BUSINESS ASSURANCE

Internal Audit Progress Report to Audit Committee: 2017/18 Quarter 1
(including the Quarter 2 Internal Audit Plan)

19th June 2017

HILLINGDON
LONDON

Contents

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

Muir Laurie
Head of Business Assurance
t: 01895 556132
e: mlaurie@hillingdon.gov.uk

Martyn White
Senior Internal Audit Manager
t: 01895 250354
e: mwhite@hillingdon.gov.uk

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 PSIAS define 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 IA assurance, consultancy and grant claim verification work covered during the period 8th March 2017 to 19th June 2017. In addition, it provides an opportunity for the Head of Business Assurance (HBA), as the Council's Head of Internal Audit (HIA), to highlight any significant issues which have arisen from IA work in Quarter 1. It also highlights to CMT, the Audit Committee and other IA stakeholders the revisions to the Quarter 1 IA plan since its approval in March 2017 (refer to **Appendix B**).

1.2.2 A key feature of the Quarter 1 IA progress report is the inclusion of the 2017/18 Quarter 2 IA plan (refer to **Appendix C**). This has been produced in consultation with senior managers over the last few weeks and sets out the planned programme of IA coverage due to commence in the 1st July to 30th September 2017 period.

2. Executive Summary

2.1 Since the last IA Progress Report to CMT and the Audit Committee dated 7th March 2017, **14 assurance reviews** have concluded, **2 follow-up reviews** and **2 consultancy reviews** have been finalised as well as **1 grant claim** certified. However, as highlighted at **Appendix A** the vast majority of the work finalised in Quarter 1 has been, as we would expect, in relation to the finalisation of the 2016/17 IA plan.

2.2 As a result of this, **93%** of the 2016/17 IA plan was delivered to draft report stage by 31st March 2017. This is 3% over the target set and represents a 2% increase when compared to the prior year. This is a significant achievement for the IA service, achieved against a backdrop of reduced IA staff resources during the year and the resulting challenges and impact that can have. We are pleased to report that **100%** of the 2016/17 IA plan was completed to final report by 19th June 2017 (84% by 31st March 2017). Further details of this included within the HIA Annual IA Report and Opinion Statement, presented alongside this report.

2.3 IA work on the 2017/18 Quarter 1 IA plan commenced on 3rd April 2017 and the planning stage has now been completed on all Quarter 1 pieces of IA work. Good progress has been made on the plan with **3** IA assurance reviews at an advanced stage of reporting and a further **4** assurance reviews at fieldwork stage. We have also continued to provide a range of advisory and consultancy work across the Council within the quarter, with positive feedback being received from clients that this work is highly valued. There have been **2** 2017/18 consultancy reviews completed this quarter which included work around Council's Stores at Harlington Road Depot and a review of the Council's compliance with the Payment Card Industry Data Security Standard (PCI DSS).

2.4   There have been **3** amendments to the Quarter 1 IA operational plan (refer to **Appendix B** page 10). Following IA undertaking its initial planning, **2** assurance reviews were both changed by management to that of a consultancy nature whilst it was agreed to defer the IA consultancy review of TeamDrive. During the Quarter there have also been **2 additional requests for consultancy work** (refer to **Appendix B)**. In addition, we have commenced follow-up verification work, aimed to provide enhanced assurance to CMT and the Audit Committee that IA recommendations have been fully embedded within the control environment to mitigate the risks highlighted.

2.5   Further details of IA work carried out in the Quarter 1 period are included below at section 3 of this report.

3. Analysis of Internal Audit Activity in 2017/18 Quarter 1

3.1   Assurance Work in Quarter 1

3.1.1   All IA assurance reviews carried out in Quarter 1 are individually listed at **Appendix A**. This list details the assurance levels achieved and provides an analysis of recommendations made (in accordance with the assurance levels and recommendation risk categories outlined at **Appendix D**).

3.1.2   On 3rd April 2017, IA formally commenced work on the 2017/18 Quarter 1 IA plan. However, during the early part of the quarter, IA resource was primarily focussed on finalising completion of the 2016/17 IA plan. The status update of 2016/17 IA work as presented to the Audit Committee at its meeting on 16th March 2017, highlighted 16 IA Assurance reviews were ongoing as at the 7th March 2017, 10 of which extended into Quarter 1 of 2017/18. Each of these 16 IA Assurance reviews have now progressed to final report stage following management responses to the recommendations raised.

