BUSINESS ASSURANCE

Annual Internal Audit Report & Opinion Statement 2018/19

30th June 2019

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 2018/19 IA 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 Internal Audit & Risk Assurance (as the Council's statutory Head of Internal Audit [HIA]) to account on delivery of the 2018/19 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 significant changes to the IA team during the year, the HIA is pleased to report that **the 2018/19 IA plan was 100% complete to final report stage by 31st May 2019**. This is an excellent achievement for the IA service in light of the major changes in resources across the team during the year and the constraints this has placed on available resource, particularly during quarter 4. This also 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 2018/19 has been achieved in a relatively timely manner against a backdrop of continuous change and improvement for IA 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 our IA software (TeamMate) which continues to help improve the efficiency of the IA service, particularly 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 2019 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 **48** pieces of IA work have been delivered as part of the 2018/19 IA plan. This included **19** assurance reviews, **12** follow-up reviews, **9** consultancy reviews and **8** grant claim audits. Over half of the assurance reviews (**68%**) resulted in a **REASONABLE** opinion 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 2018/19 **HIGH** and **MEDIUM** risk recommendations raised by IA were accepted by the relevant manager's/ 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 2018/19). Further analysis of the IA assurance levels issued in 2018/19 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. This partly demonstrates a broadly consistent picture, although this is within the context of 14 (57%) less assurance reviews in 2018/19 compared to 2015/16:

Assurance Level	2015/16	2016/17	2017/18	2018/19
Substantial	0 (0%)	2 (7%)	1 (4%)	1 (5%)
Reasonable	17 (51.5%)	14 (47%)	13 (52%)	13 (68%)
Limited	15 (45.5%)	13 (43%)	10 (40%)	3 (16%)
No	1 (3%)	1 (3%)	1 (4%)	2 (11%)
Totals	**33**	**30**	**25**	**19**

2.7   The bar chart below highlights that IA assurance reviews continue to be focussed on the areas of greatest risk:
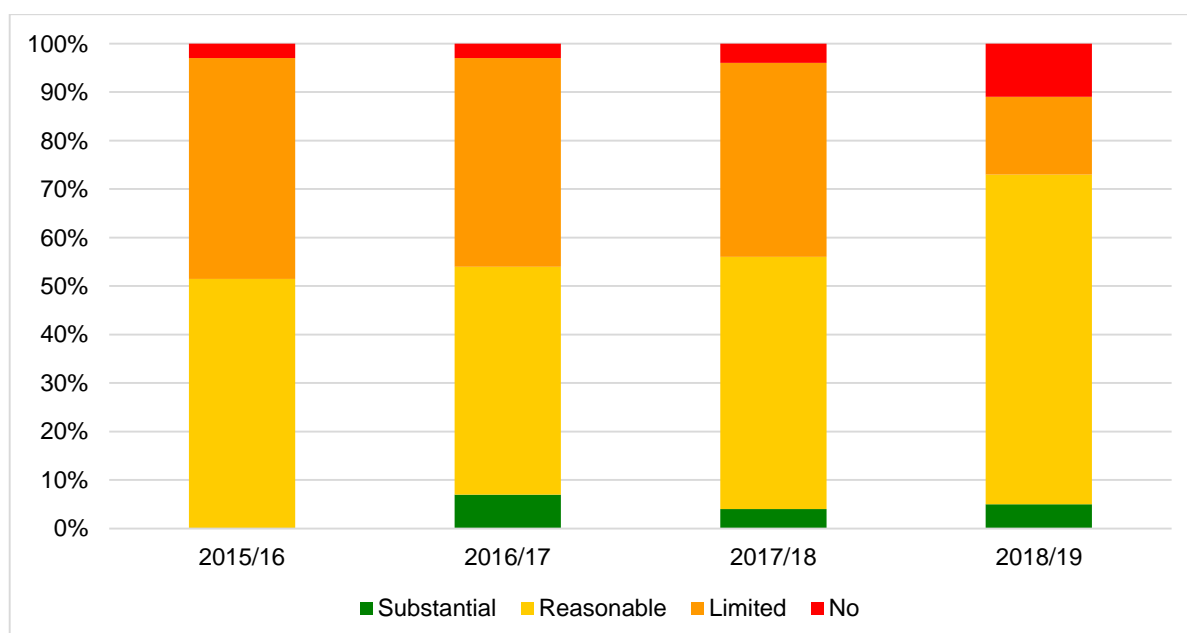
2.8 The impact of major resource changes in IA during 2018/19 led to a reduction in consultancy services, which was broadly in line with the IA strategy i.e. to focus on assurance and follow-up reviews and concentrate IA efforts on the highest risks facing the Council. However, resource constraints during 2018/19 did not detrimentally affect the HIA Opinion Statement and have since been resolved. Nevertheless, they did impact the amount of assurance reviews conducted in the year as illustrated in the bar chart below:
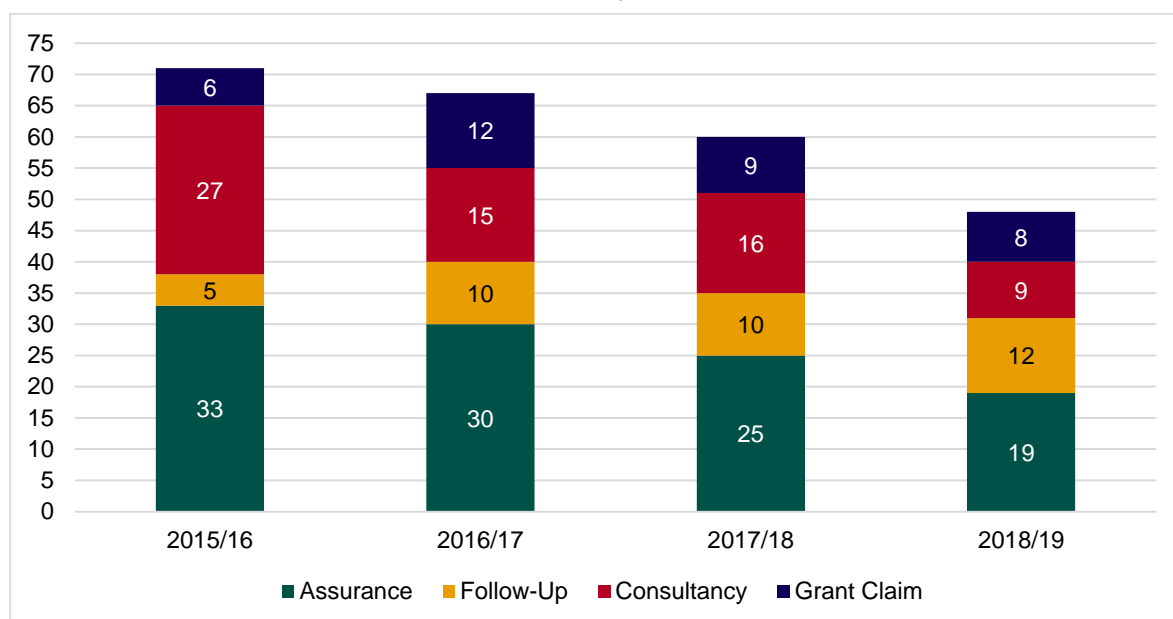
2.9 Focussing dedicated IA resource to the process of **following-up recommendations** that are due to have been implemented, has helped to continue to achieve a positive outcome for the Council during 2018/19. Specifically, as at 1st July 2019, **100%** of the **HIGH** risk recommendations raised in 2018/19 that have fallen due (8) 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 2018/19

