BUSINESS ASSURANCE

**Annual Internal Audit Report
& Opinion Statement 2017/18**

6th July 2018

HILLINGDON
LONDON

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 (LBH). 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 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 LBH 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 2017/18 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 2017/18 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 2017/18 IA plan was 90% complete to draft report stage by 31st March 2018** and **98% complete to final report stage by 30th June 2018**. This is a very good achievement in light of the IA resource constraints in Quarter 4 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 2017/18 has been achieved in a relatively timely manner against a backdrop of continuous change and improvement for BA and the Council. These improvements have included continuing to embed a risk based approach to help focus IA resources and enhancing the application of lean auditing principles to the IA process. This has incorporated the further evolution of IA software (TeamMate) which continues to improve the efficiency of the IA service, in particular in relation to 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 2018 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 **60** pieces of IA work have been delivered as part of the 2017/18 IA plan. This included **25** assurance reviews, **10** follow-up reviews, **16** consultancy reviews and **9** grant claim audits. Nearly half of the assurance reviews resulted in a **LIMITED** (**40%**) or **NO** (**4%**) 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 2017/18 **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 2017/18). Further analysis of the IA assurance levels issued in 2017/18 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 4 years which demonstrates a broadly consistent picture, in particular over the last two years:

Assurance Level	2014/15	2015/16	2016/17	2017/18
Substantial	6 (17%)	0 (0%)	2 (7%)	1 (4%)
Reasonable	20 (59%)	17 (51.5%)	14 (47%)	13 (52%)
Limited	4 (12%)	15 (45.5%)	13 (43%)	10 (40%)
No	4 (12%)	1 (3%)	1 (3%)	1 (4%)
Totals	**34**	**33**	**30**	**25**

2.7 The bar chart below highlights that IA assurance reviews continue to be focussed on the areas of greatest risk:
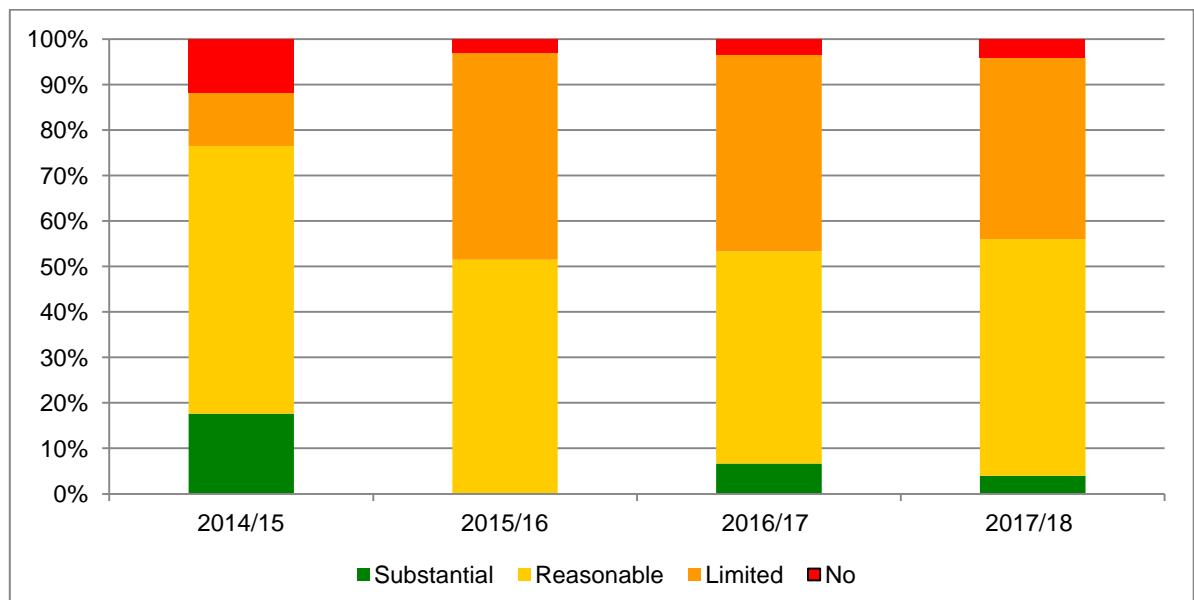
2.8 Despite a significant shortfall in IA resource during the year, deployment has broadly been consistent with the prior year, as highlighted by the bar chart below:
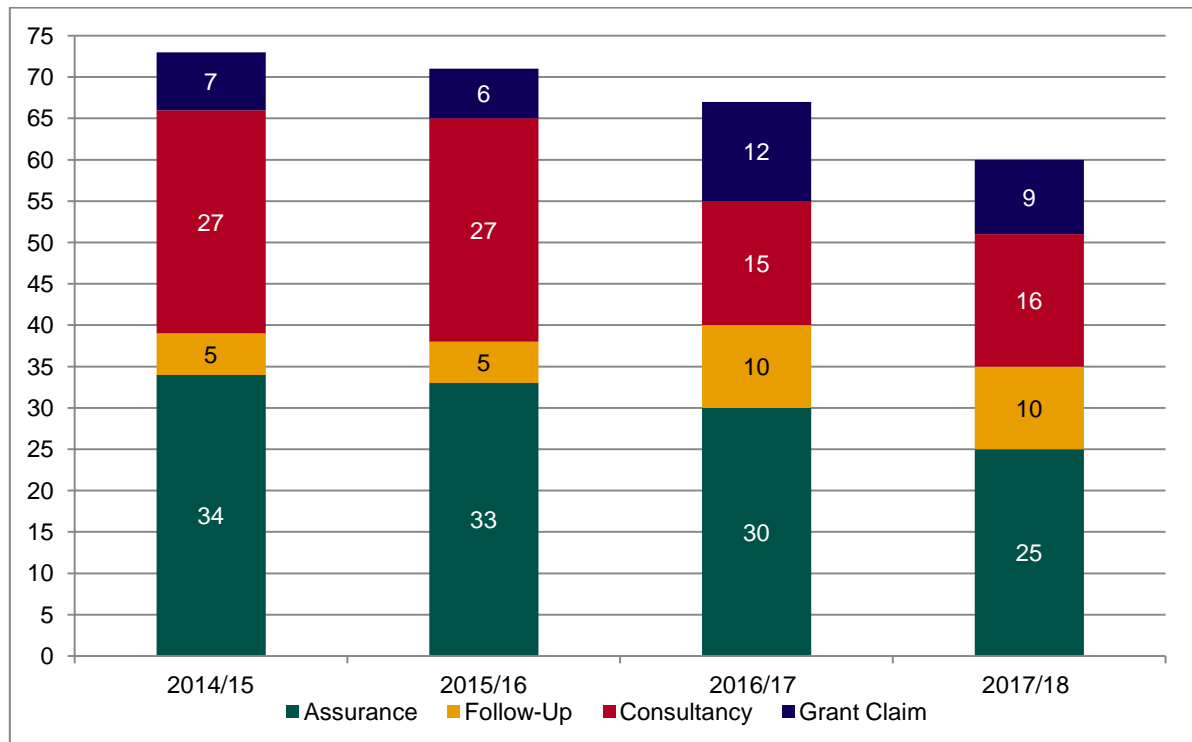
2.9 Focussing dedicated IA resource to the process of **following-up recommendations** that are due to have been implemented, has helped to continue to achieve a positive outcome for the Council during 2017/18. Specifically, as at 16th July 2018, **100%** of the **HIGH** risk recommendations raised in 2017/18 that have fallen due (6) have been confirmed by management as in place. IA verification work is ongoing to confirm these recommendations are embedded and operating as intended. The remaining **HIGH** risk recommendations implementation date has not yet passed. 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 2017/18

