

BUSINESS ASSURANCE

Internal Audit Progress Report to Audit Committee: 2019/20 Quarter 2 (including the Quarter 3 Internal Audit Plan)

30th September 2019



HILLINGDON
LONDON

www.hillingdon.gov.uk

Contents

The Internal Audit key contact in connection with this report is:

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

1. Introduction	3
2. Executive Summary	3
3. Analysis of IA Activity	4
4. Analysis of IA Performance	7
5. Forward Look	8
<u>Appendix A</u> – Detailed IA Work Undertaken	9
<u>Appendix B</u> – Revisions to 2019/20 Quarter 2 IA Plan	12
<u>Appendix C</u> – 2019/20 Quarter 3 IA Plan	13
<u>Appendix D</u> – IA Key Performance Indicators	17
<u>Appendix E</u> – IA Assurance Level Definitions and IA Recommendation Risk Ratings	18

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

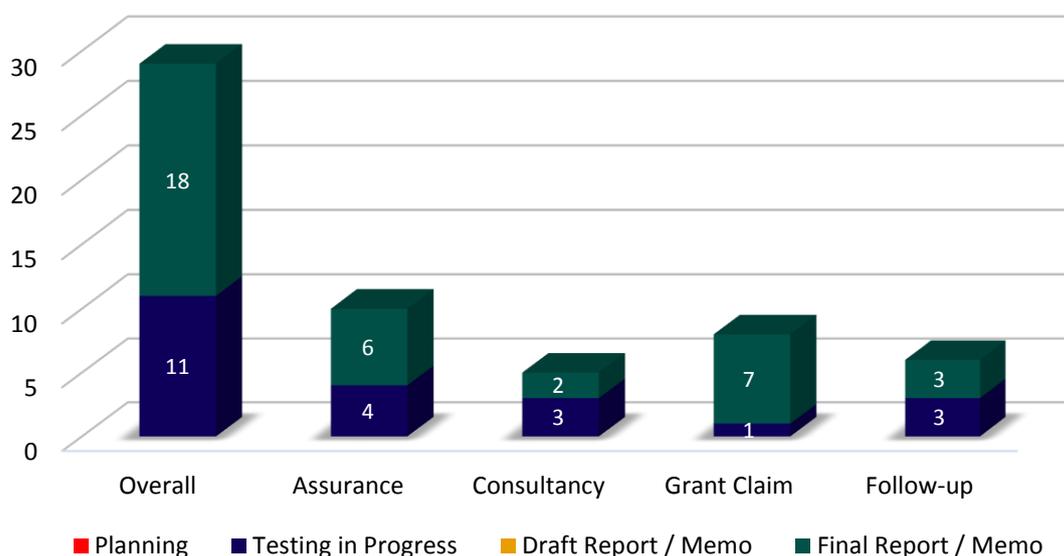
1.2.1 This Quarter 2 progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on IA work for the period 1st July to 13th September 2019. In addition, it provides an opportunity for the Council's Head of Internal Audit & Risk Assurance (HIA), 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 2 IA plan since its approval (refer to **Appendix B**).

1.2.2 A key feature of the Quarter 2 IA progress report is the inclusion of the Quarter 3 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 3 period (1st October to 31st December 2019).

2. Executive Summary

2.1 Since the last IA Progress Report to CMT and the Audit Committee dated 30th June 2019, **8 assurance reviews** (including **2 follow-ups**) have concluded, **4 grant claims** have been certified and **1 consultancy review** have been finalised. Progress has improved this quarter and despite one vacancy the IA team has been working diligently to complete the IA Plan to a high quality and standard. We are therefore on track to complete this year's programme of IA work for 2019/20, depicted below:

