

BUSINESS ASSURANCE

Annual Internal Audit Report & Opinion Statement 2019/20

31st August 2020



Contents

The Business Assurance key contacts in connection with this document are:

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

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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 2019/20 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 2019/20 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

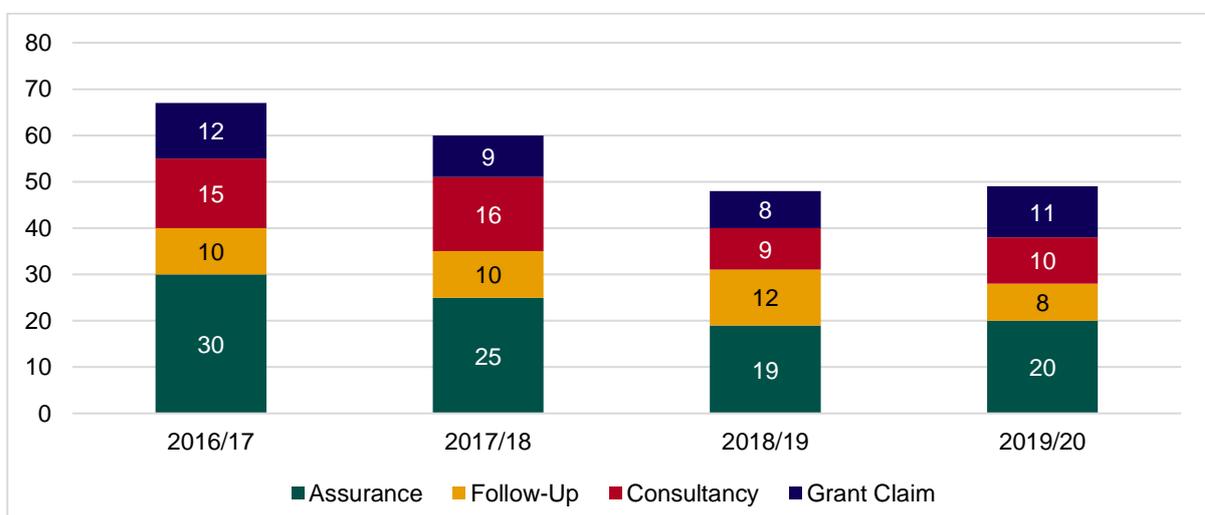
- 2.1 Between 1st April 2019 and up to early March 2020 the IA service was progressing well with delivery of the IA plan and was on track to meet all of its KPIs. However, as a result of the Coronavirus pandemic and the subsequent lockdown, all non critical council work was put on hold until further notice. Although IA is a statutory service and delivery of the IA work is essential, the precise timing of IA work is not time critical. The statutory duty of the IA function is to provide independent and objective assurance to underpin the HIA opinion statement which supports the Council's Annual Governance Statement.
- 2.2 During lockdown the IA service staff were redeployed to support a range of critical services across the Council. The majority of IA staff along with other Business Assurance colleagues in the Counter Fraud, Insurance and Health & Safety teams were redeployed to work on the Council's **Food Delivery Service (FDS)**. This was a new initiative, set up soon after the lockdown was announced in light of the unprecedented hardships and untold disruption that Hillingdon residents would be facing.

- 2.3 Successfully led by the Corporate Director of Residents Services (and Deputy Chief Executive), the FDS operated 7 days a week including bank holidays and provided a unique bespoke food shopping and delivery service for residents as well as supplying and delivering emergency parcels to vulnerable people including rough sleepers. IA staff also collected and delivered medication to residents who were shielding. At the height of the pandemic the orders for food, medication and emergency parcels were exceeding 100 per day. In addition, IA staff assisted in the delivery of PPE and supported the Council's Exchequer Services team by performing verification checks on **business grant claims**. This work was vital in supporting local businesses through the Coronavirus pandemic and was championed and monitored by central government.
- 2.4 The IA team returned to IA work in early June 2020 as part of the Council's 'Recovery' phase and the return to 'business as usual'. From that point the team's immediate focus was on completing the remaining 2019/20 work that was outstanding before lockdown was instigated, as well as verifying the business grant claims and completing some Quality Assurance and Improvement work. Despite the significant disruptions to IA work in 2019/20 Quarter 4 and 2020/21 Quarter 1, the HIA is pleased to report that **the 2019/20 IA plan was 100% complete to final report stage by 31st August 2020**. Although 31st August is not in line with the IA team's annual target (i.e. 31st. May) as already stated this deadline needed to be moved due to the Coronavirus pandemic.
- 2.5 For the purpose of the Council's Annual Governance Statement, following 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 2020 accords with proper practice, except for the significant internal control issues referred to in para 3.8 (see para 3.12 for further details).*