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 2017/18 year. 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 (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. 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 IA Plan for 2017/18 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.

3.4.2 The HIA opinion is based primarily on the work carried out by the Council's IA service during 2017/18, as well as a small number of other assurance providers. Where the work of the Business Assurance Counter Fraud Tram (BACFT) has identified weaknesses of a systematic nature that impact on the system of internal control, this has been considered in forming the HIA opinion.

3.5 Basis of Assurance

3.5.1 All of the IA reviews carried out in 2017/18 have been conducted in accordance with the UK PSIAS. An independent external quality assurance (EQA) review of the IA service, finalised in September 2017, confirmed that **Hillingdon's IA service fully conforms** to the PSIAs, complies with each of the statements of good practice and core principles. The EQA stated that IA has a very positive impact on the governance, risk and control environment within the organisation.

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 2017/18 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 2017/18 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 3.12.4).

As a consequence, **there are no qualifications to the 2017/18 HIA opinion statement**.

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.

3.7.2 These other assurance providers which included:

- Coverage of the BACFT;
- 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;
- The work of the Hillingdon Health & Safety Group;
- The Audit Committee - an IA assurance review of the effectiveness of the Audit Committee was reported in 2016/17;
- 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 2017/18**. 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 2017/18 IA review of **Houses in Multiple Occupation registration, including fit and proper person** identified a wide range of gaps which cumulatively created significant concerns in the undertaking and documenting of checks performed to satisfy that the property passed the required safety checks and has supporting certification. As a result we were unable to provide assurance that a license was appropriately recorded and was issued following performance of sufficient checks, potentially exposing residents to health and safety risks, with potential for severe reputational damage in the event of an untoward incident. Management have taken prompt action in response to these issues being highlighted, including a change in senior management reporting line. Two subsequent IA follow-ups have been completed within the year providing assurance of positive action that reduces risk exposure in this area.

2. 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 LBH 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 concerns raised regarding practice or risk management at a LBH maintained school, the Council retains the authority to carry out an independent assurance audit of that school at any reasonable time.

3. Continued gaps in **records management and document retention** persist as Capita e-sourcing is embedded. 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. Greater clarity over the corporate records management and document retention processes and defining roles and responsibilities is still required.

4. The 2017/18 IA review of **Trading Standards** identified the absence of a consistent complaint assessment process, in particular the lack of recording of referrals scoring below the set threshold and rationale for scores, limiting the ability for Trading Standards to utilise historic complaints scoring below this threshold as part of the assessment. Reports into most complained about traders are currently not utilised and, at present, would be limited by the non recording of complaints below the threshold score. However, our analysis of the Civica data for our sample of referrals identified instances where more than one referral had been received against the same trader with one case where 12 complaints for underage alcohol sales at a particular premise had been received with limited action evidenced as taken by Trading Standards.

5. Our assurance and consultancy work continues to identify thematic **contract management shortcomings** across the Council (as previously reported in the IA Annual Reports for both 2014/15, 2015/16 and 2016/17). 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. Improvement in this area was evidenced during 2017/18, yet instances remain where responsibilities between managers and Corporate Procurement are still unclear.

6. A key theme identified throughout a number of IA reviews within 2017/18 continues to be 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 2017/18 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 negatively impact service delivery, including management information, decision making and statutory compliance.

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:

- **Management and organisational structures have strengthened within the year.** In particular, Senior Management restructures within Residents Services and Social Care have enhanced the control framework, stabilising and enhancing the robustness of the internal environment and associated monitoring activities within 2017/18.

- 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 indentified 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. 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 that the majority of service's understanding of RM could be improved.

3.10.2 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 remains that of a scattered, silo based approach.