3.1.3   A detailed summary of all 2016/17 IA work finalised within Quarter 1 of 2017/18 is available in **the 2016/17 Annual IA Report and Opinion Statement** presented to the Audit Committee on 29th June 2017, alongside this progress report.

3.1.4   As at 19th June 2017, **3** 2017/18 assurance reviews have progressed to draft report stage. Each of the remaining **5** Quarter 1 assurance audits have commenced planning, with **4** at an advanced stage of fieldwork and testing (refer to **Appendix A** for further details). The remaining planned audit of 'Volunteering' has been slightly delayed as we await the issue of the Corporate Policy. The summary results of these audits will be included in the Quarter 2 progress report due to be presented to Audit Committee on 27th September 2017.

3.2   Consultancy Work in Quarter 1

3.2.1   IA continues to undertake a variety of consultancy work across the Council. The consultancy coverage includes IA staff attending working and project groups, whilst ensuring they are clear about whether they are attending in an assurance or advisory capacity. This type of approach continues to help increase IA's knowledge of corporate developments that feed into the risk based deployment of IA resource on assurance work. Also, participation in working and project groups as well as secondments within the Council continues to help individual IA staff develop, whilst at the same time increasing the value IA provides to the Council.

3.2.2   Due to the nature of consultancy work, we do not provide an assurance opinion or formal recommendations for management action. However, as part of our advisory reports and memos we do provide specific observations and improvement suggestions for senior management to consider. Attached at **Appendix A** is a list of consultancy work carried out in Quarter 1 with **2** consultancy reviews completed within the period with a further **4** reviews currently at an advanced stage. Two further consultancy reviews were added following approval of the Quarter 1 IA plan with these detailed at **Appendix B**.

3.2.3   The planned IA consultancy review of **Payment Card Industry Data Security Standard (PCI DSS)** was concluded within the quarter. The PCI DSS is a proprietary information security standard for organisations that handle branded credit cards from the major card schemes. The PCI Standard is mandated by the card brands and administered by the Payment Card Industry Security Standards Council.

3.2.4   Our testing identified extensive procedural notes, by way of document guides and usage policies in place, to ensure that, in theory PCI Compliance is adhered to through normal business as usual practices. Job descriptions whilst in place were found to make no reference to PCI guidelines and compliance. This risk is mitigated in part by the procedures and the requirement for each user of the payment system, PAYE.net, to sign a usage policy as part of their induction process.

3.2.5   During the course of this review we sampled 36 calls that contained payments to ensure that card details were not being recorded; a requirement of PCI DSS. It was found that 4 of the 36 call recordings sampled contained payment information, including the card number, expiry date and the Card Verification Value (CVV) number. Proportionate and positive management action is in progress to implement the IA suggested improvement actions arising from this review, which will help mitigate the risks highlighted by IA.

3.2.6   IA was requested to provide independent oversight and verification of the 2016/17 **year end stock take of the Council's Stores** at Harlington Road Depot (HRD). There are a total of 415 different stock items (totalling 24,538 units) held at the HRD stores. We are pleased to report that discrepancies were found with only 17 stock items during the initial stock-check. Of these, 12 were found during a recount of the item. Following the enquiry of all stock discrepancies, the Tranman system was updated with the current stock levels and a post stock-check report was produced. This illustrated 415 lines totalling 20,541 units. The officers present conducted a comparison between the pre and post stock-check reports, identifying an overall negative variance of £1,447.69.

3.2.7   Finally, IA continues to provide advice in relation to the 2016/17 the **Annual Governance Statement** (AGS) which includes active participation in the AGS Group meetings. The HBA has liaised with the Head of Policy & Partnerships on the draft AGS in an attempt to ensure it reflects the results of IA coverage in 2016/17.

3.3   Grant Claim Verification Work in Quarter 1

3.3.1   As detailed at **<u>Appendix A</u>** the planned quarterly verification work on the **Troubled Families (TFs) Grant**, in which IA test a sample of TFs that had been identified as being 'turned around' by the Council's TFs Team, didn't progress this quarter. This was as a result of focused work by the TF team following a spot check review undertaken by DCLG on 7th April 2017. Consequently, families identified within the quarter 1 period will be included within the quarter 2 return to DCLG and certified by IA as part of the Quarter 2 IA Plan.

