

BUSINESS ASSURANCE

Internal Audit Progress Report to Audit Committee: 2019/20 Quarter 1 (including the Quarter 2 Internal Audit Plan)

30th June 2019



HILLINGDON
LONDON

www.hillingdon.gov.uk

Contents

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

Sarah Hydrie CMIIA, CIA
 Head of Internal Audit & Risk Assurance
 t: 01895 277907
 e: shydrie@hillingdon.gov.uk

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1. Introduction

1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, essential in helping the Council achieve its corporate objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit (England) Regulations 2015 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account the UK Public Sector IA Standards or guidance.
- 1.1.2 The UK Public Sector IA Standards (PSIAS) define the nature of IA and set out basic principles for carrying out IA within the public sector. The PSIAS help the Council to establish a framework for providing IA services, which adds value to the organisation, leading to improved organisational processes and operations.

1.2 The Purpose of the Internal Audit Progress Report to Audit Committee

- 1.2.1 This Quarter 1 progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on IA work for the period 1st April to 30th June 2019. In addition, it provides an opportunity for the Council's Head of Internal Audit & Risk Assurance (HIA), to highlight any significant issues which have arisen from IA work in Quarter 1. It also highlights to CMT, the Audit Committee and other IA stakeholders the revisions to the Quarter 1 IA plan since its approval (refer to **Appendix B**).
- 1.2.2 A key feature of the Quarter 1 IA progress report is the inclusion of the Quarter 2 IA plan (refer to **Appendix C**). This has been produced in consultation with senior managers over the last few weeks and sets out the planned programme of IA coverage due to commence in the Quarter 2 period (1st July to 30th September 2019).

2. Executive Summary

- 2.1 Since the last IA Progress Report to CMT and the Audit Committee dated 1st April 2019, **1 follow-up review** has concluded, **8 assurance reviews** (including 1 follow-up review) are at an advanced stage, **3 grant claims** have been certified and **8 pieces of 2018/19 work** have been finalised. As highlighted at **Appendix A** the vast majority of the work finalised in Quarter 1 has been in relation to the finalisation of the 2018/19 IA plan, which is broadly in line with our expectations. This quarter has seen IA take on 3 unscheduled pieces of work including verifying two grant claims at a school and significant work assisting Social Care with an upcoming Troubled Families (TF) Programme inspection by the Ministry of Housing, Communities and Local Government (MHCLG).
- 2.2 Our work on the 2019/20 Quarter 1 IA Plan commenced on 1st April 2019 and the initial planning stage has now been completed and testing is well underway on all Quarter 1 pieces of IA work. As stated above, progress against the Quarter 1 IA Plan has been relatively slow, with only **1** follow-up review finalised (Volunteering). Nevertheless, **7** IA assurance reviews and **1** follow-up review are at an advanced testing/fieldwork stage. During this quarter IA has also continued to provide a range of advisory and consultancy work across the Council.
- 2.3 Following IA undertaking its initial planning stage, **1** assurance review (CCTV Control Room Arrangements) has been deferred at Management's request (and in agreement with the HIA) to Quarter 3. During this quarter there have also been **3 additional requests for work** (refer to **Appendix B**). In addition, we will very shortly be commencing our follow-up verification work aimed at providing enhanced assurance to CMT and the Audit Committee that IA recommendations have been fully embedded within the control environment to mitigate the risks highlighted. Further details of all IA work carried out in this period are summarised at section 3 of this report overleaf.

3. Analysis of Internal Audit Activity

3.1 Assurance Work in Quarter 1

- 3.1.1 On 1st April 2019, IA formally commenced work on the 2019/20 Quarter 1 IA plan. As is usual at this time of year, the primary focus this quarter was on finalising completion of the 2018/19 IA Plan. A detailed summary of all 2018/19 IA work finalised within Quarter 1 of 2019/20 is contained within the **2018/19 Annual IA Report and Opinion Statement** due to be presented to the Audit Committee on 22nd July 2019, alongside this progress report.
- 3.1.2 Planning has been completed for each of the **7** Quarter 1 assurance audits and they are now at an advanced testing stage (as individually listed at **Appendix A**). The assurance level definitions and recommendation risk categories are outlined at **Appendix D**.