Chart 1 - 2019/20 IA Work Undertaken To Date



- 2.2 Our work on the 2019/20 Quarter 2 IA plan commenced on 1st July 2019 and work is now underway on all Quarter 2 planned work (refer to **Appendix A**). Positive progress has been made this quarter and key assurance reviews finalised in this period include a **Thematic Review of Schools Payroll Arrangements** and **Compliance with the Criminal Finances Act**. Both these reviews received **REASONABLE** assurance opinions respectively over the management of key risks.
- 2.3 These results are in line with our expectations and the risk-based approach which we deploy. When deciding to undertake risk-based internal auditing (RBIA), it is important to understand the level of risk maturity within the organisation, and tailor the IA strategy to mirror and support the stages of the organisation. Specifically, IA resource has been targeted in the areas of the highest risk as part of an efficient IA assurance programme. **Positive action has been proposed by management** to address all of the **HIGH** and **MEDIUM** risk recommendations raised within each respective review and these recommendations will be followed-up by IA in due course.
- 2.4 Within this quarter, IA has also undertaken a significant amount of follow-up work, with individual reviews conducted of prior audits obtaining a **LIMITED** or **NO** assurance opinion. Further, we continue to undertake some IA advisory work.
- 2.5 There has been one amendment and no deferrals to the Quarter 2 IA operational plan (refer to **Appendix B**). Further details of all IA work carried out in this period are summarised at section 3 of this report below.

3. Analysis of Internal Audit Activity

3.1 Assurance Work in Quarter 2

- 3.1.1 During this quarter, **8** 2019/20 IA assurance reviews (including **2** follow-up reviews) have been completed to final report stage, with a further **2** at draft report preparation stage and **2** at advanced testing stage.
- 3.1.2 All IA assurance reviews carried out in the financial year to date are individually listed at **Appendix A**, detailing the assurance levels achieved as well as providing an analysis of recommendations made (in accordance with the assurance level definitions and recommendation risk categories outlined at **Appendix E**). Assurance opinions provided and the associated IA recommendations raised are further summarised in the charts below:

Chart 2 - Assurance Opinions

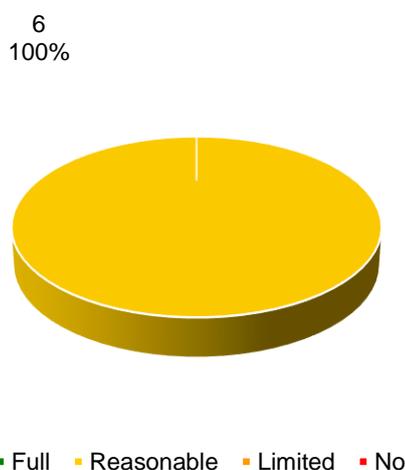
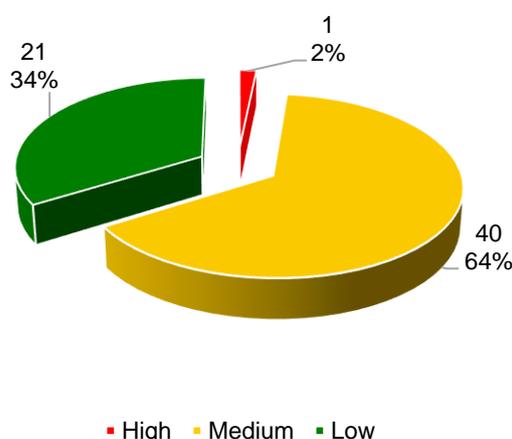


Chart 3 - Recommendation Ratings



- 3.1.3 Other 2019/20 assurance reviews finalised this quarter have included a **Thematic Review of Schools Payroll**. As a result of our risk based approach, this is the first thematic review of schools that IA has performed since 2015/16.

3.1.4 We visited 6 maintained schools and provided assurance over their respective payroll arrangements. This audit provided a **REASONABLE** assurance opinion and raised a total of **16 MEDIUM** and **5 LOW** risk recommendations (refer to **Appendix A**). **Positive action has been proposed** to address all of the **MEDIUM** risk recommendations raised.

