has become more embedded across the Council within the year. Whilst TeamCentral automates the follow-up process, we facilitate this area of work allowing the rest of the IA team to focus on delivery of the IA plan, streamlining the process of following up IA recommendations. TeamCentral provides CMT and other senior managers with greater oversight and ownership of IA recommendations and the underlying risks.
- 5.4 IA will support and advise managers in formulating a response to the risks identified. As an organisational improvement function, IA will also offer assistance to management to help devise pragmatic and robust action plans arising from IA recommendations. Good practice in IA and risk management encourages management to respond to risks in any combination of the following four ways; Treat, Terminate, Tolerate, Transfer - **the 4 T's**. The full definitions of the response to risk are included at **Appendix C**.
- 5.5 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 a set time period after their issue and management confirmation that recommended action has been implemented. 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.
- 5.6 Within 2016/17 we have undertaken 10 dedicated follow-up reviews which found that **34 (45%)** of the **76** recommendations followed-up were deemed **Implemented**. Of the remaining recommendations we confirmed that **39%** (30) were deemed **Partly Implemented** and **16%** (12) were deemed **Not Implemented** at the time of follow-up and were therefore provided with revised implementation dates. The detailed results from our follow-up work are summarised within **Appendix A**.
- 5.7 The **30** IA assurance reviews have resulted in **204** IA recommendations being raised in **2016/17** as well as **6 NOTABLE PRACTICES** (refer to **Appendix A** for further details). Given that we apply a risk based IA approach to our coverage, it is a positive outcome that there were approximately **eight times as many MEDIUM risk recommendations than HIGH risk recommendations raised** in 2016/17.
- 5.8 The table below summarises the **status of IA 2016/17 recommendations** raised as at 19th June 2017:

2016/17 IA Recommendation Status as at 19 th June 2017	HIGH	MEDIUM	LOW	Total	NOTABLE PRACTICE
Total No. of Recommendations Raised (per Appendix A)	15	116	73	204	6
Total No. of Recommendations Risks Tolerated by Management	-	-	-	0	-
No. Not Yet Due for Implementation	9	71	-	80	-
No. Implemented	6	35	-	41	-
No. of Recommendations Outstanding	0	10	-	10	-

- 5.9 Positive management action was proposed to address all **131** of the 2016/17 **HIGH** and **MEDIUM** risk recommendations raised, 80 of which have not yet reached their target date for implementation. IA is pleased to report that **80%** (41) **HIGH** and **MEDIUM** risk recommendations which were due for implementation have been confirmed by management as being implemented (as at 19th June 2017). **This is an excellent outcome for the Council and IA, which comes directly as a result of the strong collaborative approach between IA and senior management across the organisation.**
- 5.10 IA is currently undertaking verification testing on all **HIGH** and **MEDIUM** risk recommendations to confirm and support management's assertion that recommended action has been successfully implemented and is now embedded within the control environment. Further, in 2017/18 we will continue to undertake dedicated follow-up reviews of limited and no assurance reports issued within prior years, to provide greater assurance to senior management and the Audit Committee over the improvements within the control environment.

6. Review of Internal Audit Performance 2016/17

6.1 Key Performance Indicators

- 6.1.1 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.
- 6.1.2 Actual cumulative IA performance for 2016/17 against its KPIs is highlighted in the table below:

IA KPI	Description	Target Performance	Actual Performance	RAG Status
KPI 1	HIGH risk IA recommendations where positive management action is proposed.	98%	100%	GREEN
KPI 2	MEDIUM risk IA recommendations where positive management action is proposed.	95%	100%	GREEN
KPI 3	HIGH risk IA recommendations where management action is taken within agreed timescale.	90%	100%*	GREEN
KPI 4	MEDIUM risk IA recommendations where management action is taken within agreed timescale.	75%	78%*	GREEN
KPI 5	Percentage of IA Plan delivered to draft report stage by 31 March.	90%	92.7%	GREEN
KPI 6	Percentage of IA Plan delivered to final report stage by 31 March.	80%	83.8%	GREEN
KPI 7	Percentage of draft reports issued as a final report within 15 working days.	75%	53%	RED
KPI 8	Client Satisfaction Rating.	85%	89%	GREEN
KPI 9	IA work fully compliant with the PSIAS and IIA Code of Ethics .	100%		