3.2 Consultancy Work in Quarter 1

- 3.2.1 The IA team continues to undertake some consultancy work across the Council. The consultancy coverage includes IA staff attending working groups or project groups, whilst ensuring they are clear about whether they are attending in an assurance or advisory capacity. This type of approach to IA work continues to help increase IA's knowledge of corporate developments that feed into the risk based deployment of IA resource on assurance work.
- 3.2.2 Participation in working and project groups within the Council continues to help individual IA staff develop, whilst at the same time increasing the value IA provides to the Council. Due to the nature of consultancy work, we do not provide an assurance opinion or formal recommendations for management action. However, as part of our advisory reports and memos we do provide specific observations and improvement suggestions for senior management to consider.
- 3.2.3 Attached at **Appendix A** is the list of consultancy work carried out this quarter with **1** consultancy review completed. The unplanned IA consultancy review of **TF Spot Check** was concluded within the quarter. IA was asked by the Director to assist in the Council's preparations for an inspection by the MHCLG by providing an independent review of **68** 'turned around' families (refer to **Appendix C**).
- 3.2.4 IA continues to support to the Housing Team, by providing consultancy advice in **Private Sector Housing (PSH)**. Following the Houses in Multiple Occupation follow-up in 2018/19 and a request from the Director, IA has been asked to assist the Housing Team in Quarters 1 to 3, in preparation for the planned 2019/20 IA assurance review of PSH.

3.3 Grant Claim Verification Work in Quarter 1

- 3.3.1 During this quarter IA has assisted the Council in certifying **3** grant claims. As detailed at **Appendix A**, IA continues to carry out verification work on the **Troubled Families (TF) Grant** and completed two pieces of verification work on the **Department for Education (DfE) Collaborative Fund**. On the 17th June 2019, IA was contacted by St Mary's Catholic Primary School who requested two grant certifications for the **DfE Collaborative Fund 2017/18 and 2018/19** (refer to **Appendix B**). The certifications were due for submission by the 28th June 2019 and IA significantly revised its plans to make resource available to complete the unscheduled pieces of work before the tight deadline (refer to **Appendix A**).
- 3.3.2 As detailed at **Appendix A** the planned quarterly verification work on the **TF Grant** progressed this quarter. IA tested a sample of TF that had been identified as being 'turned around' by the Council's TF Team. At the conclusion of our work we issued 2 memos in April and June 2019 (there was no submission in May). The total number of families claimed for in Quarter 1 was **127**). IA continues to work with the TF Co-ordinator to discuss their strategy for the TF programme.

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

- 3.4.1 IA continues to monitor all **HIGH** and **MEDIUM** risk IA recommendations raised, through to the point where the recommendation has either been implemented, or a satisfactory alternative risk response has been proposed by management. In addition to this, we actively follow-up on prior **LIMITED** or **NO** assurance reviews within 6 to 12 months after their finalisation.
- 3.4.2 Due to IA resource constraints, follow-up work within this quarter has been focussed on 2018/19 IA recommendations. The results of this work are reported in detail within the **2018/19 Annual IA Report and Opinion Statement**, due to be presented to the Audit Committee on 22nd July 2019, alongside this progress report.
- 3.4.3 A further review is due to commence soon to verify management's assertion that management action has been taken to address the risks identified by IA. As part of the Quarter 2 IA progress report we will provide a detailed snapshot to CMT and the Audit Committee of progress against implementation of IA recommendations.
- 3.4.4 In preparation for the **Early Years Centre follow-up** which was due to commence in 2019/20 Quarter 1, IA met with the Corporate Director and the Head of Service to receive an update on the progress of the **3 HIGH** and **3 MEDIUM** risk recommendations. They confirmed that **1 MEDIUM** risk recommendation (regarding budget setting) has been **Implemented** and that a BID report is in the process of being completed for consideration. Further to that, Management will set out further details on how the outstanding IA recommendations (all of which relate to admin/finance day-to-day functions at the centre, as opposed to safeguarding issues) will be addressed. Management is aware of the outstanding risks and will be monitoring operational impacts to ensure sound delivery.