3.2 Consultancy Work in Quarter 2

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 planned IA consultancy review of **Inquest Hearing Preparation** concluded within the quarter. We assisted Social Care by verifying and testing evidence which is being presented in a Coroner's Inquest. In addition, this quarter the Head of Direct Care Provision requested a piece of advisory work by IA on the Council's **Hillingdon Shared Lives Fund**, focusing on its use and administration. IA agreed to undertake this work, which is at advanced testing stage, and was added to the Q2 IA Plan (refer to **Appendix B**).

3.3 Grant Claim Verification Work in Quarter 2

3.3.1 During this quarter IA has also assisted the Council in certifying **4** grant claims. As detailed at **Appendix A**, IA continues to carry out verification work on the **Troubled Families (TFs) Grant** and **Housing Benefit (HB) Subsidy Grant** as well as completing verification work regarding the **Disabled Facilities Grant (DFG)**, **Bus Subsidy Grant** and **Pothole Action Fund** which equates to £3.8m, £21.7k and £96.9k respectively.

3.3.2 This quarter IA assisted the Council's External Auditors (Ernst & Young), with a review of the Council's **HB Subsidy Grant Claim**. This verification work has included:

- **Module 2 - Up Rating**
Testing to help ensure the Council's Revenues and Benefits software is using the correct housing benefit parameters to calculate benefit entitlement; and
- **Module 3 - Workbooks**
Testing calculations and verifying evidence for an initial sample of 60 cases (HRA, Non HRA and Private Tenants).

3.3.3 The **HB Subsidy Grant Claim audit** has been a significant piece of work for IA involving approximately 30 days of testing. Nevertheless, the work we carry out in this area saves the Council considerable money by way of a reduced External Audit fee in relation to this grant claim. This type of approach also demonstrates good collaborative working between IA and External Audit, as well as an effective and efficient use of resources.

3.3.4 As detailed at **Appendix A** the planned quarterly verification work on the **TFs Grant** progressed this quarter. IA tested a sample of TFs that had been identified as being 'turned around' by the Council's TFs Team. At the conclusion of our work we issued IA memos in July, August and September 2019; the total number of families claimed by the Council in Quarter 2 was 285.

- 3.3.5 The Local Authority **Bus Subsidy Grant** for 2018/19 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. To the best of our knowledge and belief, and having carried out appropriate investigations and checks, it is IA's opinion that, in all significant respects, the conditions attached to Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant Determination 2018/19 have been complied with.
- 3.3.6 The **Pothole Action Fund** for 2018/19 is administered centrally by the Department for Transport and provides support to local authorities in England towards expenditure and repair of potholes in their respective borough. As part of this investment, the Fund will give local authorities in England £50m a year, over the next 5 years, to help tackle more than 4m potholes. Funding is calculated according to the size of the local road network in the area. To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Transport Capital Block Funding (Pothole Action Fund) Specific Grant Determination (2018/19) No. 31/2951 have been complied with. There has been no other grant claim verification work carried out by IA this quarter.

3.4 Follow-up of Previous Internal Audit Recommendations in Quarter 2

- 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 Our dedicated follow-up verification review found that **88%** (29) of the **33** recommendations that have been followed-up were deemed **Implemented**. Of the remaining recommendations we confirmed that **9%** (3) were **Partly Implemented** and **3%** (1) were deemed **Not Implemented**. Each of the 4 cases deemed **Partly Implemented** or **Not Implemented** have been reopened on our dedicated follow-up system, TeamCentral, with new implementation dates applied for active monitoring and tracking. These recommendations will then be followed-up in due course as these revised dates fall due.
- 3.4.3 Our follow-up work on **Cyber Security** has concluded. In December 2018 IA awarded Cyber Security **LIMITED** assurance and raised **2 HIGH** and **3 MEDIUM** risk recommendations. As a result of our recent follow-up testing we can confirm that **3** of the **5 HIGH** and **MEDIUM** risk recommendations raised have been **Implemented**, **1** recommendation was **Partly Implemented** and **1** recommendation was **Not Implemented**. Each of the 2 recommendations deemed **Partly Implemented** or **Not Implemented** have been reopened on our dedicated follow-up system, TeamCentral, with new implementation dates and will then be followed-up in due course as these revised dates fall due.