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 2018/19 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, the impact should they be realised, and to manage them efficiently, effectively and economically.

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

3.4.1 The HIA opinion is based primarily on the work carried out by the Council's IA service during 2018/19, as well as a small number of other assurance providers. Where the work of the Business Assurance Counter Fraud Team (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.

3.4.2 The IA Plan for 2018/19 was developed primarily to provide CMT and the Audit Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, including an assessment of the Council's corporate governance arrangements and risk management framework.

3.5 Basis of Assurance

3.5.1 All of the IA reviews carried out in 2018/19 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 provider Mazars. As a result, the 2018/19 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 2018/19 the Council's IA service:

- had **unrestricted access to all areas and systems** across the authority;

- received **appropriate co-operation from officers and members**; and

- had **sufficient resources to enable it to provide adequate coverage** of the authority's control environment to provide the overall opinion (refer to para 3.12.3).

As a consequence, **there are no qualifications to the 2018/19 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 HIA 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 2018/19;

- 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 2018/19**. 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 2018/19 IA review of **Early Years Centres** (EYC) identified an absence of a clear method for raising and managing invoices. It was found to be a manual process with no involvement from Finance and as a result invoices were inconsistent, unclear, and inaccurate. Because payments could not be reconciled to the Council's finance system, there was an absence of a formalised debt recovery process, aged debt monitoring, escalation processes and recovery controls. Finally, a review of the 2017/18 financial outturn position for each of the EYC identified that income targets had been significantly missed and resulted in overall overspend. Following this review management have taken swift action. The function has undergone a restructure and is now part of a wider Business Improvement Delivery (BID) review of early support services. Once feedback on this BID review is received officers will present further detail on how the outstanding recommendations will be addressed.

2. The 2018/19 IA review of the **Emergency Duty Team** (EDT) identified a range of issues which cumulatively created significant concerns in the undertaking of and documenting of policies and procedures, the Service Level Agreement, performance management and the process for alerting and making referrals to EDT staff. Management have responded positively to our findings and have provided a comprehensive response and prompt action plan to address the control weaknesses and risks identified within the control framework. An IA follow-up is due to take place in 2019/20 Quarter 2.

3. The 2017/18 IA review of **Houses in Multiple Occupation** (HMO) 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. An IA **follow-up review of HMOs** was commissioned in October 2018, however during testing we found that the control environment and system have moved on so significantly since the last follow-up review (March 2018) that the recommendations are no longer fully relevant. It was therefore agreed with management that IA would provide consultancy support to the Housing team (during Quarters 1 to 3 2019/20) as well as undertake a wider review of the Private Sector Housing Service in Quarter 4.

4. Following the decision taken by Schools Forum in October 2015, IA no longer carried 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.

5. A key theme identified throughout a number of IA reviews within 2018/19 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 2018/19 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 Finance, Residents Services and Social Care have enhanced the control framework, stabilising and enhancing the robustness of the internal environment and associated monitoring activities; and

- The Council has been successful at continuing to **achieve transformational savings** and **improve its financial resilience**. This has been done whilst at the same time continuing to deliver a range of innovative projects to help drive forward major change across the Council. The Hillingdon Improvement Programme (HIP) has been a fundamental part of this success and helped **improve the services delivered to residents** in line with the Council's vision of *'Putting Our Residents First'*.

3.10 Risk Management

3.10.1 Risk Management (RM) is the process by which risks are identified and evaluated so that appropriate risk treatment measures can be applied to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Council to achieve its objectives and fulfil its strategic priorities. 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 last updated and approved in January 2018 with comprehensive detail including clarity of roles, responsibilities and accountabilities of Members and Officers in relation to RM.

3.10.4 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 representing each Group (Directorate) with accountability assigned for each identified strategic risk to own and manage, in liaison with the lead Cabinet Member.

3.10.5 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.