- 2.6 In total **49** pieces of IA work have been delivered as part of the 2019/20 IA plan. This included **20** assurance reviews, **8** follow-up reviews, **10** consultancy reviews and **11** grant claim audits. An analysis of IA work over the past 4 years shows a slight **increase** of work from 2018/19 to 2019/20 (**48** - refer to **Chart 1** below). Due to the Coronavirus pandemic, 2 assurance reviews, 1 follow-up and 1 consultancy review were **DEFERRED** to 2020/21 and 1 assurance review was **CANCELLED** because the area no longer presented a risk to the Corporate Director, Social Care (refer to **Appendix A** for further details).
- 2.7 **80%** of the 2019/20 assurance reviews 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.

Chart 1 – IA Work Undertaken



2.8 **99%** of the 2019/20 **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 2019/20). **2 MEDIUM** risk recommendations are being **TOLERATED** by management. Further analysis of the IA assurance levels issued in 2019/20 along with a breakdown of the risk recommendations raised can be found at sections 4 and 5 of this report respectively.

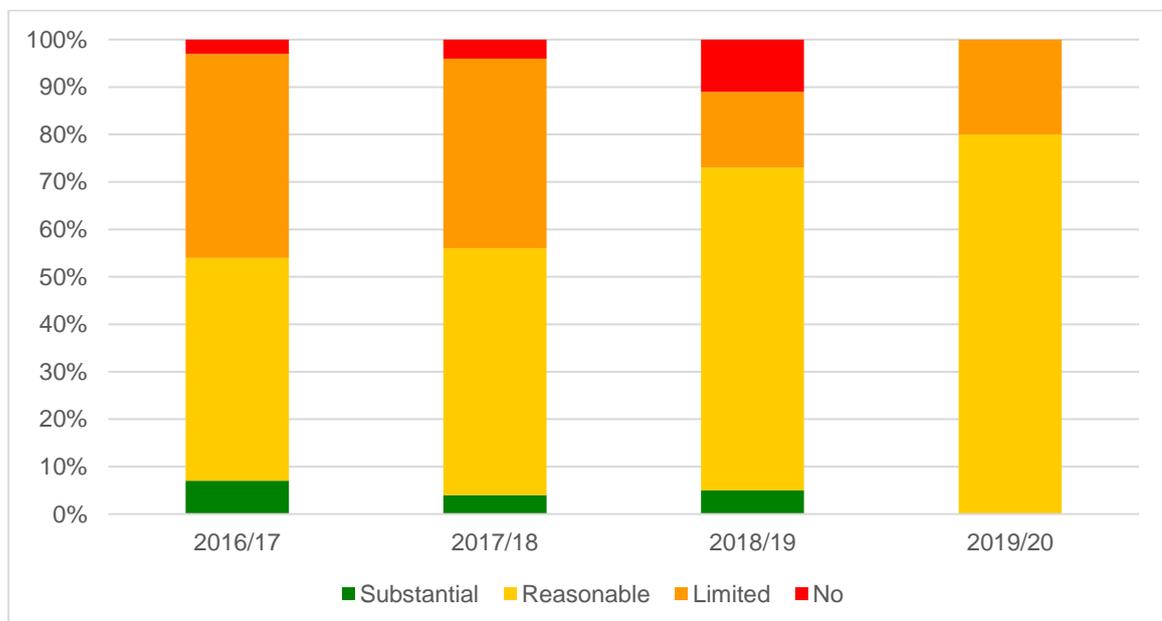
2.9 The table below provides an analytical review of assurance opinions issued by IA over the last 4 years. This partly demonstrates a broadly consistent picture, although this is within the context of 10 (33%) less assurance reviews in 2019/20 compared to 2016/17:

IA Assurance Levels

Assurance Level	2016/17	2017/18	2018/19	2019/20
Substantial	2 (7%)	1 (4%)	1 (5%)	0 (0%)
Reasonable	14 (47%)	13 (52%)	13 (68%)	16 (80%)
Limited	13 (43%)	10 (40%)	3 (16%)	4 (20%)
No	1 (3%)	1 (4%)	2 (11%)	0 (0%)
Totals	30	25	19	20

2.10 The bar chart overleaf highlights that IA assurance reviews continue to be focussed on the areas of greatest risk:

Chart 2 – IA Assurance Levels



2.11 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 2019/20. Specifically, as at 31st August 2020, **100%** of the **HIGH** risk recommendations raised in 2019/20 that have fallen due (1) 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 2019/20

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 2019/20 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, their impact, 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 2019/20, 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 2019/20 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 2019/20 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. As a result, the 2019/20 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 2019/20 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 2019/20 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 2019/20.** 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 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. Following this review the function has undergone a restructure and a Business Improvement Delivery (BID) review. An **IA follow-up review of EYC** was planned in 2019/20; but was deferred to 2020/21 due to Covid-19.