3.5 Other Internal Audit Work in Quarter 2

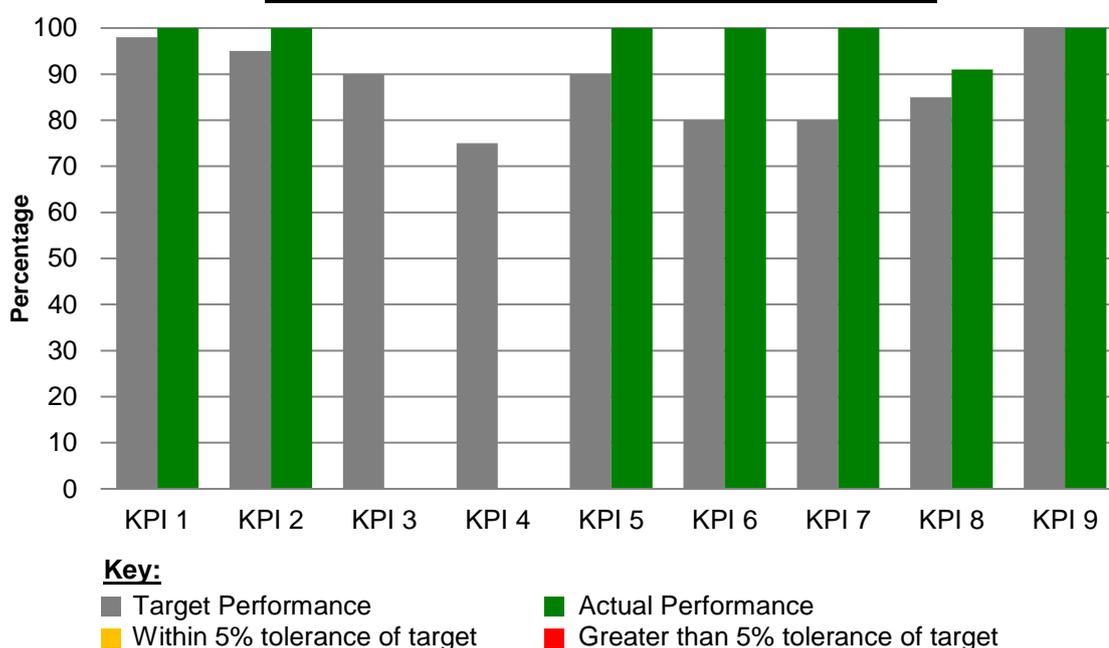
- 3.5.1 We continue to undertake a quarterly approach to IA planning to ensure emerging risks and new areas of concern are captured, particularly within the fast changing environment the Council operates in. Over the last month we have undertaken our risk based planning meetings, alongside operational and corporate risk discussions due to the synergies between these two functions. Further to this, we have produced the detailed operational IA plan for Quarter 3 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.
- 3.5.2 This quarter we have made some progress with our **Quality Assurance and Improvement Programme (QAIP)**. 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.

3.5.3 The IA finalisation checklist and feedback processes have been reviewed. We are also in the process of carrying out peer reviews of 2018/19 audits on our TeamMate system to ensure the IA process has been followed correctly and consistently. All learnings from this exercise will be communicated to the IA team with the aim of improving ways of working.

4. Analysis of Internal Audit Performance

4.1 The IA 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. We believe that these KPIs, detailed at [Appendix D](#), are meaningful and provide sufficient challenge to the 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. Cumulative performance against the KPIs in the 1st April to 30th September 2019 period is summarised below:

Chart 4 - 2019/20 IA Key Performance Indicators



4.2 Performance data for **KPI 3** and **KPI 4** is not yet available as none of the 2019/20 **HIGH** or **MEDIUM** risk recommendations raised have fallen due yet. We are currently exceeding several of our KPI targets, including achieving the ambitious **85%** Client Satisfaction Rating for **KPI 8**, which we are hopeful will continue throughout the remainder of the year as the volume of CFQ feedback increases.