3.10.3 The RM policy and guidance was updated and approved in January 2018 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, treated and escalated across the organisation. Further, service risk registers, whilst encouraged, are not in place for a large 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 2018. 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
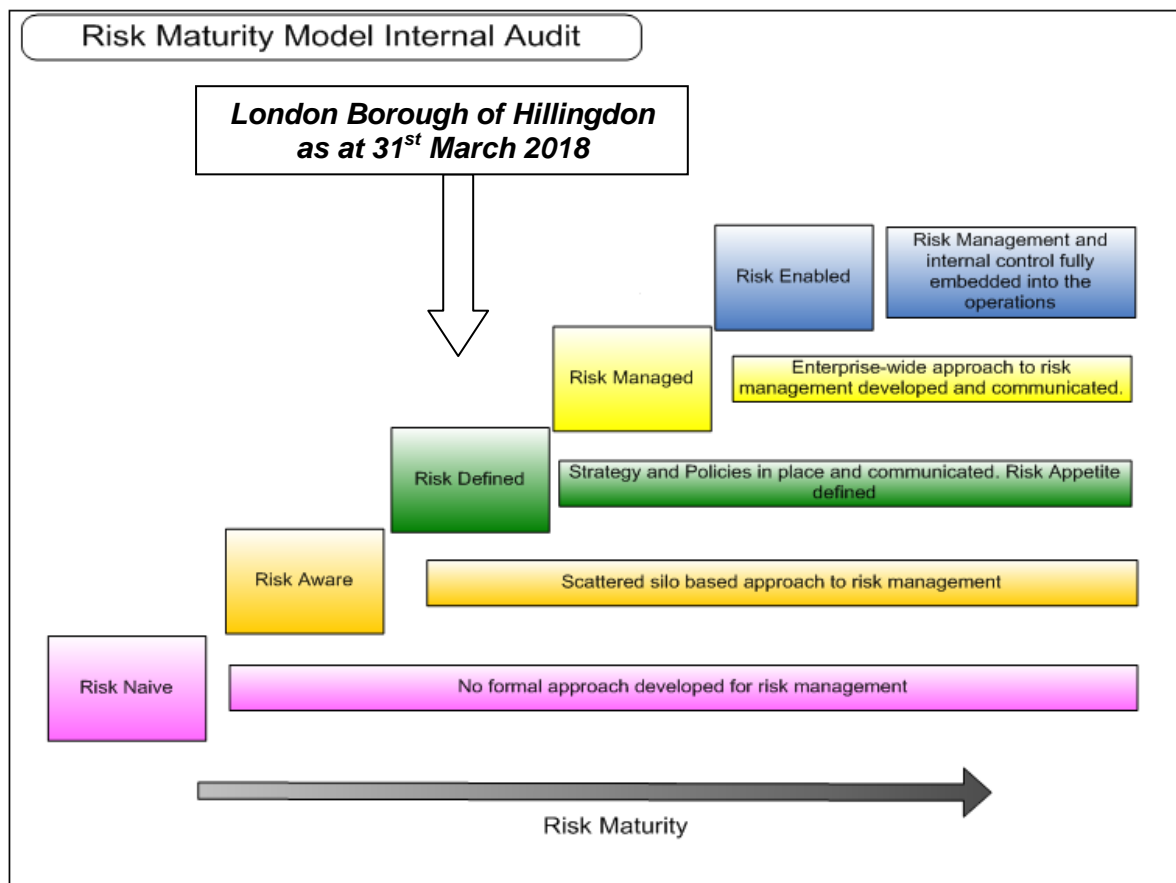
3.11 Corporate Governance

3.11.1 The 2017/18 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 *'putting our residents first'* 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. A Counter Fraud Strategic Plan was approved by the Audit Committee in April 2018. This is still to be underpinned by the 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, supported by Group SDs which have been updated within the year. *(cont'd)*

Langland's Governance Principles	IA Assessment of Hillingdon
	(cont'd) RM arrangements were found to be in place and have been reviewed separately by IA. The Council's AGS process was enhanced within 2017/18, however there remains scope for further improving understanding across the Council of what governance is and what it means.
5. Good governance means developing the capacity and capability of the governing body to be effective.	**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.
6. Good governance means engaging stakeholders and making accountability real.	**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.