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2. The 2019/20 IA review of the **Cyber Incident Management** identified a range of issues, concerning the leaver's process, password control and administrator account management. 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 2020/21 Quarter 3.
 3. The 2019/20 IA review of the **Payment Process in New Years Green Lane** identified several issues concerning the current IT system including lack of maintenance, poor access controls, no interface with other systems and limited quality checks/ data validation. The payment process reliant on manual records, which we found to be inaccurate and not easily accessible, staff training records were not available for IA testing and payment records from larger trader customers were not evidenced. Management brought this review to IA's attention knowing that significant control weaknesses would be identified and we worked collaboratively with them to identify each risk while they agreed the steps they would take to address each of the risks identified and take prompt action to address them.
 4. Following a request by management during the quarterly IA planning process, a review of the **Administration of Dedicated Schools Grant in Nurseries** found that for 8 children the Early Years Funding Entitlement (EYFE) had been claimed and a total of £11,101 had been awarded to 5 providers, despite all 8 being at school during the term. Other areas for improvement include obtaining signed agreements from the EYFE and maintaining better staffing records, setting performance targets and maintaining induction records for new team members. This is another example of working collaboratively with management to address areas of concern, highlight and prioritise the areas of highest risk and find solutions to reduce and/ or remove them.
 5. The **Dedicated Schools Grant (DSG)** continues to put pressure on the Dedicated Schools Budget, which has a cumulative deficit of £15m at the end of 2019/20, and estimated in-year budget gap of £7.2m gap for 2020/21. The risk has been captured on the Council's Corporate Risk Register and is currently a **MEDIUM** risk rated **E1**. The lack of central government support to approve the Council's Deficit Recovery Plan and to provide funding to alleviate the deficit means the risk is not improving and instead could potentially worsen as the gap increases.
 6. The rapid progression of the **Coronavirus pandemic** presented LBH with a unique set of risks and a considerable number of issues to address and respond to within tight timeframes. CMT consulted on a daily basis and the Covid-19 Gold Group remains in place to closely monitor developments to ensure we are following the latest advice and protocols from Public Health England and central government. Whilst the Council is still dealing with the aftermath of lockdown, we are working with residents and staff to rebuild our community. Whilst the risk of a second wave is ever present, the Gold Group continues to work diligently to plan for a possible second lockdown if an increase in localised Coronavirus cases is identified.
 7. Due to Covid-19, **Brexit** matters became side-lined temporarily although this continues to be a risk for the Council. We continue to await guidance, instruction and/ or policy from central government on how this will impact local authorities. In the meantime, a wide range of activities were undertaken in the lead up to and preparation for Brexit. Strategic co-ordination was in place where CMT had oversight of Brexit related risks and controls by Group (Directorate). Preparedness and consideration of resilience related impacts on critical services and meeting statutory duties was regularly discussed and considered. The risk has been captured on the Council's Corporate Risk Register and is monitored regularly.