3.10.6 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 2019. 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
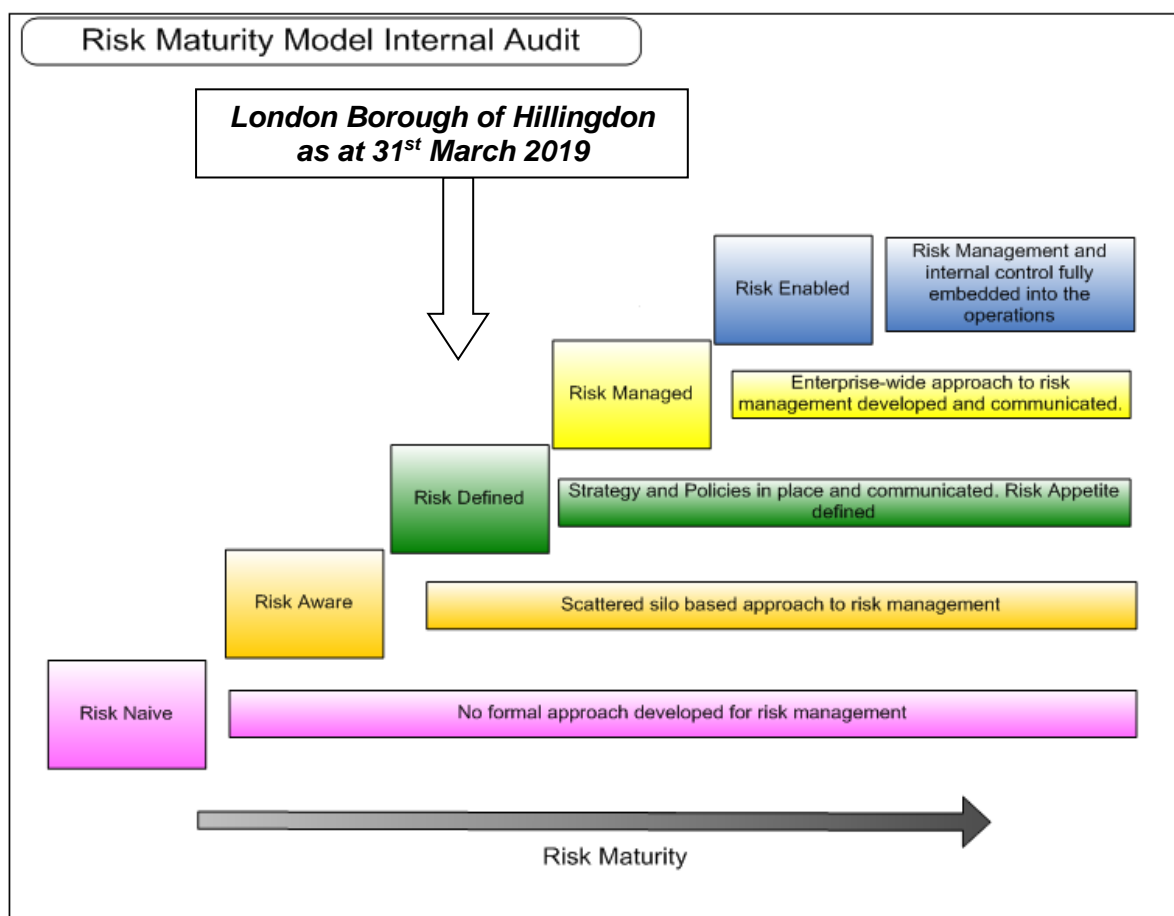
3.11 Corporate Governance

3.11.1 The 2018/19 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 2019, which is underpinned by a 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. The Council's AGS process was enhanced within 2018/19, however there remains scope for further improving understanding across the Council of what governance is and what it means. *(cont'd)*

Langland's Governance Principles	IA Assessment of Hillingdon
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 and history of record low Council Tax levels. Nevertheless, the Council continues to operate in an environment of declining financial support from government against a backdrop of rising inflation costs and significant demographic changes (i.e. there are an increasing number of children in the borough and people are living longer).

3.11.5 As a result, this presents the Council with the challenge of managing the greater demand for its broad range of services, which in the absence of any response would result in a rising annual deficit. However, LBH continues to review and transform services to drive improvement and efficiency through initiatives such as the successful BID programme, which has bridged the budget gap with 2018/19 savings of £10.7 million delivered or on track for delivery. This proven successful approach is set to be continued beyond 2018/19, enabling the Council to continue 'putting our residents first' despite the challenging financial conditions and demographic pressures.

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). The diagram below details the elements of the COSO internal control framework and analyses all **73** **HIGH** and **MEDIUM** risk IA recommendations (per para. 5.8) raised during the 2018/19 year:

18 Recommendations
(**4 High** and **14 Medium**)
25%

Monitoring

10 Recommendations
(**3 High** and **7 Medium**)
14%

Information & Communication

32 Recommendations
(**3 High** and **29 Medium**)
44%

Control Activities

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

Risk Assessment

12 Recommendations
(**3 High** and **9 Medium**)
16%

Control Environment

The COSO Internal Control Framework
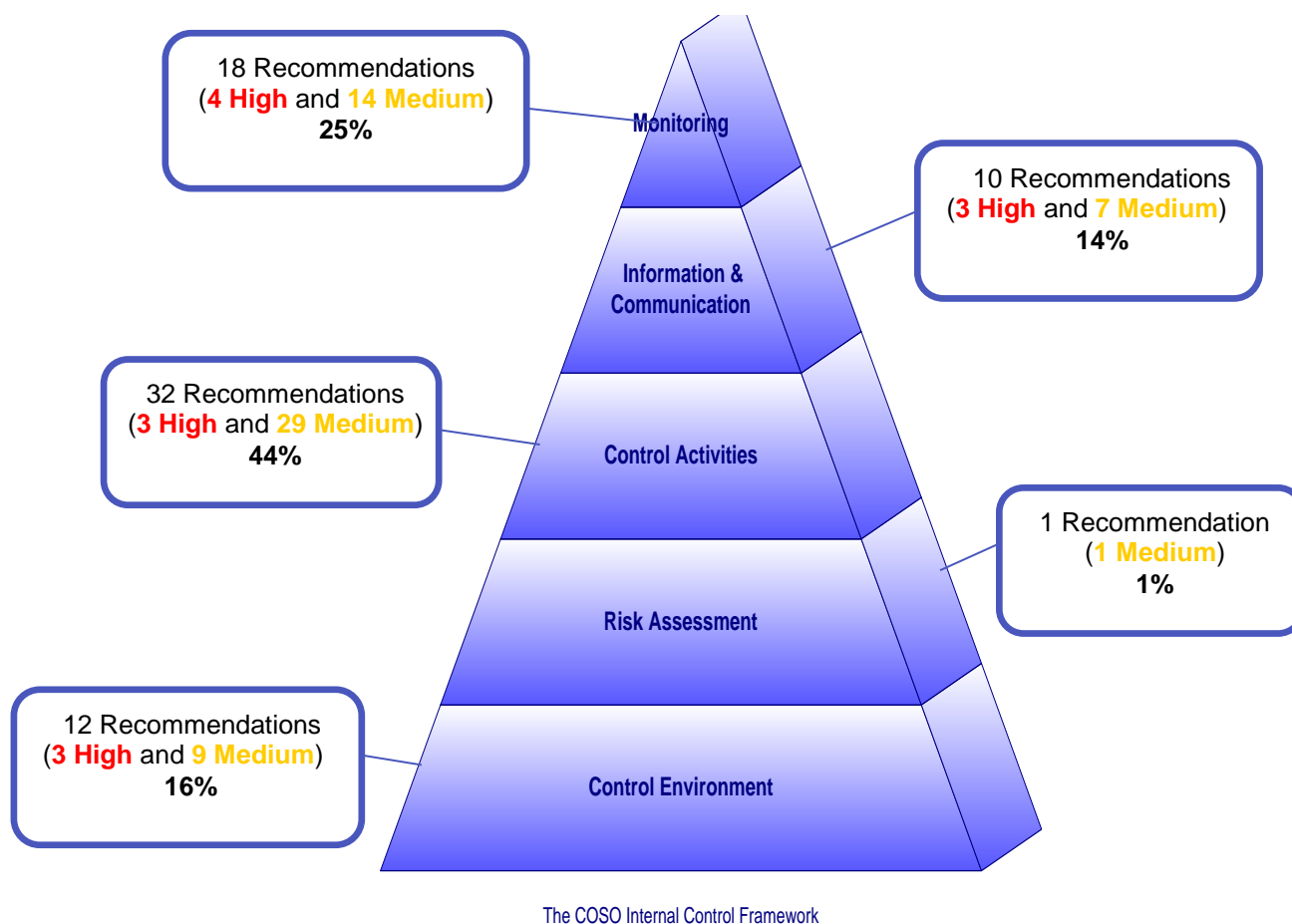
3.12.2 As expected the majority of IA recommendations related to improvements over control activities. These include recommendations relating to written procedures, authorisations, reconciliations and segregation of duties. The other components have a relative proportionate share of recommendations. 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.