3.3.2   There has been no other grant claim verification work carried out by IA this quarter.

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

3.4.1   IA continues to monitor all **HIGH** and **MEDIUM** risk recommendations raised, through to the point where the recommendation has either been implemented, or a satisfactory alternative risk response has been proposed by management.

3.4.2   Follow-up work within this quarter has commenced on verifying management's assertion that management action has been taken, aimed to provide enhanced assurance to CMT and the Audit Committee that IA recommendations have been implemented and fully embedded within the control environment to mitigate the risks identified. Due to the number of recommendations this project will continue into quarter 2, following which we aim to provide a more detailed quarterly snapshot to the CMT and the Audit Committee of progress against implementation of IA recommendations.

3.4.3   The results from our follow-up work are reported in detail within the **2016/17 Annual IA Report and Opinion Statement**, presented to CMT and the Audit Committee alongside this progress report.

3.5   Other Internal Audit Work in Quarter 1

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 2 of 2017/18 (refer to **Appendix C**) in consultation with management. This quarterly planning cycle helps ensure that IA resources are directed in a more flexible and targeted manner, maximising resources as well as benefiting our stakeholders.

3.5.2   Due to focus within the quarter on delivery of the 2016/17 IA Plan, preparing the Annual HIA report and opinion statement, no quarterly **Quality Assurance and Improvement Programme (QAIP)** exercise has been undertaken this quarter. The QAIP is designed to provide assurance that IA work continues to be fully compliant with the UK PSIAS and also helps enable the ongoing performance monitoring and improvement of IA activity. The next QAIP exercise is planned for July 2017 and will predominately focus on IA management review points and closure of IA files.

4. Analysis of Internal Audit Performance in 2017/18 Quarter 1

4.1   The IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. They assist IA and the Council in helping measure how successful IA has been in achieving its strategic and operational objectives. In line with best practice, for the 2017/18 year IA will report quarterly to CMT and the Audit Committee on the 9 KPIs agreed with the Audit Committee at the meeting held on 16th March 2017.

4.2   We believe that the 2017/18 IA KPIs are meaningful and will provide sufficient challenge to the IA service. They measure the quality, efficiency and effectiveness of the IA service and thus assist us in providing an added value assurance and consulting service to our range of stakeholders. We believe that these KPIs effectively capture and measure IA delivery as well as seek continuous improvement within the service.

4.3   As at 19th June 2017, there is only **1** 2017/18 IA assurance report at draft report issued stage, therefore it would not be of sufficient value at this stage to report on 2017/18 performance against the IA KPIs. The analysis of overall IA performance for the 2016/17 period is reported in full within the **2016/17 Annual IA Report and Opinion Statement** presented to the Audit Committee alongside this progress report.

5. Forward Look

5.1   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:

• assurances from management that designed controls are being implemented on a day-to-day basis;

• assurances from the risk management and compliance functions; and

• 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).

5.2   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.

5.3   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.

5.4   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.

5.5   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 2017/18

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

2017/18 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 19th June 2017	Assurance Level	Risk Rating				CFQ Received?
				H	**M**	**L**	**NP**	
17-A1	Houses in Multiple Occupation (HMO) registration, including fit and proper person	Draft report issued on 16th June 2017						
17-A8	Thematic review of assets, stock and cash management within Green Spaces, Sport and Culture	Draft report in progress						
17-A9	Public Health - Substance Misuse contract, including Addiction, Recovery, Community, Hillingdon Service (ARCH)	Draft report in progress						
17-A2	Children missing from home, placement and education	Testing in progress						
17-A3	Facilities Management	Testing in progress						
17-A4	Parking Services Administration	Changed by Management to consultancy - See Appendix B						
17-A5	Extra Care	Testing in progress						
17-A6	Planning applications - Quality Control	Testing in progress						
17-A7	CYPS Thematic review	Changed by Management to consultancy - See Appendix B						
17-A10	Volunteering	Planning in progress						
		Total Number of IA Recommendations Raised		-	-	-	-	
		Total % of IA Recommendations Raised		- %	- %	- %	-	

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2017/18

2017/18 IA Follow-Up Reviews:

IA Ref.	IA Follow-Up Review Area	Status as at 19th June 2017	Recommendations				CFQ Received?
			Implemented	Partly Implemented	Not Implemented	Total	
17-A11	Follow-Up of implemented recommendations	Verification testing in progress					
		Total Number					

2017/18 IA Consultancy Reviews:

IA Ref.	IA Review Area	Status as at 19th June 2017	CFQ Received?
17-C4	Stores - Year End Stock Take	Memo issued on 20th April 2017	
17-C1	Payment Card Industry Data Security Standard (PCIDSS)	Memo issued on 15th May 2017	
17-C6	Green Spaces - Petty Cash Imprest Account (Duke of Edinburgh)	Draft memo in progress	
17-C2	Data quality for vulnerable service users	Testing in progress	
17-C3	TeamDrive	Audit deferred by management - See Appendix B	
17-C5	Parking Services Administration	Testing in progress	
17-C7	CYPS Thematic review	Testing in progress	

2017/18 IA Grant Claim Verification Reviews:

IA Ref.	IA Review Area	Status as at 19th June 2017
17-GC1	Troubled Families Grant - Quarter 1	Incorporated into Quarter 2 Grant Claim certification

APPENDIX B

REVISIONS TO THE 2017/18 INTERNAL AUDIT PLAN ~ QUARTER 1

Amendments to the 2017/18 Operational IA Plan for Quarter 1:

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
17-C5	Parking Services Administration	Consultancy	MEDIUM	**Jill Covill** Head of Business & Technical Support	Further to undertaking detailing planning of this audit, it was agreed that due to planned changes and restructure within the Service, IA resource would be better placed and add greater value in providing consultancy advice at this stage.
17-C7	CYPS Thematic review	Consultancy	MEDIUM	**Tony Zaman** Corporate Director of Social Care	It was agreed with Management that this thematic review would benchmark the authority against other Ofsted reviews seeking to identify areas of best practice for consideration. This review was therefore changed from assurance to that of a consultancy nature.

IA work DEFERRED from the 2017/18 Operational IA Plan for Quarter 1:

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
17-C3	TeamDrive	Consultancy	MEDIUM	**Jean Palmer** Deputy Chief Executive & Corporate Director of Residents Services	Further to a comprehensive restructure within the Council's IT department is taking place to create a new operating model. As a result, we have agreed with Management to defer this IA assurance review until the new structure has become embedded to enable sufficient value to be provided from the IA review.

IA work ADDED to the 2017/18 Operational IA Plan for Quarter 1:

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
17-C4	Stores - Year End Stock Take	Consultancy	MEDIUM	**Jill Covill** Head of Business & Technical Support	IA was requested to provide independent oversight and verification of the 2016/17 year end stock-check performed on the 31st March 2017.
17-C6	Green Spaces- Petty Cash Imprest Account (Duke of Edinburgh)	Consultancy	MEDIUM	**Paul Richards** Head of Green Spaces, Sport and Leisure	This review has been requested as a result of concerns identified with the petty cash reconciliation process. Further to analysis undertaken by the Finance team, a request was made for IA to provide an independent consultancy advice of the application of the imprest procedures in place.

APPENDIX C

DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2017/18 ~ QUARTER 2

IA work scheduled to commence in the 1st July to 30th September 2017 period:

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
17-A12	IR35	Assurance	**HIGH**	**Fran Beasley** Chief Executive	At Autumn Statement 2016, the Chancellor confirmed that, in the public sector only, IR35 status will be determined by the client, not the contractor. The changes to the way IR35 is applied to off-payroll working in the public sector took effect from 6th April 2017; shifting responsibility for deciding if the legislation should be applied from the worker's intermediary to the public authority the worker is supplying their services to. This IA review will seek to provide assurance over the application of the changes to IR35, ensuring that appropriate safeguards are in place to comply with IR35 requirements.
17-A13	Child Protection	Assurance	**HIGH**	**Tony Zaman** Corporate Director of Social Care	The Department for Education (DfE) is responsible for child protection in England, setting policy, legislation and statutory guidance on how the child protection system should work. The DfE published an updated version of the key statutory guidance for anyone working with children in England in March 2015, setting out how organisations and individuals should work together and how practitioners should conduct the assessment of children. At the local level, Local Safeguarding Children Boards (LSCBs) co-ordinate, and ensure the effectiveness of, work to protect and promote the welfare of children. The LSCB is responsible for local child protection policy, procedure and guidance.
17-A14	Education for Looked After Children (LAC)	Assurance	**MEDIUM**	**Jean Palmer** Deputy Chief Executive & Corporate Director of Residents Services	In July 2014, the Department for Education produced statutory guidance, issued under section 7 of the Local Authority Social Services Act 1970, on promoting the education of LAC that must be followed. This guidance sets the framework through which local authorities discharge their statutory duty under 22(3A) of the Children Act 1989 to promote the educational achievement of LAC. This duty is discharged by the Virtual School Head.