3.9 Internal Control Improvements

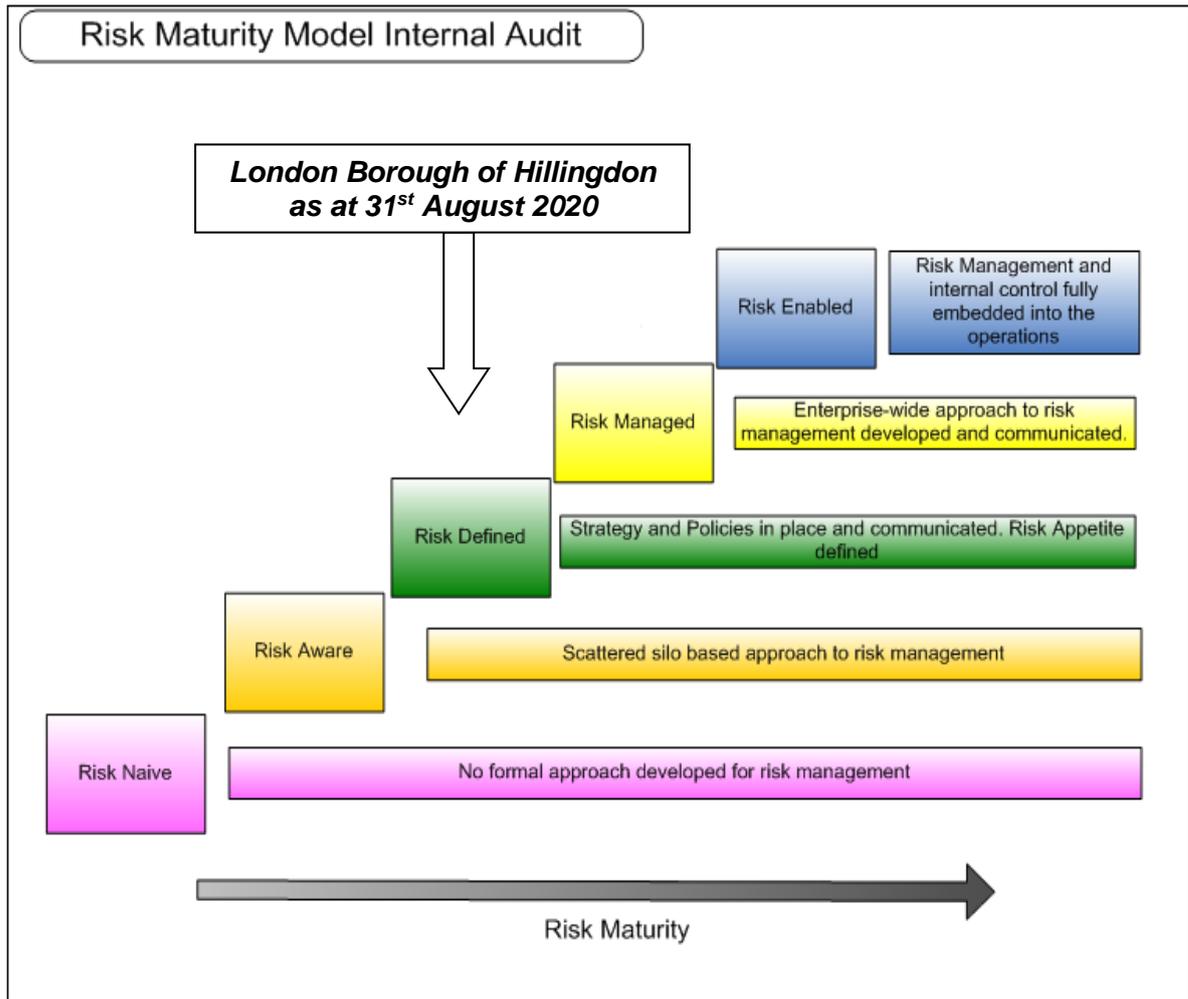
- 3.9.1 In addition to the action taken by senior management to address the significant control weaknesses, IA has identified during the year a number of areas where other improvements have strengthened the control environment. These include:

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- **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 as well as the associated monitoring activities; and
 - The Council has been successful at continuing to **achieve transformational savings and maintaining 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 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 Risk Management arrangements is based on **the Chartered Institute of Internal Auditors' Risk Maturity Model**. IA has identified that there is good Risk Management practice in an increasing number of areas of the Council's operations, but the issue remains that the majority of the Council's services' understanding of Risk Management could be improved.
- 3.10.2 IA's review of the Council's Risk Management arrangements concluded that whilst the approach to Risk Management 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 Risk Management policy and guidance was last updated and approved in January 2018 and is currently being reviewed by the Corporate Risk Management Group (CRMG), before going on to be considered by the Corporate Management Team (CMT) and Audit Committee. The policy contains comprehensive detail including clarity of roles, responsibilities and accountabilities of Members and Officers in relation to Risk Management.
- 3.10.4 The Council has a well-established 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 generally 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 Risk Management 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 August 2020. 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.

Chart 3 – Chartered Institute of Internal Auditors’ Risk Maturity Model



3.11 Corporate Governance

3.11.1 The 2019/20 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 below:

2019/20 Corporate Governance Assessment

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.	<p>REASONABLE Assurance</p> <p>The Council has a clear vision and strategic priorities in place to guide the organisation in the short, medium and long term. A search of the Council’s intranet and website found that the organisation has 4 key themes which clearly align with its overall vision of: <i>“Putting our residents first”</i>. These themes and the vision further inform the Council’s objectives, enshrined primarily within the Hillingdon Improvement Programme (HIP) and Local Plan.</p> <p>However, the vision was not found to be clearly advertised on a new version of the Council’s website. Further, results of an internet search using the keywords <i>“Hillingdon”</i> and <i>“objectives”</i> found a document outlining a ‘Core Strategy’ and Council objectives, which were updated in 2012.</p>