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 10th consecutive year, and up to and including 2018/19 (12 years in total for those aged over 65).
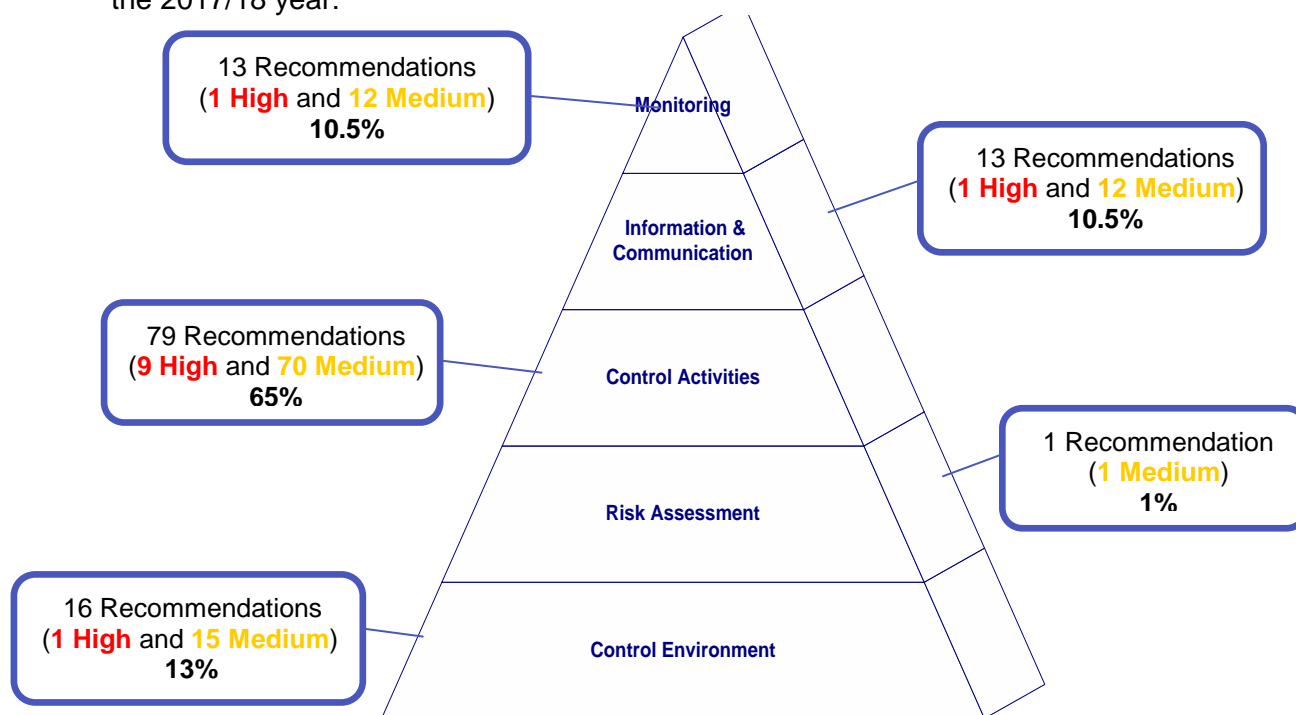
3.11.5 During the last financial year, the Council also invested in the highway resurfacing programme to maintain roads and pavements, supporting high streets and boosting the local businesses. Regeneration projects are ongoing in Hayes, Uxbridge, Eastcote, Hillingdon, Yiewsley and West Drayton with the Hayes £6m regeneration project, the largest of its kind ever undertaken by the Council, drawing to an end.

3.11.6 Education and leisure facilities continue to be a Council priority. LBH continues to ensure that every child in Hillingdon is offered a primary or secondary place close to where they live. All of LBH's libraries and leisure centres are set to be enhanced through borough-wide refurbishment programmes with a new swimming pool planned. Finally, the new state-of-the-art visitor and exhibition centre at the Battle of Britain Bunker opened to the public in March 2018, offering a range of exhibits and an opportunity to learn more about the invaluable part the bunker played in our country's history with events to mark the centenary of the founding of the RAF and the end of the First World War.

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 **122 HIGH** and **MEDIUM** risk IA recommendations (per para. 5.8) raised during the 2017/18 year:

13 Recommendations
(**1 High** and **12 Medium**)
10.5%

Monitoring

13 Recommendations
(**1 High** and **12 Medium**)
10.5%

Information & Communication

79 Recommendations
(**9 High** and **70 Medium**)
65%

Control Activities

1 Recommendation
(**1 Medium**)
1%

Risk Assessment

16 Recommendations
(**1 High** and **15 Medium**)
13%

Control Environment

The COSO Internal Control Framework

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 have a relative proportionate share of recommendations. As noted at para 3.10, there are some weaknesses within the operational risk management processes. However, 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 2017/18, 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 2018 accords with proper practice**, except for the significant internal control issues referred to in para 3.8.

4. Analysis of Internal Audit Activity 2017/18

4.1 Internal Audit Assurance Work 2017/18

4.1.1 The 2017/18 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	2017/18 IA Assurance Reports	Percentage Split 2017/18	Comparison		
			2016/17	2015/16	2014/15
SUBSTANTIAL	1	4%	7% (2)	0% (0)	18% (6)
REASONABLE	13	52%	47% (14)	52% (17)	59% (20)
LIMITED	10	40%	43% (13)	45% (15)	12% (4)
NO	1	4%	3% (1)	3% (1)	12% (4)
TOTAL	25	100%	100% (30)	100% (33)	100% (34)

4.1.2 The pie chart below depicts the levels of assurances achieved based on a percentage of the total 2017/18 assurance audits completed by IA:
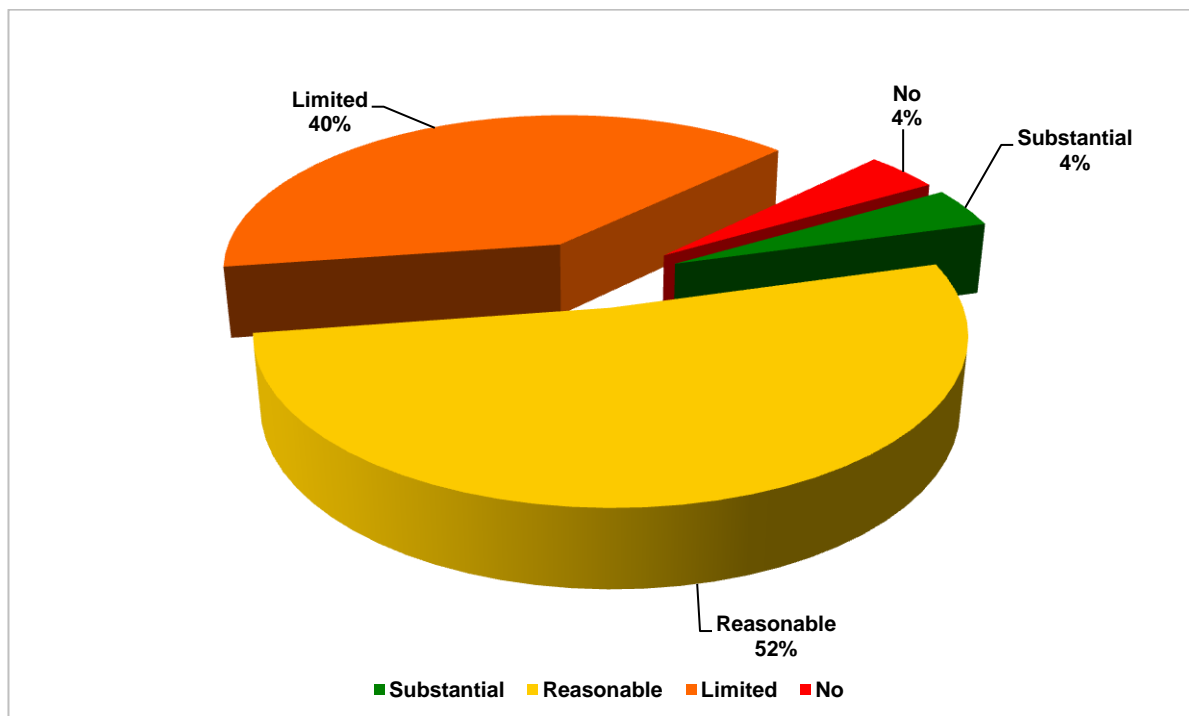
4.1.3 The Chart above highlights the positive news for the Council that 56% of the areas audited in 2017/18 were assessed by IA as providing REASONABLE or SUBSTANTIAL levels of assurance over the management of the key risks top achieving the service objectives. Further, results from 2017/18 IA Assurance work represent a slight improvement when compared to 2016/17 outturn figures. 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 consistency in the control environment across the Council in 2017/18.