APPENDIX C (cont'd)

DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2017/18 ~ QUARTER 2 (cont'd)

IA work scheduled to commence in the 1st July to 30th September 2017 period:

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
17-A15	Benefits	Assurance	**MEDIUM**	**Paul Whaymand** Corporate Director of Finance	Further to a change in the delivery model of the Revs & Bens Service, a decision was made to bring the benefit processing and overpayments functions back in house following poor contractor performance. This review will seek to provide assurance that there has been minimal impact upon service users as a result of the change.
17-A16	CYPS Thematic review	Assurance	**MEDIUM**	**Tony Zaman** Corporate Director of Social Care	We will be undertaking thematic reviews each quarter to provide assurance on the readiness of Children and Young People's Service for an Ofsted inspection. This will seek to demonstrate the Council's commitment to high standards of practice, management and leadership in the safeguarding of children.
17-A17	Social Media	Assurance	**MEDIUM**	**Jean Palmer** Deputy Chief Executive & Corporate Director of Residents Services	This review will seek to confirm that appropriate safeguards are in place over the emerging and variety of social media used to share information and interact online with Residents. These social and sharing tools offer residents, partners, suppliers and colleagues access to information channels and a chance to engage online.
17-A18	Capital Programme	Assurance (Follow-up)	**HIGH**	**Jean Palmer** Deputy Chief Executive & Corporate Director of Residents Services	Following the 2015/16 IA assurance review in this area which received a **REASONABLE** assurance opinion, this follow-up review, with a refined scope, focuses on the implementation of the 5 **MEDIUM** risk recommendations raised.
17-A19	Scheme of Delegations	Assurance (Follow-up)	**MEDIUM**	**Fran Beasley** Chief Executive	Following the 2015/16 IA assurance review in this area which received a **LIMITED** assurance opinion, this follow-up review, with a refined scope, focuses on the implementation of the 1 **HIGH** and 1 **MEDIUM** risk recommendations raised.

APPENDIX C (cont'd)

DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2017/18 ~ QUARTER 2 (cont'd)

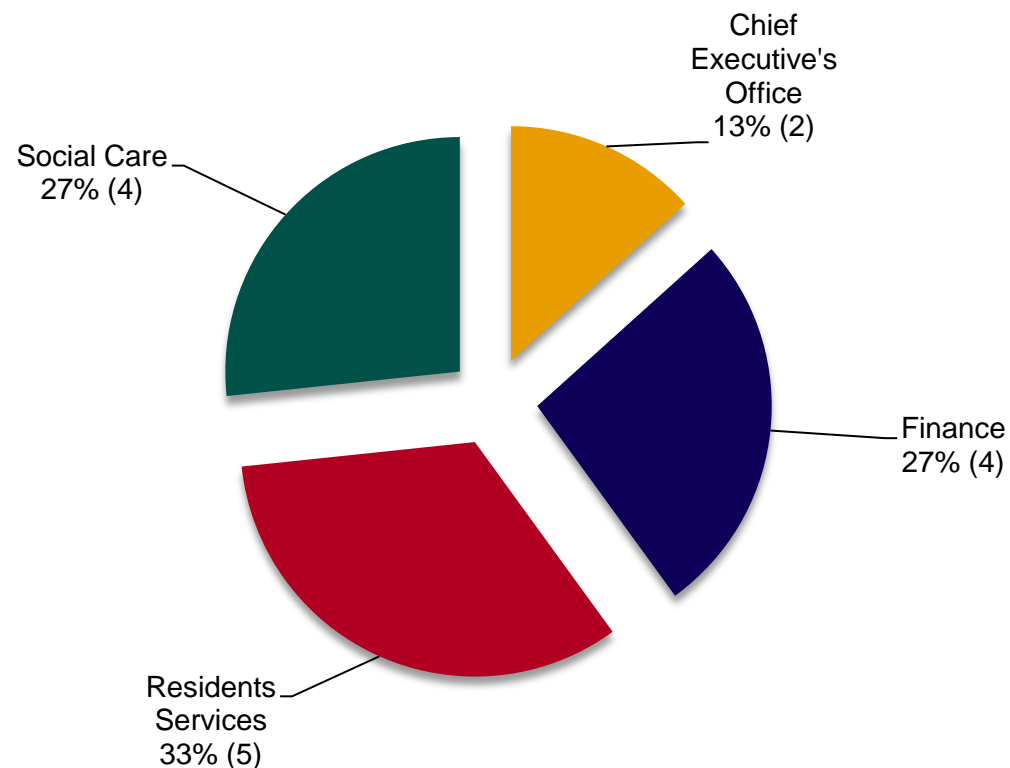**IA work scheduled to commence in the 1st July to 30th September 2017 period:**