Langland's Governance Principles	IA Assessment of Hillingdon
<i>(Principle 1 – cont'd)</i>	<p><i>(Principle 1 – cont'd)</i></p> <p>The Council was found to have a clear vision, strategies and objectives in place, along with its HIP programme for improving services for residents. However, there was no evidence that the Council had engaged in an external review of its effectiveness. The Local Government Association operate a 'peer challenge' programme with the aim of providing external review, challenge and shared learning, in which 71 Councils took part in 2018/19. The Council could consider utilising such programmes to provide external assurance of its organisational values, behaviour, and operations, promoting knowledge sharing.</p>
<p>2. Good governance means performing effectively in clearly defined functions and roles.</p>	<p>REASONABLE Assurance</p> <p>The Council has an up to date Constitution in place that is communicated to residents, officers and Members. Each directorate is supported by a Scheme of Delegations (SoD) document, which clearly specifies decision-making responsibilities across all management levels. These are further supported by a Procurement and Standing Order Rules document, specifying levels of authority for procurement exercises.</p> <p>Statutory chief officer roles were all found to be in place at the Council, with none currently vacant. Supporting job description documents were obtained for each of these chief officer roles and found to adequately capture statutory responsibilities. However, a job description for the Monitoring Officer role could not be obtained, although the risk of this not being in place is mitigated due to responsibilities being enshrined within legislation.</p>
<p>3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour.</p>	<p>REASONABLE Assurance</p> <p>The Code of Conduct documents clearly define the expected behaviour and values of officers and Members. These documents also define the relationship between officers and Members and are enshrined within the Constitution. Behaviour is further governed by processes to monitor conflicts of interest and complaints for officers and Members, alongside Counter Fraud, Anti-Corruption, Anti-Bribery, Whistleblowing, and Gifts and Hospitality arrangements. A Standards Committee is in place to oversee these arrangements, although it was noted that the Committee has not convened due to there being a lack of items to consider, showing that strong values and behaviour are consistently practiced.</p> <p>Under the Local Government Transparency Code 2015, the Council is required to regularly publish certain data openly and transparently. The Council's website has a dedicated page for the publishing of its data under this Code. Whilst it was clear that all 16 mandatory datasets had been published, 7 out of 16 were not up to date and 3 out of 16 were identified as not published in a format that conformed to the Code.</p>

Langland's Governance Principles	IA Assessment of Hillingdon
<p>4. Good governance means taking informed, transparent decisions and managing risk.</p>	<p>SUBSTANTIAL Assurance</p> <p>There are strong arrangements in place for decision making at the Council, where decisions are made in accordance with the Cabinet SoD and directorate SoDs. Each decision is supported by an assessment of risks and financial and legal implications, with minutes and reports of each Cabinet and committee meetings published for transparency.</p> <p>The Council's Executive Scrutiny Committee also considers each Cabinet decision and has the ability to 'call-in' a decision so that it can be re-considered, although this power has not been exercised for several years. Finally, there is a robust risk management process in place to highlight and act upon emerging risks. This culminates in the production of an Annual Governance Statement, supported by assurance statements from each senior officer.</p>
<p>5. Good governance means developing the capacity and capability of the governing body to be effective.</p>	<p>SUBSTANTIAL Assurance</p> <p>A range of tools and training is in place to assist the Council's Members in the performance of their roles, including the provision of mandatory training courses. Each new Member is given an induction to the role and is subsequently provided with opportunities for development each year, which is managed by a dedicated officer.</p> <p>Further, the effectiveness of Cabinet and committees is considered periodically, as and when changes are identified as being needed. Evidence showed that changes to the Cabinet are clearly documented in a toolkit for ease of reference, for both officers and Members. This ensures that strong direction and governance for the Council.</p>
<p>6. Good governance means engaging stakeholders and making accountability real.</p>	<p>SUBSTANTIAL Assurance</p> <p>Key achievements, performance and objectives are communicated to residents, officers and other Council stakeholders using a variety of methods. These messages are enhanced by processes in place for such stakeholders to engage with the Council through surveys, consultations, petitions, and other methods of feedback, creating accountability for the Council's actions.</p> <p>Additionally, annual reports are created by each of the Council's Scrutiny and Policy Overview Committees and are considered by full Council, highlighting areas of work undertaken by each committee during the year and the outcomes for residents. These reporting arrangements are also set out in the Constitution, which governs the scope of each committee and its responsibilities to Cabinet and Council.</p>

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.

3.11.3 Further, the Council's governance arrangements are underpinned by its Constitution which explains how the Council is governed and how it operates.

3.11.4 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.