- 6.1.3 **KPI 3** and **KPI 4** refer to whether action has been taken on **HIGH** and **MEDIUM** risk IA recommendations within agreed timescales. As highlighted in the table above* and detailed at para. 5.8, **41** of the **HIGH** and **MEDIUM** risk IA recommendations raised in 2016/17 have been stated as implemented by management within the TeamCentral tracking system.
- 6.1.4 Also highlighted above, performance against **KPI 7** is reported as **RED** with **53%** for 2016/17 (55% in 2015/16 and 56% in 2014/15). This is due to 14 instances (out of 30 assurance reviews) where **management responses to the draft reports were not received within the target timescales** of 15 working days. Whilst IA facilitates this process, we are reliant on timely management responses to achieve this indicator.
- 6.1.5 It is noted that 7 of the 14 instances relate to limited or no assurance reports which have required multiple discussions of issued raised in order to move forward with the completion of the associated Management Action Plans. However, in the other cases there were significant delays (over 28 weeks in one case) before management responses were provided. We are happy to report that the time taken to finalise reports from draft stage in other reports is **on average 22 working days**. Nevertheless, these delays result in CMT and the Audit Committee not always receiving assurance from IA in a timely manner.
- 6.1.6 Management feedback continues to be positive on our assurance coverage and particularly on our consultancy work. This year's actual performance against **KPI 8** of 89% has shown a considerable increase when compared to prior years. Further analysis on achievement of this KPI is detailed below under section 6.2.

6.2 Client Feedback Questionnaires

- 6.2.1 As part of continuous improvement, IA introduced a new Client Feedback Questionnaire (CFQ) in 2013 which is sent out at the completion of all audit reviews to obtain formal management feedback. The **IA CFQ target** previously agreed with CMT and the Audit Committee was for IA to achieve **an overall average score of 3.4 (85%) or above** across the eight CFQ areas. As a recap on the CFQ scores, **4** means the client strongly agrees; **3** is agree; **2** is disagree; and **1** is strongly disagree.
- 6.2.2 There is not an option on the CFQ for the client to indicate that they 'neither agree or disagree'. This is a deliberate decision by the HBA to enable management to form an overall opinion on the work that IA does i.e. did the audit review add value or not? Inherently with any feedback mechanism such as this, there is a risk that the CFQ results can become skewed where a client is dissatisfied i.e. if there are large number of recommendations or a poorer assurance level than expected/ anticipated, the client may be inclined to dismiss the value of the IA work with a low CFQ score.
- 6.2.3 The table below shows the average score from the **41** CFQs completed in relation to the 2016/17 IA Plan (as per **Appendix A**):

IA CFQ Areas	Average Score 2013/14	Average Score 2014/15	Average Score 2015/16	Average Score 2016/17	% Change (15/16-16/17)
Q1. Planning: The planning arrangements for the IA review were good	3.20	3.52	3.41	3.49	+2.4%
Q2. Scope: The scope of the IA review was relevant	3.20	3.48	3.50	3.44	-2.1%
Q3. Conduct: The IA review was conducted in a highly professional manner	3.20	3.73	3.65	3.76	+3.7%

IA CFQ Areas	Average Score 2013/14	Average Score 2014/15	Average Score 2015/16	Average Score 2016/17	% Change (15/16-16/17)
Q4. Timing: The IA review was carried out in a timely manner	3.10	3.59	3.35	3.61	+6.8%
Q5. Report: The IA report was presented in a clear, logical and organised way	3.20	3.50	3.47	3.61	+3.5%
Q6. Recommendations: The IA recommendations were constructive and practical	3.10	3.50	3.18	3.51	+9.2%
Q7. Value: The IA review added value to your service area	3.10	3.28	3.18	3.44	+7.5%
Q8. Overall: I look forward to working with IA in future	3.40	3.40	3.47	3.66	+4.9%
Average Total Score	3.19 (79.7%)	3.5 (87.5%)	3.43 (85.3%)	3.56 (89.1%)	

6.2.4 Analysis of the above results provides a positive picture. Further, when compared to prior years this shows a significant and continual improvement, particularly when taking into account the continuing complexity and higher risk areas reviewed and number of limited assurance opinions issued. In particular the significant increases noted scores received for timing, recommendations and value represent the positive recognition of IA work across the Council, the quarterly planning process undertaken and collaborative approach undertaken with Management.