5. Forward Look

5.1 Quarter 2 has seen one of our Senior Internal Auditors, **Chloe Moorcroft**, leave LBH to pursue a new opportunity in the private sector. We would like to thank Chloe for all her hard work and exceptional attitude throughout her tenure and we wish her every success in her new role.

5.2 This departure has created new opportunities within the IA team and following the success of our previous recruitment campaigns and our ethos of 'growing our own' we have successfully recruited two strong candidates as internal auditors. Both are internal candidates so come with a lot of existing knowledge of the Council and its operations. **Sonal Patel** joined us recently in a permanent role and brings significant risk management and compliance experience from her time working for the Housing Department. **Bersata Ramadani** is due to join IA in October on a 6 month secondment from the Payments Team in Exchequer Services and therefore has a good understanding of financial controls.

- 5.3 In addition, having recently completed her professional Risk Management qualification, we are pleased to report that Risk and Insurance Manager (**Stephanie Rao**) has joined the IA team on an interim basis. We are extremely pleased to welcome all 3 candidates to the IA team and look forward to their continued positive contribution to the Council.
- 5.4 In light of the recent changes to the IA team structure, we have planned for the 'new to IA' transition of these 3 staff members during Quarter 3. As a result, to avoid any negative impact on the delivery of the IA plan there is a possibility we may require our contracted partner (**Mazars**) to provide some IA support during Quarter 3.
- 5.5 IA would like to take this opportunity to formally thank all staff throughout the Council with whom it had contact during Q2. 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. 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 September 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 September 2019	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
19-A6	Imported Food Office – Regs 669 & 884	Final report issued on 22 nd Jul 2019	Reasonable	0	4	2	0	✓
19-A8	Cash Handling in Registrar's Office	Final report issued on 5 th Aug 2019	Reasonable	0	3	3	0	✓
19-A1	*Thematic Review of Schools Payroll	Final report issued on 9 th Sept 2019	Reasonable	0	16	5	1	✓
19-A2	Compliance with Criminal Finances Act	Final report issued on 9 th Sept 2019	Reasonable	1	5	4	0	✓
19-A4	Battle of Britain Bunker	Final report issued on 30 th Sept 2019	Reasonable	0	5	6	1	✓
19-A3	Grounds Maintenance - Spend on High Value Equipment	Final report issued on 30 th Sept 2019	Reasonable	0	7	1	0	Not yet due
19-A7	Food H&S - Site Inspections	Draft report in progress						
19-A12	Cyber Incident Management	Draft report in progress						
19-A13	Thematic Review of Pupil Premium Funding in Schools	Testing in progress						
19-A14	Absence Management	Testing in progress						
Total Number of IA Recommendations Raised				1	40	21	2	
Total % of IA Recommendations Raised				2%	62%	33%	3%	

* Total number of recommendations raised across 6 schools

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 September 2019	Recommendations				CFQ Received?
			Implemented	Partly Implemented	Not Implemented	Total	
19-A10	Volunteering	Memo issued on 21 st Jun 2019	3	0	0	3	✓
19-A11	Trading Standards	Memo issued on 15 th Jul 2019	6	1	0	7	✓
19-A17	Cyber Security	Memo issued on 30 th Sept 2019	3	1	1	5	Not yet due
19-A9	Follow-Up of Previous IA Rec's	Testing in progress	17	1	0	18	
19-A15	Emergency Duty Team	Testing in progress	-	-	-	-	
19-A16	Positive Behaviour Support Team	Testing in progress	-	-	-	-	
Total Number			29 88%	3 9%	1 3%	33	