3.12.3 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 2018/19, 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 2019 accords with proper practice**, except for the significant internal control issues referred to in para 3.8.

4.1 Internal Audit Assurance Work 2018/19

4.1.1 The 2018/19 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	2018/19 IA Assurance Reports	Percentage Split 2018/19	Comparison		
			2017/18	2016/17	2015/16
SUBSTANTIAL	1	5%	4% (1)	7% (2)	0% (0)
REASONABLE	13	68%	52% (13)	47% (14)	52% (17)
LIMITED	3	16%	40% (10)	43% (13)	45% (15)
NO	2	11%	4% (1)	3% (1)	3% (1)
TOTAL	**19**	**100%**	**100% (25)**	**100% (30)**	**100% (33)**

4.1.2 The pie chart below depicts the levels of assurances achieved based on a percentage of the total 2018/19 assurance audits completed by IA:
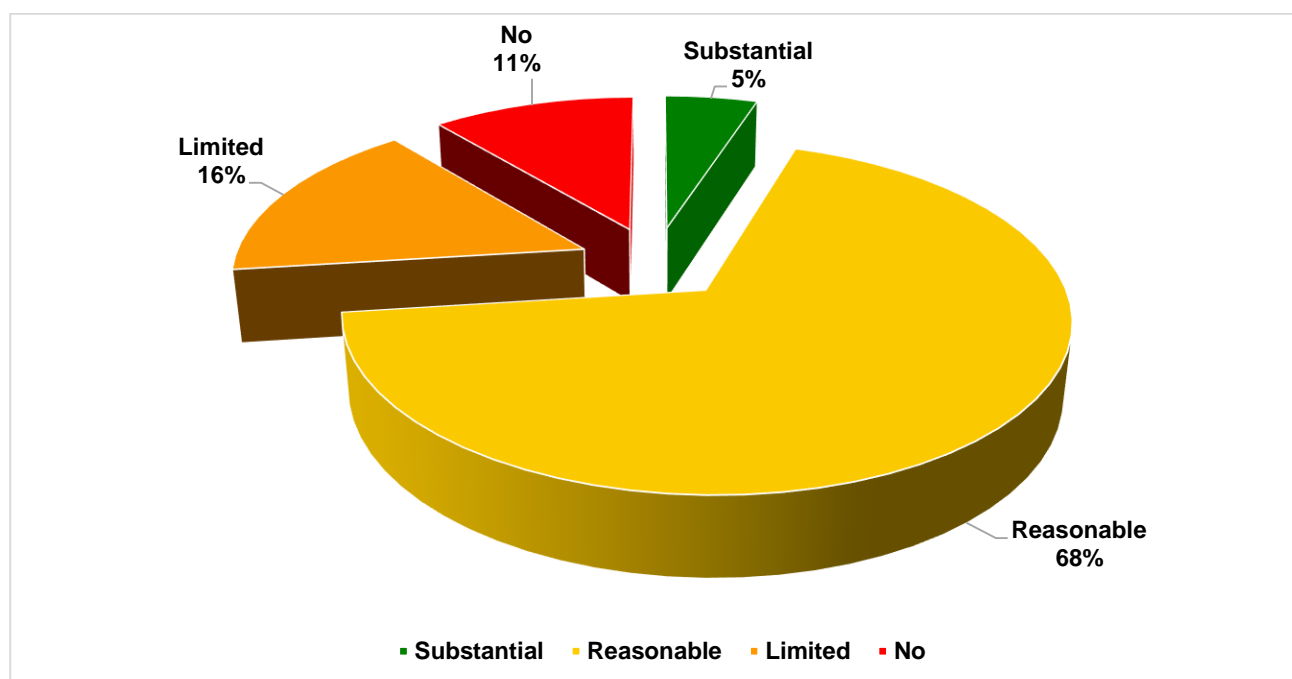
4.1.3 The chart above highlights the positive news for the Council that 73% of the areas audited in 2018/19 were assessed by IA as providing **REASONABLE** or **SUBSTANTIAL** levels of assurance over the management of the key risks to achieving the service objectives. Further, results from 2018/19 IA Assurance work represent an improvement when compared to 2017/18 outturn figures (56%). 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 2018/19.