3.5 Other Internal Audit Work in Quarter 1

- 3.5.1 We continue to undertake a quarterly approach to IA planning to ensure emerging risks and new areas of concern are captured, particularly within the fast changing environment the Council operates in.
- 3.5.2 Over the last month we have undertaken our risk based planning meetings, alongside operational and corporate risk discussions due to the synergies between these two functions. Further to this, we have produced the detailed operational IA plan for Quarter 2 of 2019/20 (refer to **Appendix C**) in consultation with management. This quarterly planning cycle helps ensure that IA resources are directed in a more flexible and targeted manner, maximising resources as well as benefiting our stakeholders.
- 3.5.3 During this quarter, several members of the IA team have undertaken training with Exchequer Services staff in preparation for the Housing Benefit Subsidy Grant due for review by IA during Quarter 2. This training has also included installing new IT software and meeting with the Council's External Auditors (Ernst & Young) to agree deadlines before testing officially begins.
- 3.5.4 The quarterly planning cycle has been informed by the **'Assurance Mapping' programme of work** carried out by the Risk and Insurance Manager. This process identifies and records the main sources of assurance that inform key stakeholders of the effectiveness of how each risk is managed and the associated controls and processes relied upon. To date 10 corporate risks have been successfully mapped.
- 3.5.5 Some progress has been achieved this quarter in relation to the **Quality Assurance and Improvement Programme (QAIP)**. The IA Manual and the IA Charter have both been subject to updating and reviews of the Assurance and Consultancy process templates have been reviewed. The QAIP is designed to provide assurance that IA work continues to be fully compliant with the UK PSIAS and also helps enable the ongoing performance monitoring and improvement of IA activity.

4. Analysis of Internal Audit Performance

- 4.1 The IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. They assist IA and the Council in helping measure how successful IA has been in achieving its strategic and operational objectives. In line with best practice, for the 2019/20 year IA will report quarterly to CMT and the Audit Committee on the 9 KPIs agreed with the Audit Committee at the meeting held on 25th April 2019.
- 4.2 We believe that the 2019/20 IA KPIs are meaningful and will provide sufficient challenge to the IA service. They measure the quality, efficiency and effectiveness of the IA service and thus assist us in providing an added value assurance and consulting service to our range of stakeholders. These KPIs effectively capture and measure IA delivery as well as seek continuous improvement within the service.
- 4.3 As at 30th June 2019, all **7** 2019/20 IA assurance reviews in advanced testing/fieldwork stage, therefore it would not be of sufficient value at this stage to report on 2019/20 performance against the IA KPIs. The analysis of overall IA performance for the 2018/19 period is reported in full within the **2018/19 Annual IA Report and Opinion Statement** due to be presented to the Audit Committee on 22nd July 2019, alongside this progress report.

5. Forward Look

- 5.1 Looking ahead to Quarter 2, we anticipate finalising the thematic review of schools payroll in July. This has been a very resource intensive piece of assurance work including visiting 6 schools as part of the testing.
- 5.2 Whilst this quarter has seen a steady progress with the QAIP, in Quarter 2 we will continue to review our ways of working to identify further areas for improvement and looking for opportunities to introduce better processes.
- 5.3 As part of our quarterly planning process we have been working in conjunction with the Council's ICT department and have now developed a risk-based ICT IA programme of work. The quarterly IA plans now will include IA work in key ICT areas, with the first scheduled to start in Quarter 2 (refer to **Appendix C**). This is a new initiative for IA which has been successfully led by the team's CISA qualified Principal Internal Auditor.
- 5.4 IA would like to take this opportunity to formally thank all staff throughout the Council with whom it had contact during the quarter. There has been a continued collaborative approach in IA's working relationship with staff and management who have generally responded very positively to IA findings.
- 5.5 There are no other matters that the HIA needs 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 2019/20****Key:**