6.2.5 From the **41** CFQs returned in 2016/17, IA has received a range of formal client comments on IA performance highlighted below:

Anti-Social Behaviour Team (ASBIT)

- *"Despite initial worries, the Auditor and her colleague made the process very clear to managers and took time to speak to officers in the team. We can now understand the importance and assistance that Internal Audit can provide."*

Better Care Fund

- *"Part of the difficulty with this review was that a long period of time elapsed between it starting and concluding and the fact that the plan was only for a year the landscape had largely changed by the time of the review's conclusion"*

Council Stores

- *"All staff felt included and that they were working with audit and not against them which was why it went so well."*

Contract Management - Parking Services

- *"A good, focused, review. The auditor was helpful and constructive in her approach to reviewing this area of work"*

ICS Data Quality

- *"Practical solutions/recommendations suggested which will add value to our service delivery and contribute to improvements to data accuracy."*

Semi-Independent Living

- *"Really impressed with the Auditor's work. Excellent attitude, approach and 'sweet and sour' challenge. Findings and recommendations will help strengthen our service delivery and quality assurance."*

- 6.2.6 Whilst the HBA proactively seeks informal feedback from management on IA, we are extremely grateful to management for formal feedback received in CFQs. A high completion rate of CFQs helps IA identify areas where we are able to continue to improve as a service.

7. Forward Look to 2017/18

- 7.1 Looking ahead to 2017/18, we plan to commence a project to undertake an '**Assurance Mapping**' exercise across the Council. Assurance mapping is a technique that uses a visual representation of assurance activities to demonstrate how they apply to a specific risk or set of compliance requirements. The assurance activities documented typically involve functions including compliance, IA and external audit. Assurance in organisations is provided through the 'three lines of defence' model:
1. assurances from management that designed controls are being implemented on a day-to-day basis;
 2. assurances from the risk management and compliance functions; and
 3. assurance from the IA function (as well as from third parties such as external auditors and other specialists which can also be taken into account).
- 7.2 While good risk management practices will help the Council to identify and focus well on its major risks, good governance also requires effective management and mitigation of those risks. An effective and efficient framework is needed to provide sufficient, continuous and reliable evidence of assurance on organisational stewardship and the management of the major risks. An '**Assurance Map**' is the tool that enables this evidence to be assembled. This will be a significant undertaking and relatively resource intensive exercise for IA, but it will provide a structured means of identifying and mapping the main sources and types of assurance at LBH and coordinating them to the best effect.
- 7.3 During 2017/18 the IA service will be subject to an **External Quality Assessment (EQA)** undertaken by a peer authority within the London Audit Group (Lambeth). This, initially planned for 2016/17, will consist of an independent review of our conformance with the PSIAS and areas to be reviewed include IA's purpose and positioning, structure and resources, audit execution and the impact on the organisation. The EQA will satisfy PSIAS 1312 requiring 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. The results may provide areas of further improvement which we will then incorporate into our QAIP.
- 7.4 The **skill set within IA is set to develop further** following the recent IA Trainee recruitment exercise. This approach, in line with the IA Strategy of 'growing our own', provides other members of the IA team with an opportunity to take on more responsibility, facilitating their ongoing professional and personal development. Further, recent exam success of two staff completing their Chartered Member of the Institute of IA (CMIIA) studies provides enhanced robustness to the IA team and enables renewed focus to further develop the skill set of individuals to add value to the service and the Council.
- 7.5 IA would like to take this opportunity to formally thank all staff throughout the Council with whom it had contact during the year. There has been an increased collaborative approach in IA's working relationship with staff and management who have generally responded very positively to IA findings. There are no other matters that we need to bring to the attention of the Council's CMT or Audit Committee at this time.

Muir Laurie FCCA, CMIIA

Head of Business Assurance (& Head of Internal Audit)