4.1.4 The individual assurance reviews carried out during 2018/19 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 Within the **19** IA assurance reviews in 2018/19, we raised **131** IA assurance recommendations in total as set out in the table overleaf:

Risk Rating	2018/19		Comparison		
	Recommendations	Percentage	2017/18	2016/17	2015/16
HIGH	13	10%	5% (12)	15% (7)	11% (31)
MEDIUM	60	46%	50% (110)	57% (116)	55% (158)
LOW	58	44%	45% (98)	36% (73)	34% (97)
TOTALS	**131**	**100% (131)**	**100% (220)**	**100% (204)**	**100% (286)**
NOTABLE PRACTICE	5	-	6	6	20

4.1.6 Given that an increasingly risk based IA approach has been applied in 2018/19, 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 2018/19 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:
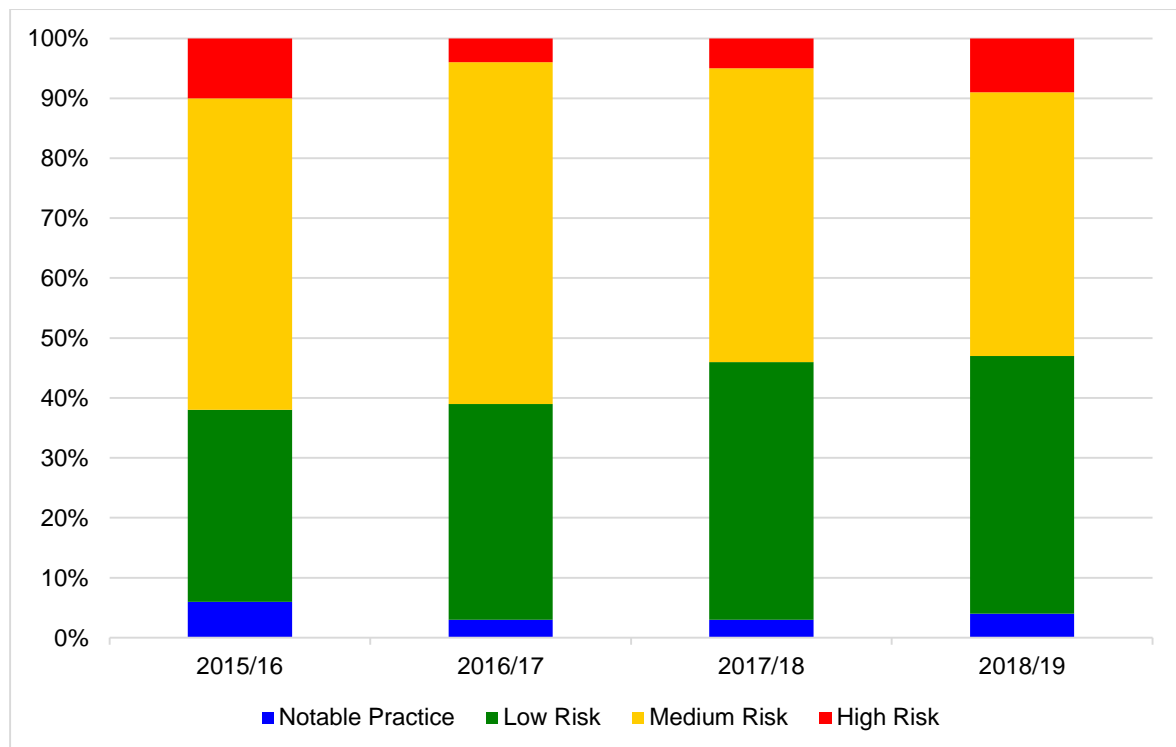
4.1.8 The bar chart above highlights that **10% (13)** of recommendations raised by IA in 2018/19 were rated as **HIGH** risk. We therefore believe that the results depicted above, given the risk based approach to IA work introduced since 2013/14, demonstrate an overall improvement in the control environment across the Council over the prior four years with a notable reduction in the proportion of **HIGH** and **MEDIUM** risk recommendations raised within 2018/19.

4.2   Internal Audit Consultancy Work 2018/19

4.2.1 During 2018/19 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, Hillingdon Health & Safety Group, 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 **9** consultancy pieces of work in 2018/19, including reviews. This included support, advisory and data analytical work in relation to **Universal Credit, Ofsted Preparation and Private Sector Housing**.

4.3   Quality Assurance and Improvement Programme 2018/19

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 monitoring of IAA and sets out how IA is maintaining the required quality standards/ 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 2018/19

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. 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**.

5.2   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.

5.3   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 2018/19 we have undertaken a dedicated verification work on HIGH and MEDIUM risk recommendations in addition to 12 specific follow-up reviews. Our follow-up work found that 83 (72%) of the 116 recommendations followed-up were deemed Implemented. Of the remaining recommendations we deemed 28 (24%) Partly Implemented and 5 (4%) 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 19 IA assurance reviews have resulted in 131 IA recommendations being raised in 2018/19 as well as 5 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 **five times as many MEDIUM risk recommendations than HIGH risk recommendations raised** in 2018/19.

5.8   The table below summarises the **status of IA 2018/19 recommendations** raised as at 30th June 2019:

2018/19 IA Recommendation Status as at 30th June 2019	HIGH	MEDIUM	LOW	Total	NOTABLE PRACTICE
Total No. of Recommendations Raised (**per Appendix A**)	13	60	58	**131**	5
Total No. of Recommendations Risks Tolerated by Management	-	-	-	**0**	-
No. Not Yet Due for Implementation	6	33	-	**39**	-
No. Implemented	7	25	-	**32**	-
No. of Recommendations Outstanding	**0**	**2**	**-**	**2**	-

5.9   Positive management action was proposed to address all 73 of the 2018/19 HIGH and MEDIUM risk recommendations raised, 39 of which have not yet reached their target date for implementation. IA is pleased to report that 32 HIGH and MEDIUM risk recommendations which were due for implementation have been confirmed by management as being implemented. **This is a good outcome and comes directly as a result of the strong collaborative approach between IA and senior management across the organisation.**

5.10   In 2019/20 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 2019/20 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 2018/19

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 2018/19 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%**	**75%**	**GREEN**
KPI 5	Percentage of IA Plan delivered to **draft report** stage by 31st March.	**90%**	**63%**	**RED**
KPI 6	Percentage of IA Plan delivered to **final report** stage by 31st March.	**80%**	**58%**	**RED**
KPI 7	Percentage of draft reports issued as a final report within 15 working days.	**75%**	**79%**	**GREEN**
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   The team's performance against **KPI 5** and **KPI 6** has seen a significant decline this year compared to previous years and are both reported as **RED** (in 2017/18 KPI 5 was 93% and KPI 6 was 84%). The major resource changes to the IA team during 2018/19 have impacted on meeting some of the timeliness KPIs. In addition, recruitment of new team members happened in Quarter 4 which is the busiest period of the year for IA and therefore had an impact on meeting the 31st March deadline. Whilst delivering a challenging IA plan, new IA colleagues were learning about LBH, developing working relationships with officers across the Council and familiarising themselves with the risk based IA approach we take.