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

2019/20 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 30 th June 2019	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
19-A1	Thematic Review of Schools Payroll	Testing in progress						
19-A2	Compliance with Criminal Finances Act	Testing in progress						
19-A3	Grounds Maintenance - Spend on High Value Equipment	Testing in progress						
19-A4	Battle of Britain Bunker	Testing in progress						
19-A6	Imported Food Office – Regs 669 & 884	Testing in progress						
19-A7	Food H&S - Site Inspections	Testing in progress						
19-A8	Cash Handling in Registrar's Office	Testing in progress						
19-A5	CCTV Control Room Arrangements	Internal Audit review deferred at Management's request – See Appendix B						
Total Number of IA Recommendations Raised				-	-	-	-	
Total % of IA Recommendations Raised				-	-	-	-	

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2019/20****2019/20 IA Follow-Up Reviews:**

IA Ref.	IA Follow-Up Review Area	Status as at 30 th June 2019	Recommendations				CFQ Received?
			Implemented	Partly Implemented	Not Implemented	Total	
19-A10	Volunteering	Memo issued on 21 st June 2019	3	0	0	3	Not yet due
19-A9	Follow-Up of Previous IA Recommendations	Testing in progress					
19-A11	Trading Standards	Testing in progress					
Total Number			3 100%	0 0%	0 0%	3	

2019/20 IA Consultancy Reviews:

IA Ref.	IA Review Area	Status as at 30 th June 2019	CFQ Received?
19-C4	Troubled Families Spot Check	Memo issued on 25 th June 2019	Not yet due
19-C1	Private Sector Housing Q1 - Q3	Testing in progress	
19-C2	Inquest Hearing Preparation	Testing in progress	
19-C3	HR IT Projects (Working Group)	Testing in progress	

2019/20 IA Grant Claim Verification Reviews:

IA Ref.	IA Review Area	Status as at 30 th June 2019
19-GC1	Troubled Families Grant - Quarter 1	Certified, memos issued on 24 th April and 26 th June 2019
19-GC3	2017/18 DfE Collaborative Fund	Certified and memo issued on 27 th June 2019
19-GC4	2018/19 DfE Collaborative Fund	Certified and memo issued on 27 th June 2019

APPENDIX B**REVISIONS TO THE 2019/20 INTERNAL AUDIT PLAN ~ QUARTER 1****IA work DEFERRED from the 2019/20 Operational IA Plan for Quarter 1:**

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
19-A5	CCTV Control Room Arrangements	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Originally scheduled to start in 2019/20 Quarter 1, Management requested that this review be deferred as a restructure is currently underway and operations are still in development. IA has agreed to review CCTV in Quarter 3 when staffing and processes are embedded.

IA work ADDED to the 2019/20 Operational IA Plan for Quarter 1:

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
19-C4	Troubled Families Spot Check	Consultancy	HIGH	Tony Zaman Corporate Director, Social Care	Following an announcement by the MHCLG, an inspection of the administration and operation of the Troubled Families grant was carried out on 25 th June 2019. IA was requested by Social Care to provide assistance by verifying the details of 68 'turned around' families before their visit.
19-GC3	Department for Education (DfE) Collaborative Fund 2017/18	Grant Claim	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	The Teaching Schools initiative, which is grant funded (in part) by the DfE, provides high quality training, development and support to new and experienced school staff. As part of the grant conditions, each school receiving funding is required to obtain independent external assurance that this funding has been spent in accordance with the aims and objectives of the grant as indicated in the Grant Funding Agreement. This external assurance grant is not part of core school funding and hence there will be a cost to be met by the school for the external assurance grant claim audit.
19-GC4	DfE Collaborative Fund 2018/19	Grant Claim	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	