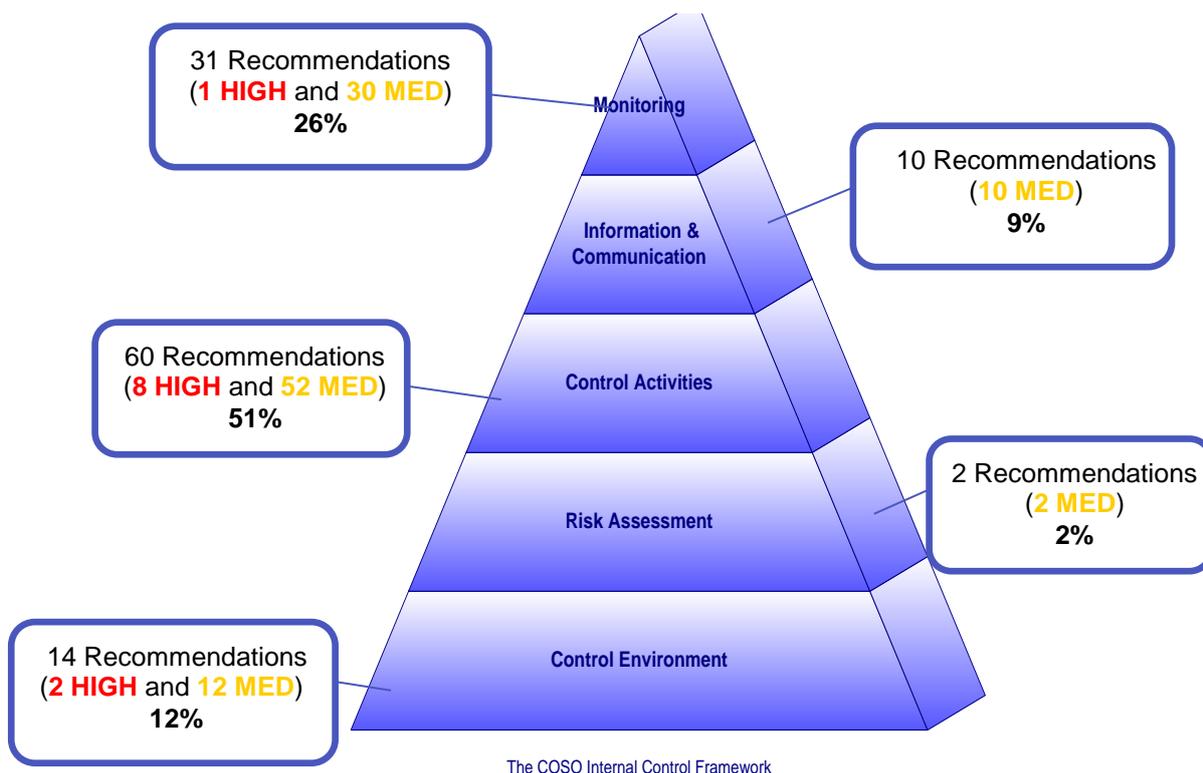
3.11.5 The Council exemplifies strong financial management and control that is illustrated by the relatively healthy reserves balances and history of record low Council Tax levels. Nevertheless, the Council continues to operate in an environment of declining financial support from government against 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). In addition, the impact the Coronavirus has had on the local community including residents and businesses and the financial pressures this has placed on the local authority.

3.11.6 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 2019/20 savings of £6.6 million delivered or on track for delivery. This proven successful approach is set to be continued beyond 2019/20, 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 **117 HIGH** and **MEDIUM** risk IA recommendations (per para. 5.8) raised during the 2019/20 year:

Chart 4 – 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. Similarly, 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 2019/20, 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 financial year ending 31st March 2020 accords with proper practice**, except for the significant internal control issues referred to in para 3.8.