6.1.4 In this climate and during a period of significant change and learning some slippage is expected. Despite this, **100% of 2018/19 IA reviews were completed to final report stage by 31st May 2019**, which is a significant achievement for the team who worked diligently to deliver the IA plan to this deadline. The IA team meets regularly to discuss delivery against its KPIs and the HIA will continue to be carefully monitoring progress carefully against KPIs 5 and 6 in particular moving forward. In addition, now that new colleagues are familiar with the IA methodology and are establishing themselves across the Council, the HIA is confident that these targets will be improved upon in 2019/20.

6.1.5 The team has seen an improvement against **KPI 4**, which was reported as **RED** in 2017/18 (at 49%) and **KPI 7**, also reported as **RED** in 2017/18 (at 57%). Both **these KPIs relate to management action** and the need for Management to own their risks and provide responses in a timely manner. This year's improvement is due to the stronger working relationships we are developing with risk owners across the Council, working collaboratively with colleagues. Also IA supports officers to manage their risks and take accountability in a meaningful and value added way, as opposed to the process feeling like a tick box exercise.

6.1.6 Management feedback continues to be positive about our coverage. 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 HIA 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 **38** CFQs completed in relation to the 2018/19 IA Plan (as per **Appendix A**):

IA CFQ Areas	Average Score 2015/16	Average Score 2016/17	Average Score 2017/18	Average Score 2018/19	% Change (17/18-18/19)
Q1. Planning: The planning arrangements for the IA review were good	3.41	3.49	3.63	3.63	-
Q2. Scope: The scope of the IA review was relevant	3.50	3.44	3.59	3.66	**+1.9%**
Q3. Conduct: The IA review was conducted in a highly professional manner	3.65	3.76	3.67	3.68	**+0.3%**
Q4. Timing: The IA review was carried out in a timely manner	3.35	3.61	3.59	3.55	**-1.1%**

IA CFQ Areas	Average Score 2015/16	Average Score 2016/17	Average Score 2017/18	Average Score 2018/19	% Change (17/18-18/19)
Q5. Report: The IA report was presented in a clear, logical and organised way	**3.47**	**3.61**	**3.67**	**3.71**	**+1.1%**
Q6. Recommendations: The IA recommendations were constructive and practical	**3.18**	**3.51**	**3.46**	**3.53**	**+2.0%**
Q7. Value: The IA review added value to your service area	**3.18**	**3.44**	**3.48**	**3.53**	**+1.4%**
Q8. Overall: I look forward to working with IA in future	**3.47**	**3.66**	**3.72**	**3.71**	**-0.3%**
Average Total Score	**3.43** (85.3%)	**3.56** (89.1%)	**3.60** (90.0%)	**3.63** (90.6%)	

6.2.4 Analysis of the above results provides a very 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 timing and working with IA in the future which can be attributed to the changing staff mix during the year. Despite this, increases in CFQ scores for scope, conduct, report, recommendations and value 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 **38** CFQs returned in 2018/19, IA has received a range of formal client comments on IA performance, **a snapshot of additional comments is provided below**:

Recruitment and Retention of Foster Carers

- *"Yet again another exceptional piece of work. Swift and good grasp of the issues and very helpful suggestions which could help strengthen our sufficiency strategy approach."*

Corporate Payments (Off Invoice and Emergency Payments)

- *" Audit conducted in a timely manner which generated useful findings"*

Youth Offending Service

- *"We initiated this audit and there was a bit of a challenge in the auditor understanding this was not simply about the service but the functioning of the partnership. The framework used to audit was the HMIP inspection framework which is not the easiest document to use and credit to the auditor for trying to make some sense from it."*

Extra Care Follow-Up

- *"A supportive process as always, thanks!"*

Financial Resilience & Appetites for Public Sector Contracts

- *"Practicalities of implementing all recommendations need to be considered, and whether they would add value to the service or just be a 'tick box' exercise, having said that the findings were generally appropriate and improvements have been made."*

Estates Management – Selling assets

- *"As always the team have added value and constructive feedback."*

<u>Mortuary</u>

- *"The audit was very beneficial to my service as we are preparing for a governance inspection and it was a valuable opportunity to look at all process and procedures."*

<u>Debtors</u>

- *"Really useful set of recommendations received, exactly what was required for this service at this moment in time. Only slight issue was that after the initial testing, and following the pre-draft meeting with IA the team were asked to then produce a considerable number of additional reports. It would have been beneficial if these reports were requested during the initial round of sampling/meetings."*

6.2.6   Whilst the HIA 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.

### 6.3   2018/19 Staffing Matrix

6.3.1   Following a request by Audit Committee, the 2018/19 IA annual report contains a **Staffing Matrix** (below) which provides a summary breakdown and comparison of each category of auditor's performance and the **total days spent on IA reviews in 2017/18 and 2018/19** compared to the available IA resource in both years.

6.3.2   In **2017/18** the approved IA annual resource **plan had 1,000 chargeable* IA days**. The actual IA chargeable* days delivered in 2017/18 was **989** days (**99%** of the planned days), of which **71%** (**702** days) was focussed on assurance and follow-up reviews (including any core financial systems and corporate risk register reviews).

6.3.3   In **2018/19** the approved IA annual resource **plan had 900 chargeable* IA days**. The **actual** IA chargeable* days **delivered** in 2018/19 was **842** (**94%** of the planned days), of which **76%** (**640** days) was focussed on assurance and follow-up reviews (including any core financial systems and corporate risk register reviews).