APPENDIX C**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 2****IA work scheduled to commence in the 1st July to 30th September 2019 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-A12	Cyber Incident Management	Assurance (ICT)	HIGH	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	All organisations are exposed to the significant threat of security incidents. Investment in establishing effective incident management policies and processes will help to improve resilience, support business continuity, improve customer and stakeholder confidence and potentially reduce the impact of a cyber incident on an organisations operations and objectives. This IA review will provide assurance over the management of cyber incidents and the robustness of our controls.
19-A13	Thematic Review of Pupil Premium Funding in Schools	Assurance	HIGH	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	The Pupil Premium Grant (PPG) provides additional funding for publicly funded schools in England to raise the attainment of disadvantaged pupils and close the gap between them and their peers; and support children and young people with parents in the regular armed forces. The allocation for Hillingdon schools (including academies) for 2018/19 was c£13m. During our quarterly planning process, we identified concerns over some Hillingdon Schools in relation to the effective use of the PPG to support the attainment of disadvantaged pupils. This thematic review aims to provide management with independent assurance over the PPG internal controls and governance arrangements.
19-A14	Absence Management	Assurance	MEDIUM	Fran Beasley Chief Executive	FirstCare is the Council's absence management system. Introduced in 2014, it has automated the way absences are notified, recorded, communicated and managed. The process is easier to use and report upon which helps identify patterns of behaviour and assess the environment and culture of the organisation. All of which are used to make strategic decisions regarding the health and wellbeing of our workforce. IA will perform a methodical review of a sample of long term absences, management of cases and compliance with Council processes.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 2****IA work scheduled to commence in the 1st July to 30th September 2019 period:**