4.1.4 The individual assurance reviews carried out during 2017/18 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 **25** IA assurance reviews we raised **220** IA assurance recommendations in total within 2017/18:

Risk Rating	2017/18		Comparison		
	Recommendations	Percentage	2016/17	2015/16	2014/15
HIGH	12	5%	15% (7)	11% (31)	13% (35)
MEDIUM	110	50%	57% (116)	55% (158)	56% (147)
LOW	98	45%	36% (73)	34% (97)	31% (83)
TOTALS	**220**	**100%**	**100% (204)**	**100% (286)**	**100% (265)**
NOTABLE PRACTICE	6	-	6	20	37

4.1.6 Given that an increasingly risk based IA approach has been applied in 2017/18, it is in line with IA's expectations that just over half **of the IA recommendations raised** were rated as either **HIGH** or **MEDIUM** risk.

4.1.7 The breakdown of all 2017/18 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:
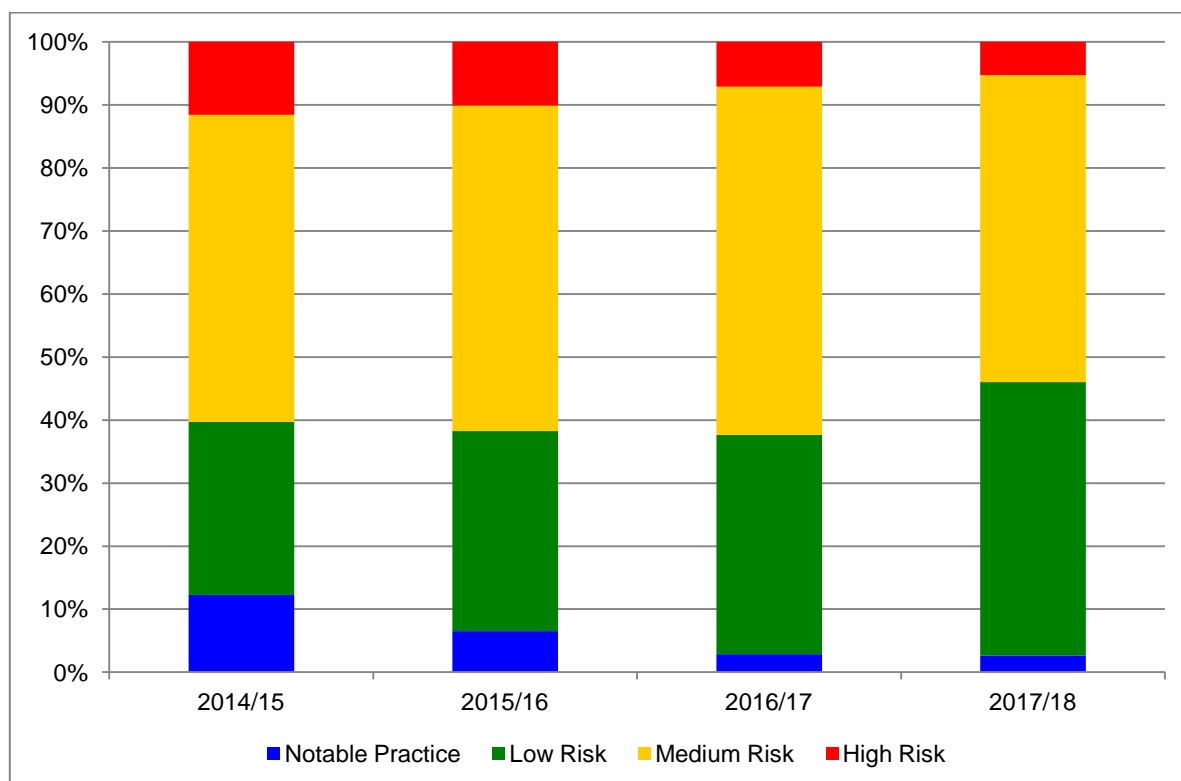
4.1.8 The bar chart above highlights that **5% (12)** of recommendations raised by IA in 2017/18 were rated as **HIGH** risk. We therefore believe that the results depicted above, given the risk based approach to IA work introduced since 2013/14, demonstrate an overall improvement in the control environment across the Council over the prior four years with a notable reduction in the proportion of **HIGH** and **MEDIUM** risk recommendations raised within 2017/18.