2019/20 IA Consultancy Reviews:

IA Ref.	IA Review Area	Status as at 30 th September 2019	CFQ Received?
19-C4	Troubled Families Spot Check	Memo issued on 25 th Jun 2019	N/A
19-C2	Inquest Hearing Preparation	Memo issued on 13 th Sept 2019	✓
19-C1	Private Sector Housing Q1 - Q3	Testing in progress	
19-C3	HR IT Projects (Working Group)	Testing in progress	
19-C5	Hillingdon Shared Lives Fund	Testing in progress	

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2019/20****2019/20 IA Grant Claim Verification Reviews:**

IA Ref.	IA Review Area	Status as at 30 th September 2019
19-GC1	Troubled Families Grant - Quarter 1	Certified, memos issued on 24 th Apr and 26 th Jun 2019
19-GC3	2017/18 DfE Collaborative Fund (St. Mary's Catholic Primary School)	Certified and memo issued on 27 th Jun 2019
19-GC4	2018/19 DfE Collaborative Fund (St. Mary's Catholic Primary School)	Certified and memo issued on 27 th Jun 2019
19-GC8	Troubled Families Grant - Quarter 2	Certified, memos issued on 24 th Jul, 29 th Aug and 27 th Sep 2019
19-GC2	Housing Benefit Subsidy Grant	Certified and memo issued on 22 nd Aug 2019
19-GC7	Pothole Action Fund	Certified and memo issued on 11 th Sep 2019
19-GC6	Bus Service Operators Grant	Certified and memo issued on 27 th Sep 2019
19-GC5	Disabled Facilities Capital Grant	Testing in progress (grant deadline is 31 st Oct 2019)

APPENDIX B**REVISIONS TO THE 2019/20 INTERNAL AUDIT PLAN ~ QUARTER 2****IA work DEFERRED from the 2019/20 Operational IA Plan for Quarter 2:**

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
No deferrals to the Q2 IA Plan.					

IA work ADDED to the 2019/20 Operational IA Plan for Quarter 2:

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
19-C5	Hillingdon Shared Lives Fund	Consultancy	MEDIUM	Tony Zaman Corporate Director, Social Care	The objective for the Hillingdon Shared Lives (HSL) Fund is to ensure that HSL service users are benefited through funding tailored trips or events that enrich and improve their lives and wellbeing. We were contacted by the Head of Direct Care Provision and asked to review the administration of the fund and to suggest any potential improvements (where identified).

APPENDIX C**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 3****IA work scheduled to commence in the 1st October to 31st December 2019 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-A18	Cyber Maturity Assessment	Assurance (ICT)	HIGH	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Following the IA reviews of two Cyber audits, both resulting in LIMITED opinions, the Cyber Maturity Assessment will examine 10 key areas to determine the current controls in place and identify any remaining gaps that need to be addressed. The areas of review include network security, malware protection, home and mobile working.
19-A5	CCTV Control Room Arrangements	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	The Council's CCTV arrangements have undergone significant strategic, operational and staffing changes with recent budget approval for 24/7 operation of the CCTV control room. The Director has requested an IA assurance review be conducted which focuses on privacy, control room operations and General Data Protection Regulations. Originally scheduled to start in 2019/20 Quarter 1, Management requested that this review be deferred as a restructure was underway and operations were still in development. IA has agreed to review CCTV in Quarter 3 when new staff and process changes are more embedded.
19-A19	Corporate Governance	Assurance	MEDIUM	Fran Beasley Chief Executive	The UK Independent Commission on Good Governance in Public Services published in 2005 a Governance Standard (The Good Governance Standard for Public Services), which sets out 6 core principles of good corporate governance. We will use this Standard to assess the Council's governance arrangements currently in place. Corporate governance has become increasingly important throughout society, since effective governance is the cornerstone of well-managed organisations. Governance arrangements in public services are often subject to observation and scrutiny, given the public accountability aspect. Significant governance failings attract immense attention and one significant failing can taint an entire sector.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 3****IA work scheduled to commence in the 1st October to 31st December 2019 period:**