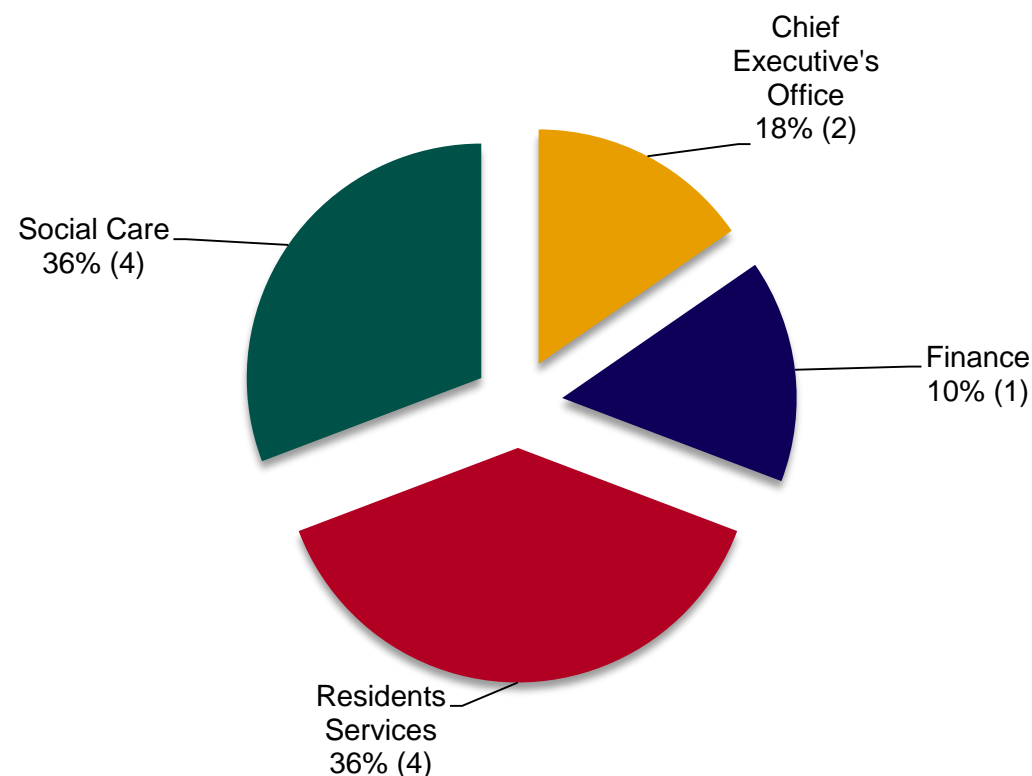
IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-A15	Emergency Duty Team Follow-Up	Assurance (Follow-Up)	MEDIUM	Tony Zaman Corporate Director, Social Care	Following the 2018/19 IA assurance review of Emergency Duty Team which received a NO assurance opinion we will check that the 3 HIGH and 1 MEDIUM risk recommendations marked as Implemented by management have been verified.
19-A16	Positive Behaviour Support Team Follow-Up	Assurance (Follow-Up)	MEDIUM	Tony Zaman Corporate Director, Social Care	Following the 2018/19 IA assurance review of Positive Behaviour Support Team which received a LIMITED assurance opinion we will check that the 4 MEDIUM risk recommendations marked as Implemented by management have been verified.
19-A17	Cyber Security Follow-Up	Assurance (Follow-Up)	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Following the 2018/19 IA assurance review of Cyber Security which received a LIMITED assurance opinion we will check that the 2 HIGH and 1 MEDIUM risk recommendations marked as Implemented by management have been verified.
19-GC2	Housing Benefit Subsidy Grant	Grant Claim	N/A	Paul Whaymand Corporate Director of Finance	LA's are responsible for administering housing benefit claim subsidy from the DWP in accordance with section 140 of the Social Security Admin Act 1992 and the Income-related Benefits (Subsidy to Authorities) Order 1998, SI 562 as amended. Ernst & Young (EY), as the Council's appointed External Auditor, is required to certify the Council's claim. It has been agreed that IA will carry out the initial verification testing to reduce EY's testing and associated EY fees.
19-GC5	Disabled Facilities Capital Grant	Grant Claim	N/A	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Disabled Facilities Capital Grants (DFGs) are provided by the Council to help meet the cost of adapting a property for the needs of a disabled person. IA is required to undertake verification work for the DFG claim due for submission by 30th September 2019.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 2****IA work scheduled to commence in the 1st July to 30th September 2019 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-GC6	Bus Service Operators Grant	Grant Claim	N/A	Tony Zaman Corporate Director, Social Care	The Local Authority Bus Service Operators Grant (BSOG) covers both commercial and non-commercial bus routes and is administered centrally by the Department for Transport. The Grant is the partial refund on fuel duty received from the government by operators of local bus services in England. IA will be required to review and confirm the Council has complied with the conditions attached to Local Authority BSOG Ring-Fenced (Revenue) Grant Determination 2018/19.
19-GC7	Pothole Action Fund	Grant Claim	N/A	Fran Beasley Chief Executive	In the 2014 Budget statement, the Government announced the creation of a Pothole Fund ("the Fund") worth £200m, with £168m being made available to highway authorities in England of which £10m was allocated to London Authorities of which LBH was awarded £415,158 to help repair damage to the local road network. As part of the conditions of the grant the Authority is required to audit the Fund by 30 th September 2019.
19-GC8	Troubled Families (TF) Grant - Quarter 2	Grant Claim	N/A	Tony Zaman Corporate Director of Social Care	The TF programme is a Central Government scheme under the MHCLG, with the stated objective of helping troubled families turn their lives around. The Council receives a payment by results from the MHCLG for each identified 'turned around' troubled family. As per the grant conditions, IA will undertake verification work to confirm identified TF have been 'turned around'.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 2 (cont'd)**

IA work scheduled to commence in the 1st July to 30th September 2019 period – Analysis by Corporate Director:







- The relevant Audit Sponsor (Corporate Directors, Directors, Deputy Directors and Heads of Service) will be consulted regarding the exact timing of each individual IA review; and
- Where an IA review is deferred or cancelled within the quarter, the relevant Audit Sponsor will be asked to provide an alternative audit in their Directorate (Group).

APPENDIX D**INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS**

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

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

APPENDIX D (cont'd)**INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

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