4.2   Internal Audit Consultancy Work 2017/18

4.2.1   During 2017/18 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 **16** consultancy pieces of work in 2017/18, including reviews. This included assurance mapping, as well as support and data analytical work in relation to Parking Service Administration, Council Stores and Asylum.

4.3   Quality Assurance and Improvement Programme 2017/18

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 was spent refining the IA QAIP during 2015/16 and early 2016/17, enabling the QAIP to be refocused and reflective of the challenges incurred, 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. This approach helped achieve the IA service achieve a 'fully conforms' rating in the 2017/18 independent EQA that was carried out.

4.3.3   Further, the EQA provided additional assurance over the quality of IA processes within the year. We are now seeking to form a revised QAIP to further push the IA service forward to ensure the function continues to align to emerging best practice with continued value and assurance gained by the authority through these methods.

5. Internal Audit Follow Up 2017/18

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.

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 2017/18 we have undertaken a dedicated verification work on high and medium risk recommendations in addition to 9 specific follow-up reviews. Our follow-up work found that **95 (67%)** of the **141** recommendations followed-up were deemed **Implemented**. Of the remaining recommendations we deemed **31 (22%) Partly Implemented** and **15 (11%) Not Implemented** at the time of follow-up with revised implementation dates agreed with management for each of these recommendations. The detailed results from our follow-up work are summarised within **Appendix A**.

5.7   The **25** IA assurance reviews have resulted in **220** IA recommendations being raised in **2017/18** 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 **nine times as many MEDIUM risk recommendations than HIGH risk recommendations raised** in 2017/18.

5.8   The table below summarises the **status of IA 2017/18 recommendations** raised as at 16th July 2018:

2017/18 IA Recommendation Status as at 11th July 2018	HIGH	MEDIUM	LOW	Total	NOTABLE PRACTICE
Total No. of Recommendations Raised (**per Appendix A**)	12	110	98	**220**	6
Total No. of Recommendations Risks Tolerated by Management	-	-	-	**0**	-
No. Not Yet Due for Implementation	6	54	-	**60**	-
No. Implemented	6	50	-	**56**	-
No. of Recommendations Outstanding	**0**	**6**	**-**	**6**	-

5.9 Positive management action was proposed to address all **122** of the 2017/18 **HIGH** and **MEDIUM** risk recommendations raised, **60** of which have not yet reached their target date for implementation. IA is pleased to report that **90%** (56) **HIGH** and **MEDIUM** risk recommendations which were due for implementation have been confirmed by management as being implemented. **This is a very good outcome and comes directly as a result of the strong collaborative approach between IA and senior management across the organisation.**

5.10 In 2018/19 Quarter 2 IA will be 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 2018/19 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 2017/18

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 2017/18 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%**	**49%**	**RED**
KPI 5	Percentage of IA Plan delivered to **draft report** stage by 31 March.	**90%**	**93%**	**GREEN**
KPI 6	Percentage of IA Plan delivered to **final report** stage by 31 March.	**80%**	**84%**	**GREEN**
KPI 7	Percentage of draft reports issued as a final report within 15 working days.	**75%**	**57%**	**RED**
KPI 8	Client Satisfaction Rating.	**85%**	**90%**	**GREEN**
KPI 9	IA work fully compliant with the **PSIAS** and **IIA Code of Ethics.**	**100%**		

6.1.3 Whilst performance of **KPI 3** relating to the timely implementation of **HIGH** risk IA recommendations remains strong, we have seen a significant decline in performance of **KPI 4**, 2017/18 **MEDIUM** risk IA recommendations where management action is taken within agreed timescale. This is despite automated emails from TeamCentral to the action owner at four, two and one week prior to the implementation date. Nevertheless, it should be noted that 88% of 2017/18 **MEDIUM** risk IA recommendations due have been implemented. Potentially the removal of the monthly Group (Directorate) recommendation listings, due to IA resource limitations, could have contributed towards this performance decline. Consequently, we will seek to reinstate this process during 2018/19.

6.1.4 Also highlighted above, performance against **KPI 7** is reported as **RED** with **57%** for 2017/18 (53% in 2016/17, 55% in 2015/16 and 56% in 2014/15). This is due to 15 instances 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 9 of the 15 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 9 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 17 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 90% shows continued increase when compared to prior years, analysis provided at 6.2 below.

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 **39** CFQs completed in relation to the 2017/18 IA Plan (as per **Appendix A**):

IA CFQ Areas	Average Score 2014/15	Average Score 2015/16	Average Score 2016/17	Average Score 2017/18	% Change (16/17-17/18)
Q1. Planning: The planning arrangements for the IA review were good	3.52	3.41	3.49	3.63	+3.7%
Q2. Scope: The scope of the IA review was relevant	3.48	3.50	3.44	3.59	+4.0%

IA CFQ Areas	Average Score 2014/15	Average Score 2015/16	Average Score 2016/17	Average Score 2017/18	% Change (16/17-17/18)
Q3. Conduct: The IA review was conducted in a highly professional manner	**3.73**	**3.65**	**3.76**	**3.67**	**-2.3%**
Q4. Timing: The IA review was carried out in a timely manner	**3.59**	**3.35**	**3.61**	**3.59**	**-0.9%**
Q5. Report: The IA report was presented in a clear, logical and organised way	**3.50**	**3.47**	**3.61**	**3.67**	**+1.5%**
Q6. Recommendations: The IA recommendations were constructive and practical	**3.50**	**3.18**	**3.51**	**3.46**	**-1.8%**
Q7. Value: The IA review added value to your service area	**3.28**	**3.18**	**3.44**	**3.48**	**+0.8%**
Q8. Overall: I look forward to working with IA in future	**3.40**	**3.47**	**3.66**	**3.72**	**+1.2%**
Average Total Score	**3.5** (87.5%)	**3.43** (85.3%)	**3.56** (89.1%)	**3.60** (90.0%)	