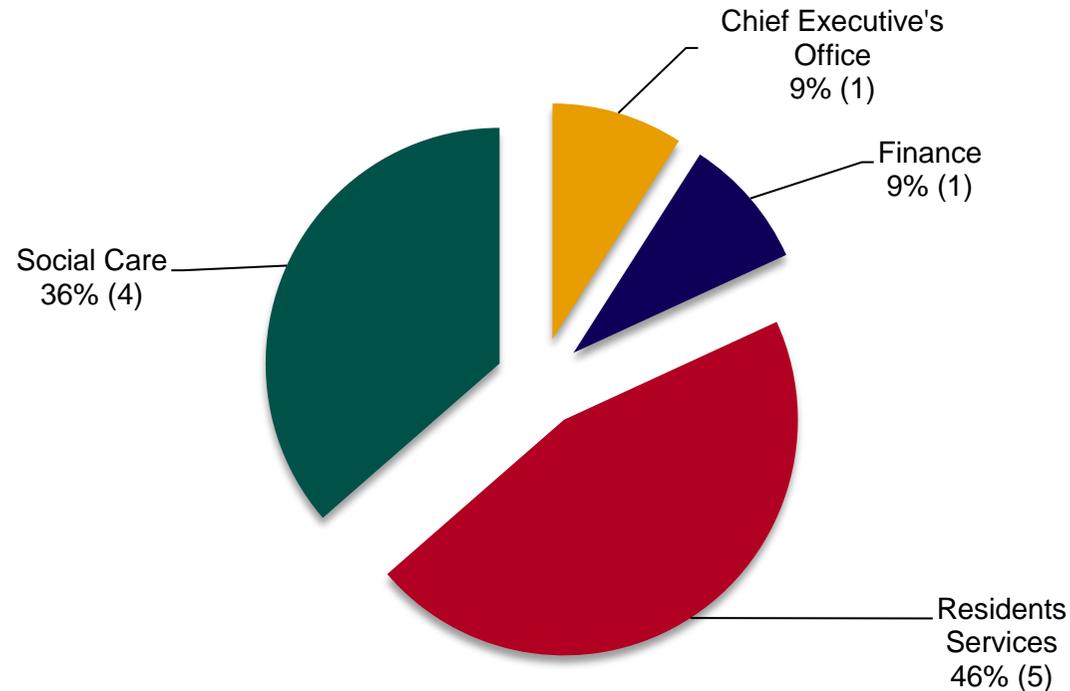
IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-A20	Payment Process in New Year's Green Lane	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	In March 2019 a minor financial irregularity was uncovered at New Year's Green Lane civic amenity. The Council promptly investigated the matter resulting in appropriate disciplinary action being taken against a member of staff and improvements made to the way the civic amenity services are provided and paid for. IA will review the complete payment process at the amenity site to ensure controls are robust and operating effectively.
19-A21	Missing Contract Review	Assurance	MEDIUM	Tony Zaman Corporate Director, Social Care	Section 13 of the Children Act 2004 requires local authorities to make arrangements to ensure that their functions are discharged with a view to safeguarding and promoting the welfare of children. The Council had recently transferred the contract for the provision of return home interviews to Coram (previously supplied by NYAS). IA will provide assurance over the robustness of the assessment process, recording of information, conduct of the interviews, timeliness and intelligence gathering to ensure the safeguarding of children and young people is sufficient.
19-A22	Voids Management	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	The void's management process is managed in-house but the Council employs external firms to carry out repair and maintenance works. The Council is exposed to reputational, financial and operational risks if these firms do not carry out works efficiently, effectively and economically. This review will oversee how these works are carried out, authorised, monitored and paid for.
19-A23	Counter Fraud Policies	Assurance	MEDIUM	Paul Whaymand Corporate Director of Finance	The Council's Counter Fraud policies have been updated over the last 12 months. Further, an e-learning package has also been developed to support training to staff in the organisation. The Council seeks assurance that all relevant stakeholders are complying with these policies in light of the changes.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 3****IA work scheduled to commence in the 1st October to 31st December 2019 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-A24	Merchiston House Follow-up	Assurance (Follow-Up)	MEDIUM	Tony Zaman Corporate Director, Social Care	Following the 2018/19 IA assurance review of Merchiston House which received a LIMITED assurance opinion we will check that the 2 HIGH and 3 MEDIUM risk recommendations marked as Implemented by management have been verified.
19-C6	Administration of Dedicated Schools Grant in Nurseries	Consultancy	MEDIUM	Tony Zaman Corporate Director, Social Care	The Council has recently identified grant claim issues by a nursery, who incorrectly claimed for children that have transitioned to school. The matter has been dealt with by the Head of Service; however the Corporate Director has requested IA to carry out a consultancy piece of work to make sure there is a robust system in place for processing applications for nursery funding.
19-C7	Payment Modernisation	Consultancy	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	The BID team have developed a payment process for the Council's new website. The team will be embarking on a series of payment process changes on high volume services over the next 6 months. In parallel, there are also plans to enable the sign up to online Direct Debits to avoid the need for residents and customers to download PDFs and send signed authority via post. The senior manager would like to work with the IA team to monitor how this is progressed and managed due to the risks associated with the project, which will impact the way residents make payments for services and interact with the Council.
19-GC9	Troubled Families (TF) Grant - Quarter 3	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 3 (cont'd)**