6.3.4   So to conclude, there were **147** (**989** minus **842**) l**ess chargeable* IA days delivered in 2018/19 compared to 2017/18**; the staffing breakdown of these is highlighted below:

Total days spent on IA reviews
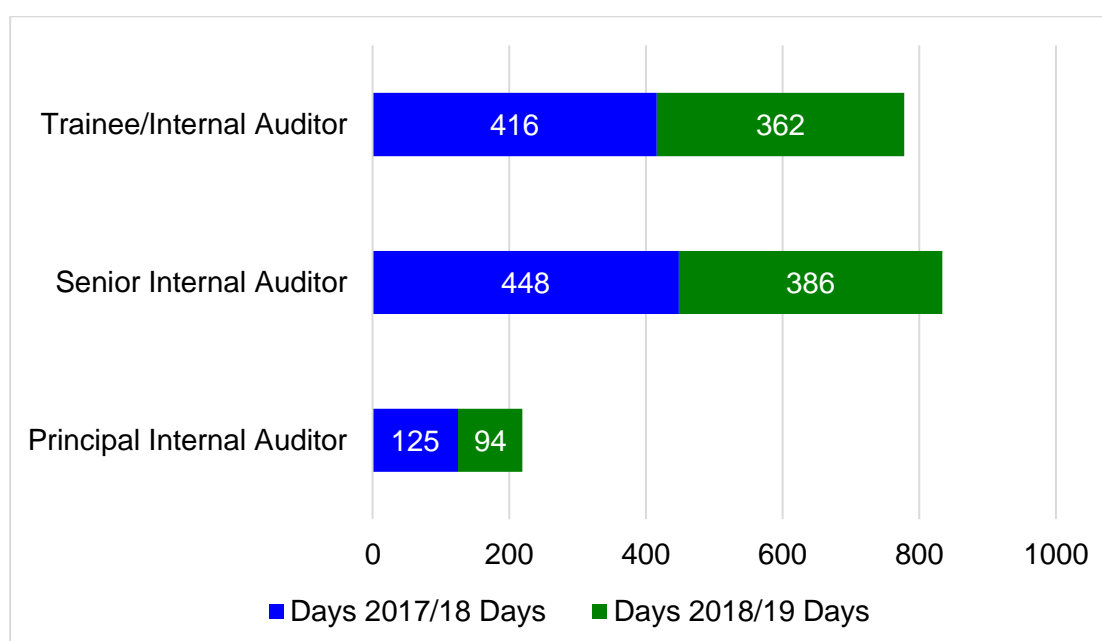
** = By **'chargeable'** we mean time allocated for IA reviews that auditors have carried out. This excludes non-chargeable time which IA staff also carry out, including training (internal and external), management duties such as performance reviews, attending team meetings and QAIP responsibilities.*

6.3.5   When comparing the Staffing Matrix against the amount of actual assurance reviews conducted in the year (refer to table at para. 2.8) there is a direct correlation between the number of assurance audits that have been delivered in the year versus staff capacity. Specifically, in **2017/18** the IA team consisted of **7.0 FTE** (not including the Senior IA Manager or the HIA) and together the IA team delivered **35 pieces** of assurance work and follow-up reviews in that year.

6.3.6   By comparison, in **2018/19** the IA team consisted of **6.0 FTE** plus the Business Assurance Manager and the HIA and **31 pieces** of assurance and follow-up reviews were delivered. Therefore, whilst the number of IA assurance and follow-up reviews delivered in **2018/19** is an **11% reduction** on **2017/18** (**31** compared to **35**), the actual IA staffing capacity which was available in **2018/19** was **1.0 FTE** (**14%)** lower compared to **2017/18**. In addition, the actual number of **days delivered** on IA assurance and follow-up reviews in **2018/19** was **62 days lower than in 2017/18** (**640** compared to **702**). As a result, 31 pieces of assurance and follow-up work delivered in 2018/19 can be seen as a considerable achievement for IA and is broadly in line with the HIA's expectations, when putting everything into context.

6.3.7   What can also be said, is that the HIA opinion statement supporting evidence has not been adversely affected or diminished in 2018/19. IA work that was undertaken in 2018/19 has had greater focus on depth of reviews, rather than breadth of coverage in IA quarterly plans. As a consequence, the HIA opinion statement this year is supported by sufficient evidence, including the number of IA recommendations raised in the year (**131**).

7. Forward Look to 2019/20

7.1   The 2019/20 IA Annual Plan was approved by CMT and the Audit Committee in April 2019 and includes **765 total chargeable days** including **552 days on assurance and follow-up** reviews (including any core financial systems and corporate risk register reviews). Part of the 552 days will include our recently developed **IT audit plan**. This has been produced by the **qualified IT auditor** recruited to the team in 2018/19. This has long been a skills gap within the in-house team and as a result we have historically purchased IT audit services from external firms, which will not be required for IT audits moving forward.

7.2   Having **our own in-house IT auditor** allows to work more collaboratively with the ICT Department and other services across the Council to help further develop our IT audit plan coverage. Further, the IT auditor can train and develop colleagues in the IA team to enable them to eventually be able to perform these specialist reviews, giving them all opportunities for progression and enhancing their skills set. The IT audit plan will form part of the quarterly planning process and reviews are already being timetabled for 2019/20.

7.3   During 2019/20 the **skill set within IA is set to further develop and evolve** as we follow our strategy of 'growing our own'. Following successful recruitment campaigns in 2018/19, IA is now fully resourced and the HIA believes the mix of skills and experience in the current team will improve the overall resilience of the IA function, whilst maintaining the quality. 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. In addition, the new team structure provides staff members with an opportunity to take on more responsibility, facilitating their ongoing professional and personal development.

7.4   As a result of the decision taken by Schools Forum in October 2015, IA stopped carrying out value added thematic audits in local authority **maintained schools**. Instead IA coverage was reduced to the statutory minimum in schools (significant risks only). This year the Dedicated Schools Grant (DSG) is running at a cumulative deficit of over £8m and subsequently the risk has become significant enough that it now features in the Council's Corporate Risk Register. Further to this, IA has reviewed and revised its risk assessment of schools and as a result IA is beginning a programme of audits in schools on the areas of highest risk. Linked to this, a thematic **review of Schools Payroll arrangements** is in progress in Quarter 1 2019/20.

7.5   Moving forward IA will also be reviewing the way it communicates its findings to **maintained schools** across the borough so that good practice and risk areas that are identified are communicated effectively and best practice is adopted. We are looking at developing regular updates to Head Teachers which will include IA matters but also areas of Business Assurance including Counter Fraud, Insurance, Information Governance, Business Continuity and Health & Safety.

7.6   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.