6.2.4 Analysis of the above results provides a positive picture. Further, when compared to prior years this **shows a continual improvement**, particularly when taking into account the continuing complexity and higher risk areas reviewed and number of limited assurance opinions issued. We have seen a minor reduction in CFQ scores for conduct, timing and recommendations which can be attributed to the changing staff mix during the year. Despite this, increases in CFQ scores for planning, scope, report, value and working with IA in future are positive. Overall the IA CFQ results demonstrate the positive recognition of IA work across the Council, the quarterly planning process undertaken and the continued collaborative approach undertaken with Management.

6.2.5 From the **39** CFQs returned in 2017/18, IA has received a range of formal client comments on IA performance, **a snapshot of additional comments is provided below**:

Parking Services Administration

- *"The work done around the current processes was extremely thorough and carried out professionally. It helped me to learn a lot more about the service as well."*

Facilities Management

- *"Some key points were raised. Some points raised lacked accuracy despite documents being shared with IA on a number of occasions from FM and procurement."*

CYPS thematic - mock interviews

- *"Exceptional piece of work. It enabled us to focus our intervention and readiness for the peer review. This work will help TMs with the overall Ofsted readiness Thank you to the auditor, their manner and approach was seen as enablers by the new managers interviewed - Thank you!!!"*

Review of Assets, Stock and Cash Management in Green Spaces, Sport and Culture

- *"A very comprehensive and useful report."*

Child Protection Conferences

- *"Helpful review which enabled prompt reparative action. This work helped inform the overall self evaluation and Ofsted preparation."*

HMO - IA Follow Up review

- *"Grateful and appreciative of the support the auditor has provided!"*

Missing Children

- *"Really good information highlighting areas which require immediate attention. Consideration should be given to highlighting with the operational area concerns re aspects of practice which are identified during the audit for these to be swiftly actioned."*

Corporate Payments

- *"Exceptional lengthy gap between first planning meeting and the data being gathered. Meant that gathering data and reviewing stages were done at a very fast pace after waiting 2/3 months to get started. Saying that, despite it taking a long time to kick-off, and seemingly rushing through the later stages of the audit, findings and recommendations were useful, so potentially this way of working has not been detrimental in this audit review. A clear plan of set timescales would have been beneficial so that resource can be set aside in the calendar."*

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 2018/19

7.1   Looking ahead to 2018/19, the **skill set within IA is set to further develop and evolve** following the loss of some key IA staff during the year. In line with the IA Strategy of 'growing our own', vacancies have provided remaining members of the IA team with an opportunity to take on more responsibility, facilitating their ongoing professional and personal development. Nevertheless, **recruitment will shortly be underway** to supplement the current team and improve the robustness to the IA function. This approach will gain, grow and develop talent in addition to enhancing the skill set of current team members to add value to the service and the Council.

7.2   Once resources allow, we plan to continue the successful **'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 across each of the three lines of defence.

7.3   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'** has been conducted on 4 of the 11 risks detailed within the current Corporate Risk Register. This is a significant undertaking and relatively resource intensive exercise for IA, but has provided a structured means of identifying and mapping the main sources and types of assurance at LBH and coordinating them to the best effect. This approach has informed the 2018/19 planning process and will continue on the remaining seven corporate risks in 2018/19.

7.4   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)

6th July 2018

APPENDIX A

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2017/18

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

2017/18 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 16th July 2018	Assurance Level	Risk Rating				CFQ Received
				H	**M**	**L**	**NP**	
17-A1	Houses in Multiple Occupation registration, including fit and proper person	Final report issued on 21st July 2017	**No**	4	3	3	0	✓
17-A10	Volunteering	Final report issued on 18th September 2017	**Limited**	0	3	1	0	✓
17-A2	Children missing from home, placement and education	Final report issued on 12th October 2017	**Limited**	0	10	6	0	✓
17-A5	Extra Care	Final report Issued on 14th November 2017	**Limited**	2	5	4	0	✓
17-A13	Child Protection Conferences	Final report issued on 3rd January 2018	**Limited**	0	8	7	0	✓
17-A3	Facilities Management	Final report issued on 6th February 2018	**Limited**	0	3	3	0	✓
17-A26	Trading Standards	Final report issued on 19th February 2018	**Limited**	3	4	3	0	✓
17-A16	CYPS Thematic review - Key Working Service, Family Support	Final report issued on 27th February 2018	**Limited**	0	6	6	0	✓
17-A23	Disabled Facilities Grant	Final report issued on 23rd March 2018	**Limited**	1	6	7	0	✓
17-A24	Equality Act	Final report issued on 25th April 2018	**Limited**	1	1	5	0	✓
17-A40	Food and Safety Regulation	Final report issued on 31st May 2018	**Limited**	1	4	3	1	✓
17-A9	Public Health - Substance Misuse contract, including ARCH Service	Final report issued on 5th September 2017	**Reasonable**	0	2	4	2	✓
17-A6	Planning applications - Quality Control	Final report issued on 6th September 2017	**Reasonable**	0	2	2	0	✓

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2017/18 (cont'd)

2017/18 IA Assurance Reviews (cont'd):