19th June 2017

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

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

2016/17 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 19 th June 2017	Assurance Level	Risk Rating				CFQ Received
				H	M	L	NP	
16-A4	Physical Access Controls (including Security Arrangements)	Final report issued on 7 th Nov 2016	No	3	5	0	0	✓
16-A9	Health Visiting	Final report issued on 20 th Jul 2016	Limited	1	1	0	0	✓
16-A1	Lease Agreements	Final report issued on 4 th Nov 2016	Limited	1	1	0	0	✓
16-A16	Sheltered Housing	Final report issued on 17 th Nov 2016	Limited	3	6	1	0	✓
16-A24	Anti Social Behaviour Investigations Team (ASBIT)	Final report issued on 1 st Dec 2016	Limited	1	4	4	0	✓
16-A6a	Contract Management - Parking Services	Final report issued on 16 th Mar 2017	Limited	0	9	2	0	✓
16-A32	Building Control	Final report issued on 19 th Mar 2017	Limited	1	3	3	0	✓
16-A27	Semi-Independent Living (including Contract Management)	Final report issued on 26 th Apr 2017	Limited	0	8	3	0	✓
16-A6b	Contract Management (Social Care)	Final report issued on 3 rd May 2017	Limited	1	6	0	0	✓
16-A47	Estates Management - Leases	Final report issued on 4 th May 2017	Limited	0	3	3	0	✓
16-A49	Data Quality within Trading Standards and Regulatory Services	Final report issued on 26 th May 2017	Limited	2	6	3	0	Not yet due
16-A28	Insurance Service	Final report issued on 1 st June 2017	Limited	0	7	4	0	Not yet due
16-A41	Service Planning	Final report issued on 19 th June 2017	Limited	1	0	2	1	Not yet due
16-A11	Risk Management	Final report issued on 7 th Jul 2016	Reasonable	0	5	3	0	N/A

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

IA Ref.	IA Review Area	Status as at 19 th June 2017	Assurance Level	Risk Rating				CFQ Received
				H	M	L	NP	
16-A12	Review of the Effectiveness of IA	Final report issued on 7 th Jul 2016	Reasonable	0	2	3	2	N/A
16-A5	New Years Green Lane (NYGL)	Final report issued on 20 th Jul 2016	Reasonable	0	6	2	0	✓
16-A3	Housing Benefits	Final report issued on 26 th Jul 2016	Reasonable	0	3	5	1	✓
16-A10	Fees and Charges	Final report issued on 30 th Sep 2016	Reasonable	0	4	1	0	✓
16-A7	Corporate Debtors	Final report issued on 4 th Oct 2016	Reasonable	0	9	5	0	✓
16-A13	Review of the Effectiveness of the Audit Committee	Final report issued on 18 th Nov 2016	Reasonable	0	4	3	0	✓
16-A17	Council Stores	Final report issued on 1 st Dec 2016	Reasonable	0	3	3	0	✓
16-A38	Tenancy Management	Final report issued on 4 th Jan 2017	Reasonable	0	1	1	0	✓
16-A15	ICS Data Quality- Financial Controls	Final report issued on 6 th Mar 2017	Reasonable	0	3	3	0	✓
16-A35	Fostering Pathway	Final report issued on 23 rd Mar 2017	Reasonable	0	5	0	0	✓
16-A31	Local Land Charges	Final report issued on 24 th Mar 2017	Reasonable	1	0	5	0	✓
16-A25	Better Care Fund	Final report issued on 29 th Mar 2017	Reasonable	0	2	1	0	✓
16-A33	Corporate Fraud Investigations Team	Final report issued on 3 rd May 2017	Reasonable	0	7	4	0	✓
16-A30	Planning Application Processing Team - Quality Control	Final report issued on 16 th June 2017	Reasonable	0	2	2	0	Not yet due
16-A42	Tenancy Management - Enforcement and Risk Management	Final report issued on 6 th Mar 2017	Substantial	0	0	2	2	✓
16-A46	Payroll	Final report issued on 30 th Mar 2017	Substantial	0	1	5	0	✓
Total <u>number</u> of IA Assurance Recommendations raised in 2016/17			204	15	116	73	6	
Total <u>percentage</u> of IA Assurance Recommendations raised in 2016/17			100%	7%	57%	36%	-	

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

IA Ref.	IA Follow-Up Review Area	Status as at 19 th June 2017	Recommendations				CFQ Received
			Implemented	Partly Implemented	Not Implemented	Total	
16-A14	Home to School Transport - Safeguarding Arrangements	Final report issued on 6 th Jul 2016	3	6	-	9	✓
16-A23	Music Service	Final report issued on 8 th Aug 2016	4	3	1	8	✓
16-A21	Deprivation of Liberty Safeguards (DoLS)	Final report issued on 13 th Oct 2016	6	-	-	6	✓
16-A22	Library Imprest Accounts	Final report issued on 24 th Oct 2016	1	-	5	6	✓
16-A40	Disabled Facilities Grant	Final report issued on 12 th Jan 2017	6	1	-	7	✓
16-A43	Housing Needs - Allocations and Assessments	Final report issued on 7 th Mar 2017	6	4	-	10	✓
16-A44	Fleet Management	Final report issued on 7 th Mar 2017	1	5	3	9	✓
16-A45	New Years Green Lane	Final report issued on 7 th Mar 2017	3	2	1	6	✓
16-A34	IT General Controls (Oracle)	Final report issued on 30 th Mar 2017	2	2	-	4	✓
16-A36	Ofsted Improvement Action Plan	Final report issued on 19 th June 2017	2	7	2	11	Not yet due
Total Number			34 (45%)	30 (39%)	12 (16%)	76 (100.0%)	