Sarah Hydrie CMIIA CIA
Head of Internal Audit & Risk Assurance

30th June 2019

APPENDIX A

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2018/19

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

2018/19 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 30th June 2019	Assurance Level	Risk Rating				CFQ Received
				H	**M**	**L**	**NP**	
18-A8	Early Years Centres	Final report issued on 10th July 2018	**No**	3	5	2	0	✔
18-A13	Emergency Duty Team	Final report issued on 3rd December 2018	**No**	4	3	1	0	✔
18-A1	Cyber Security	Final report issued on 13th December 2018	**Limited**	2	3	2	0	✔
18-A6	Positive Behaviour Support Team	Final report issued on 7th January 2019	**Limited**	0	4	4	0	✔
18-A20	Merchiston House	Final report issued on 15th May 2019	**Limited**	2	4	2	0	✔
18-A3 (17-A33)	Corporate Payments	Final report issued on 29th June 2018	**Reasonable**	0	2	4	0	✔
18-A5	Complaints	Final report issued on 27th July 2018	**Reasonable**	0	4	6	0	✔
18-A4	Symology Data Quality	Final report issued on 4th September 2018	**Reasonable**	0	2	2	0	✔
18-A2	Declarations of Interests	Final report issued on 12th September 2018	**Reasonable**	0	3	2	0	✔
18-A12	Youth Offending Service	Final report issued on 12th November 2018	**Reasonable**	0	3	5	0	✔
18-A17	Mortuary	Final report issued on 5th February 2019	**Reasonable**	0	2	3	0	✔
18-A18	Gifts and Hospitality	Final report issued on 26th February 2019	**Reasonable**	0	5	3	0	✔
18-A21	Financial Resilience and Appetites for Public Sector Contracts	Final report issued on 3rd April 2019	**Reasonable**	0	2	3	0	✔
18-A19	General Data Protection Regulation	Final report issued on 11th April 2019	**Reasonable**	1	5	5	3	✔

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2018/19 (cont'd)

2018/19 IA Assurance Reviews (cont'd):

IA Ref.	IA Review Area	Status as at 30th June 2019	Assurance Level	Risk Rating				CFQ Received
				H	**M**	**L**	**NP**	
18-A28	Estates Management – Selling Assets	Final report issued on 24th May 2019	**Reasonable**	0	4	3	0	✓
18-A32	Debtors	Final report issued on 28th May 2019	**Reasonable**	0	5	2	0	✓
18-A27	Traffic Management - Order Making Process	Final report issued on 29th May 2019	**Reasonable**	0	2	3	0	✓
18-A31	Corporate Equifax Arrangements	Final report issued on 30th May 2019	**Reasonable**	1	2	0	0	✓
18-A30	Review of the Effectiveness of the Audit Committee	Final report issued on 29th May 2019	**Substantial**	0	0	6	2	✓
	Total **number** of IA Assurance Recommendations raised in 2018/19			**13**	**60**	**58**	**5**	
	Total **percentage** of IA Assurance Recommendations raised in 2018/19			**10%**	**46%**	**44%**	**-**	

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2018/19 (cont'd)

2018/19 IA Follow-Up Reviews:

IA Ref.	IA Follow-Up Review Area	Status as at 30th June 2019	Recommendations			Total
			Implemented	**Partly Implemented**	**Not Implemented**	**Total**
18-A14	Follow-up of implemented IA recommendations	Verification testing concluded	48	0	0	**48**
18-A9	Physical Access Controls	Memo issued on 31st July 2018	8	0	0	**8**
18-A10	Extra Care	Memo issued on 9th August 2018	2	4	1	**7**
18-A15	Houses in Multiple Occupation	Memo issued on 20th December 2018	0	6	0	**6**
18-A23	Housing Planned Maintenance & Repairs	Memo issued on 9th January 2019	3	4	0	**7**
18-A24	Housing Needs Allocations & Assessments and Tenancy Mgmt	Memo issued on 9th January 2019	0	4	0	**4**
18-A22	Extra Care - 2nd review	Memo issued on 15th January 2019	1	1	1	**3**
18-A16	Anti-Social Behaviour and Environment Team	Memo issued on 22nd February 2019	3	2	0	**5**
18-A35	Harefield Junior School	Memo issued on 26th February 2019	7	0	0	**7**
18-A34	Semi-Independent Living	Memo issued on 15th May 2019	4	3	1	**8**
18-A36	Estate Management - Leases	Memo issued on 15th May 2019	0	2	1	**3**
18-A33	Missing Children (from Education, Home & Placement)	Memo issued on 23rd May 2019	7	2	1	**10**
		Total Number	**83 (72%)**	**28 (24%)**	**5 (4%)**	**116 (100%)**

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2018/19 (cont'd)

2018/19 IA Consultancy Reviews:

IA Ref.	IA Review Area	Status as at 1st July 2019	CFQ Received
18-C3	CYPS Thematic Review - Ofsted Preparations	Memo issued on 9th May 2018	✓
18-C4	Recruitment and Retention of Foster Carers	Memo issued on 4th July 2018	✓
18-C5	Financial Assessments	Memo issued on 12th July 2018	✓
18-C6	Adult and Community Learning	Memo issued on 17th July 2018	✓
18-C2	Client Financial Affairs	Memo issued on 3rd October 2018	✓
18-C9	Mayor of Hillingdon's Charitable Trust Accounts 2017/18	Memo issued on 10th December 2018	N/A
18-C1	Introduction of Universal Credit	Memo issued on 20th December 2018	✓
18-C8	Parking Penalty Charge Notices	Memo issued on 3rd January 2019	✓
18-C12	Private Sector Housing	Memo issued on 11th March 2019	✓

2018/19 IA Grant Claims certified:

IA Ref.	IA Review Area	Status as at 1st July 2019
18-GC1	Troubled Families Grant - Quarter 1	Certified, memos issued on 25th Apr, 17th May and 12th Jun 2018
18-GC3	Troubled Families Grant - Quarter 2	Certified, memos issued on 26th July, 30th Aug and 26th Sep 2018
18-GC4	Disabled Facilities Grant	Certified and memo issued on 28th Aug 2018
18-GC2	Housing Benefit Subsidy Grant	Certified and memo issued on 3rd Sep 2018
18-GC6	Pothole Action Fund	Certified and memo issued on 13th Sep 2018
18-GC5	Bus Subsidy Grant	Certified and memo issued on 18th Sep 2018
18-GC7	Troubled Families Grant - Quarter 3	Certified, memos issued on 30th Oct, 30th Nov and 21st Dec 2018
18-GC8	Troubled Families Grant - Quarter 4	Certified, memos issued on 23rd Jan, 1st Mar and 26th Mar 2019

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.

<u>APPENDIX C</u>

<u>INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS</u>

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**.

<u>RISK RESPONSE DEFINITIONS</u>

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.