IA work scheduled to commence in the 1st October to 31st December 2019 period – Analysis by Corporate Director:



- The relevant Audit Sponsor (Corporate Directors, Directors, Deputy Directors, Assistant 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 KEY PERFORMANCE INDICATORS**

KPI Ref.	Performance Measure	Target Performance	Actual Q2 Performance	RAG Status
KPI 1	2019/20 HIGH risk IA recommendations where positive management action is proposed	98%	100%	GREEN
KPI 2	2019/20 MEDIUM risk IA recommendations where positive management action is proposed	95%	100%	GREEN
KPI 3	2019/20 HIGH risk IA recommendations where management action is taken within agreed timescale	90%	N/A to date	-
KPI 4	2019/20 MEDIUM risk IA recommendations where management action is taken within agreed timescale	75%	N/A to date	-
KPI 5	Percentage of annual (Q1 to Q4) IA Plan delivered to draft report stage by 31 st March	90%	100%	GREEN
KPI 6	Percentage of annual (Q1 to Q4) IA Plan delivered to final report stage by 31 st March	80%	100%	GREEN
KPI 7	Percentage of draft reports issued as a final report within 15 working days	80%	100%	GREEN
KPI 8	Client Satisfaction Rating (from CFQs)	85%	91%	GREEN
KPI 9	IA work fully compliant with the UK PSIAS and IIA Code of Ethics	100%	100%	GREEN

Key for above:

- CFQs = Client Feedback Questionnaires.
- PSIAS = Public Sector Internal Audit Standards.
- IIA = Chartered Institute of Internal Auditors (UK).

Key for future reporting on actual KPI performance:

- **RED** = currently this performance target is not being met (significantly [**>5%**] short of target performance).
- **AMBER** = currently not meeting this performance target (just short [**<5%**] of target performance).
- **GREEN** = currently meeting or exceeding this performance target

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

RISK	DEFINITION
<p style="text-align: center;">HIGH</p> <p style="text-align: center;">●</p>	<p>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.</p>
<p style="text-align: center;">MEDIUM</p> <p style="text-align: center;">●</p>	<p>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.</p>
<p style="text-align: center;">LOW</p> <p style="text-align: center;">●</p>	<p>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.</p>
<p style="text-align: center;">NOTABLE PRACTICE</p> <p style="text-align: center;">●</p>	<p>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.</p>