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
17-C8	Thematic review of Bailiff arrangements	Consultancy	MEDIUM	**Paul Whaymand** Corporate Director of Finance	The Ministry of Justice implemented national standards in 2014, following the implementation of the Taking Control of Goods Regulations in 2013 and fee structure via the Taking Control of Goods (Fees) Regulations 2014. There are a number of bailiffs used throughout the Council and this consultancy review will seek to identify the extent of their use, number of agreements held with a view to identifying potential value for money opportunities.
17-C9	Flood and Water Management	Consultancy	MEDIUM	**Jean Palmer** Deputy Chief Executive & Corporate Director of Residents Services	In April 2010, the Flood & Water Management Act became law. As part of the Act the Council, as Lead Local Flood Authority, is responsible for developing, maintaining and applying a strategy for local flood risk management in their areas and for maintaining a register of flood risk assets. This IA review will provide consultancy advice over the coordinated approach undertaken across the various Council services and external parties in ensuring the fulfilment of duties as lead Local Flood Authority, ensuring that flood risk to residents is assessed, managed and reduced.
17-C10	Assurance Mapping	Consultancy	MEDIUM	**Paul Whaymand** Corporate Director of Finance	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 within the 'three lines of defence'. This is an ongoing project for IA, taking the 'risk-set' or 'compliance-set' identified within a particular function or risk group and details where the assurance for each of the risks or compliance requirements can be obtained. When operational, it indicates the strength of the assurances provided and notes the last time an independent review on these assurances was carried out. This gives the user a clear visual representation of the strength of the assurances and will help inform the IA programme.

APPENDIX C (cont'd)

DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2017/18 ~ QUARTER 2 (cont'd)

IA work scheduled to commence in the 1st July to 30th September 2017 period:

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
17-GC1	Disabled Facilities Capital Grant (DFG)	Grant Claim	N/A	**Jean Palmer** Deputy Chief Executive & Corporate Director of Residents Services	Disabled facilities grants (DFGs) are provided by the Council to help meet the cost of adapting a property for the needs of a disabled person. IA are required to undertake verification work for the DFG claim due for submission by 30th September 2017.
17-GC2	Housing Benefits Subsidy Grant	Grant Claim	N/A	**Paul Whaymand** Corporate Director of Finance	Local authorities responsible for administering housing benefit claim subsidy from the Department for Work and Pensions in accordance with section 140 of the Social Security Administration Act 1992 and the Income-related Benefits (Subsidy to Authorities) Order 1998, SI 562 as amended. Ernst & Young LLP (EY), as the Council's appointed External Auditor for 2016/17, is required to certify the Council's claim. It has been agreed that IA will carry out the initial verification testing to reduce EY's testing and associated external audit fees.
17-GC3	Troubled Families Grant - Quarter 2	Grant Claim	N/A	**Tony Zaman** 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 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'.
17-GC4	Bus Subsidy Grant	Grant Claim	N/A	**Tony Zaman** Corporate Director of Social Care	The Local Authority Bus Subsidy Grant 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. IA will be required to review and confirm the Council has complied with the conditions attached to Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant Determination 2016/17.

APPENDIX C (cont'd)

DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2017/18 ~ QUARTER 2 (cont'd)

IA work scheduled to commence in the 1ˢᵗ July to 30ᵗʰ September 2017 period – Analysis by Corporate Director:

Pie chart: Chief Executive's Office 13% (2); Finance 27% (4); Residents Services 33% (5); Social Care 27% (4)

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

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

   - establishing and monitoring the achievement of the authority's objectives;

   - the facilitation of policy and decision-making;

   - ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;

   - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;

   - the financial management of the authority and the reporting of financial management; and

   - the performance management of the authority and the reporting of performance management.

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

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

APPENDIX D (cont'd)

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**.