IA Ref.	IA Review Area	Status as at 16th July 2018	Assurance Level	Risk Rating				CFQ Received
				H	**M**	**L**	**NP**	
17-A8	Thematic review of assets, stock and cash management within Green Spaces, Sport and Culture	Final report issued on 18th September 2017	**Reasonable**	0	11	6	1	✓
17-A14	Education for Children Looked After	Final report issued on 12th December 2017	**Reasonable**	0	3	3	1	✓
17-A12	IR35	Final report issued on 8th March 2018	**Reasonable**	0	4	0	0	✓
17-A29	Contact Centre	Final report issued on 21st March 2018	**Reasonable**	0	3	5	0	✓
17-A17	Social Media	Final report issued on 12th April 2018	**Reasonable**	0	4	2	0	✓
17-A22	Management and Control of Void Dwellings	Final report issued on 9th May 2018	**Reasonable**	0	4	3	0	✓
17-A28	Corporate Payments	Final report issued on 24th May 2018	**Reasonable**	0	5	3	0	✓
17-A25	Staff overtime, allowances and expenses, including mileage	Final report issued on 31st May 2018	**Reasonable**	0	5	4	0	✓
17-A35	Leisure Centres	Final report issued on 1st June 2018	**Reasonable**	0	4	5	0	✓
17-A34	Community Safety including Domestic Abuse	Final report issued on 9th June 2018	**Reasonable**	0	6	4	0	Not yet due
17-A36	Access to Resources	Final report issued on 6th July 2018	**Reasonable**	0	4	5	0	Not yet due
17-A27	School Placement Planning	Final report issued on 20th Feb 2018	**Substantial**	0	0	4	1	✓
	Total **number** of IA Assurance Recommendations raised in 2017/18			**12**	**110**	**98**	**6**	
	Total **percentage** of IA Assurance Recommendations raised in 2017/18			**5%**	**50%**	**45%**	**-**	

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2017/18 (cont'd)

2017/18 IA Follow-Up Reviews:

IA Ref.	IA Follow-Up Review Area	Status as at 16th July 2018	Recommendations			
			Implemented	**Partly Implemented**	**Not Implemented**	**Total**
17-A11	Follow-Up of implemented recommendations	Verification testing concluded	73	5	5	**83**
17-A18	Capital Programme	Memo issued 6th October 2017	4	0	0	**4**
17-A19	Scheme of Delegations	Memo issued 9th November 2017	0	2	0	**2**
17-A32	Housing Repairs	Memo issued 27th November 2017	7	2	1	**10**
17-A30	Houses in Multiple Occupation (HMO) registration, including fit and proper person	Memo issued 4th December 2017	0	2	5	**7**
17-A31	Housing - Planned Maintenance	Memo issued 4th December 2017	2	4	0	**6**
17-A39	Data Quality within Regulatory Services	Memo issued 22nd March 2018	1	4	2	**7**
17-A38	Anti-Social Behaviour Investigations Team	Memo issued 21st March 2018	0	3	2	**5**
17-A37	Housing Needs - Allocations and Assessments	Memo issued 22nd March 2018	7	3	0	**10**
17-A41	Houses in Multiple Occupation (HMO) registration, including fit and proper person	Memo issued 29th March 2018	1	6	0	**7**
		Total Number	**95 (67%)**	**31 (22%)**	**15 (11%)**	**141 (100%)**

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2017/18 (cont'd)

2017/18 IA Consultancy Reviews:

IA Ref.	IA Review Area	Status as at 16th July 2018	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)	Memo issued on 11th July 2017	✓
17-C5	Parking Services Administration	Memo issued on 1st August 2017	✓
17-C2	Data quality for vulnerable service users	Memo issued on 18th September 2017	✓
17-C7	CYPS Thematic review - Benchmarking	Memo issued on 17th October 2017	✓
17-C11	Troubled Families Process Mapping	Memo issued on 15th November 2017	✓
17-C10	Assurance Mapping (pilot)	Assurance Map issued on 4th December 2017	N/A
17-C8	Thematic Review of Debt Recovery Agents (Bailiffs)	Memo issued on 22nd December 2018	✓
17-C13	CYPS Thematic review - Ofsted	Memo issued on 22nd January 2018	✓
17-C15	Missing Children	Memo issued on 28th February 2018	✓
17-C19	Mayors Charity Accounts 2017/18	Independent Examiners Report issued on 28th February 2018	N/A
17-C18	Landlord Engagement	Memo issued on 27th March 2018	✓
17-C20	Stores Stock Check	Memo issued on 29th March 2018	✓
17-C12	Service Contracts	Memo issued on 4th May 2018	✓
17-C17	Asylum	Memo issued on 3rd May 2018	✓

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2017/18 (cont'd)

2017/18 IA Grant Claims certified:

IA Ref.	IA Review Area	Status as at 16th July 2018
17-GC1	Troubled Families Grant - Quarters 1 and 2	Certified and memo issued on 3rd August 2017
17-GC3	Housing Benefits Subsidy Grant	IA testing completed on 18th August 2017
17-GC2	Disabled Facilities Capital Grant (DFG)	Certified and memo issued on 29th September 2017
17-GC4	Bus Subsidy Grant	Certified and memo issued on 29th September 2017
17-GC5	Troubled Families Grant - Quarter 3	Certified and memo issued on 24th October 2017
17-GC6	Troubled Families Grant - Quarter 4 (Part 1)	Certified and memo issued on 23rd January 2018
	Troubled Families Grant - Quarter 4 (Part 2)	Certified and memo issued on 26th February 2018
	Troubled Families Grant - Quarter 4 (Part 3)	Certified and memo issued on 21st March 2018
17-GC7	Hillingdon Teaching Schools Alliance (HTSA)	Certified and memo issued on 24th January 2018

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 C

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.