2016/17 IA Consultancy Reviews:

IA Ref.	IA Review Area	Status as at 19 th June 2017	CFQ Received
16-C4	Stores - Year End Stock Take	Memo issued on 21 st April 2016	✓
16-C2a	Children and Young Peoples Service (CYPS) Financial Controls - Allowances	Memo issued on 19 th May 2016	✓
16-C2b	Children and Young Peoples Service (CYPS) Financial Controls - P'Cards & Imprest	Memo issued on 19 th May 2016	✓
16-C8	Stores - Stock Transfer	Memo issued on 20 th May 2016	✓

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

IA Ref.	IA Review Area	Status as at 19 th June 2017	CFQ Received
16-C6	Private Sector Landlord Scheme	Memo issued on 3 rd June 2016	N/A
16-C3	Benefits - BACs processing	Memo issued on 14 th July 2016	✓
16-C9	Data Analytics (Personal Protective Equipment)	Memo issued on 18 th July 2016	✓
16-C5	Digital broadcasting of Council meetings	Memo issued on 19 th July 2016	✓
16-C13	Data Analytics (consent to drive vs. mileage claimed)	Memo issued on 3 rd August 2016	✓
16-C7	Public Health - Provider Payments Process (Pharmacy)	Memo issued on 11 th August 2016	✓
16-C12	Public Health - Provider Payments Process (GPs) - Combined with 16-C7	Memo issued on 11 th August 2016	
16-C11	Information Governance - Data Protection Training	Memo issued on 5 th September 2016	✓
16-A26	Business Support / Technical Admin - Data Protection	Memo issued on 4 th November 2016	N/A
16-C14	SEND Ofsted Inspection Project Management Support	Consultancy support provided	N/A
16-C15	Mayor's Charity Accounts	Independent Examiners Report issued on 26 th Jan 2017	N/A

2016/17 IA Grant Claims certified:

IA Ref.	IA Review Area	Status as at 19 th June 2017
16-GC1	Troubled Families Grant - Quarter 1	Certified and memo issued on 3 rd May 2016
16-GC2	Social Care Capital Grant	Certified and memo issued on 30 th June 2016
16-GC5	Troubled Families Grant - Quarter 2	Certified and memo issued on 30 th June 2016
16-GC3	Bus Subsidy Grant	Certified and memo issued on 1 st September 2016
16-GC4	Housing Benefit Subsidy Grant	IA testing completed on 12 th September 2016
16-GC6	Disabled Facilities Grant	Certified and memo issued on 20 th September 2016

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2016/17 (cont'd)****2016/17 IA Grant Claims certified (cont'd):**





IA Ref.	IA Review Area	Status as at 19 th June 2017
16-GC8	Hillingdon Teaching Schools Alliance (HTSA)	Certified and memo issued on 13 th December 2016
16-GC7	Troubled Families Grant - Quarter 3 - Part 1	Certified and memo issued on 12 th December 2016
	Troubled Families Grant - Quarter 3 - Part 2	Certified and memo issued on 4 th January 2017
16-GC9	Troubled Families Grant - Quarter 4 - Part 1	Certified and memo issued on 25 th January 2017
	Troubled Families Grant - Quarter 4 - Part 2	Certified and memo issued on 22 nd February 2017
	Troubled Families Grant - Quarter 4 - Part 3	Certified and memo issued on 7 th March 2017

INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

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

1. **Control Environment:** The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
 - establishing and monitoring the achievement of the authority's objectives;
 - the facilitation of policy and decision-making;
 - ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
 - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
 - the financial management of the authority and the reporting of financial management; and
 - the performance management of the authority and the reporting of performance management.
2. **Risk Appetite:** The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.
3. **Residual Risk:** The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS

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

RISK RESPONSE DEFINITIONS

RISK RESPONSE	DEFINITION
TREAT	The probability and / or impact of the risk are reduced to an acceptable level through the proposal of positive management action.
TOLERATE	The risk is accepted by management and no further action is proposed.
TRANSFER	Moving the impact and responsibility (but not the accountability) of the risk to a third party.
TERMINATE	The activity / project from which the risk originates from are no longer undertaken.