4. Analysis of Internal Audit Activity 2019/20

4.1 Internal Audit Assurance Work 2019/20

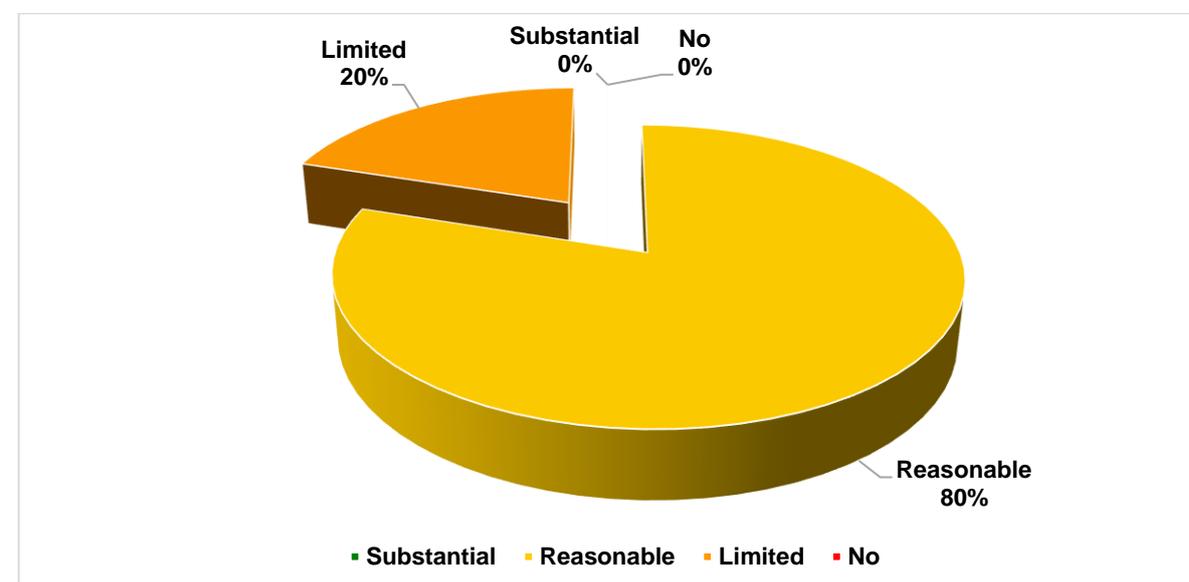
4.1.1 The 2019/20 IA assurance work is summarised by the assurance level achieved (definitions of the IA assurance levels are included at **Appendix B**) as per the table below:

Comparison of Assurance Levels from 2016/17 to 2019/20

Assurance Level	2019/20 IA Assurance Reports	Percentage Split 2019/20	Comparison		
			2018/19	2017/18	2016/17
SUBSTANTIAL	0	0%	5% (1)	4% (1)	7% (2)
REASONABLE	16	80%	68% (13)	52% (13)	47% (14)
LIMITED	4	20%	16% (3)	40% (10)	43% (13)
NO	0	0%	11% (2)	4% (1)	3% (1)
TOTAL	20	100%	100% (19)	100% (25)	100% (30)

4.1.2 The pie chart below depicts the levels of assurances achieved based on a percentage of the total 2019/20 assurance audits completed by IA:

Chart 5 – Comparison of Assurance Levels from 2016/17 to 2019/20



4.1.3 Chart 5 highlights the positive news for the Council that 80% of the areas audited in 2019/20 were assessed by IA as providing **REASONABLE** levels of assurance over the management of the key risks to achieving the service objectives. Further, results from 2019/20 IA Assurance work represent an improvement when compared to 2018/19 outturn figures (23%). 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 2019/20.

4.1.4 The individual assurance reviews carried out during 2019/20 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 **20** IA assurance reviews completed in 2019/20, we raised **169** IA assurance recommendations in total as set out in the table below:

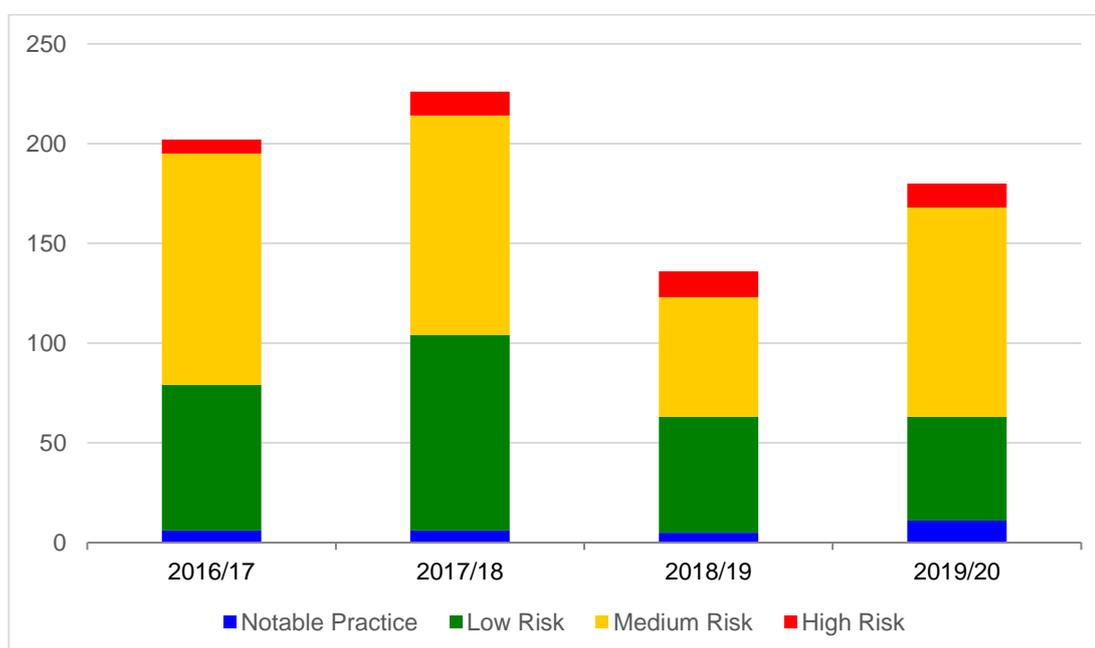
IA Recommendations Comparison

Risk Rating	2019/20		Comparison		
	Recommendations	Percentage	2018/19	2017/18	2016/17
HIGH	12	7%	10% (13)	5% (12)	15% (7)
MEDIUM	105	62%	46% (60)	50% (110)	57% (116)
LOW	52	31%	44% (58)	45% (98)	36% (73)
TOTALS	169	100% (169)	100% (131)	100% (220)	100% (204)
NOTABLE PRACTICE	11	-	5	6	6

4.1.6 Given that a risk based IA approach has continued to be applied during 2019/20, 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 2019/20 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:

Chart 6 – IA Recommendations Comparison



4.1.8 Chart 6 highlights that **7% (12)** of recommendations raised by IA in 2019/20 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 2019/20.

4.2 Internal Audit Consultancy Work 2019/20

4.2.1 In 2019/20 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 **10** consultancy pieces of work in 2019/20. This included support, advisory and data analytical work in relation to Private Sector Housing, HR IT Projects and Payment Modernisation.

4.3 Quality Assurance and Improvement Programme 2019/20

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 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. We are now seeking to form a revised QAIP to further drive the IA service forward to ensure the function continues to align to emerging best practice.

5. Internal Audit Follow Up 2019/20

5.1 IA monitors all **HIGH** and **MEDIUM** risk recommendations raised (excluding those at schools), through to the point where the recommendation has either been fully implemented, or a satisfactory alternative risk response has been proposed.

- 5.2 IA does not follow-up **LOW** risk IA recommendations as they are minor risks including compliance with best practice, or issues that have a minimal impact on a Service's reputation i.e. adherence to local procedures. It would also take a disproportionate amount of time for IA to robustly follow-up **LOW** risk recommendations. The full definitions of the IA recommendation risk ratings are included at **Appendix C**.
- 5.3 The implementation of recommendations raised by IA continues to be monitored through TeamCentral (TC - a module of the IA software TeamMate) which has become more embedded across the Council in 2019/20. Whilst TC automates the follow-up process, we facilitate the work allowing the IA team to focus on delivery of the IA plan, streamlining the process of following up recommendations. TC provides key stakeholders with greater oversight and/or 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 In 2019/20 IA has undertaken verifications work on **HIGH** and **MEDIUM** risk recommendations in addition to 7 specific follow-up reviews. Our follow-up work found that **64 (76%)** of the **84** recommendations followed-up were deemed **Implemented**. Of the remaining recommendations we deemed **1 (1%) Partly Implemented** and **19 (23%)** were **No Longer Applicable** because the risk had reduced significantly or no longer existed at the time testing (further details at **Appendix A**).
- 5.7 The **20** IA assurance reviews have resulted in **169** IA recommendations being raised in **2019/20** as well as **11 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 **eight times as many MEDIUM risk recommendations than HIGH risk recommendations raised** in 2019/20.
- 5.8 The table below summarises the **status of IA recommendations** raised as at 31st August 2020:

2019/20 Recommendation Status

2019/20 IA Recommendation Status as at 31 st August 2020	HIGH	MEDIUM	LOW	Total	NOTABLE PRACTICE
Total No. of Recommendations Raised (per Appendix A)	12	105	52	169	11
2019/20 IA Recommendation Status as at 31 st August 2020	HIGH	MEDIUM	LOW	Total	NOTABLE PRACTICE
Total No. of Recommendations Risks Tolerated by Management	-	2	-	2	-
No. Not Yet Due for Implementation	11	63	-	74	-
No. Implemented	1	32	-	33	-
No. of Recommendations Outstanding	0	10	-	10	-

- 5.9 Positive management action was proposed to address **115** of the 2019/20 **HIGH** and **MEDIUM** risk recommendations raised, **74** of which have not yet reached their target date for implementation. IA is pleased to report that **33** **HIGH** and **MEDIUM** risk recommendations which were due for implementation have been confirmed by management as being implemented. **This is a reasonably good outcome and comes directly as a result of the collaborative approach between IA and senior management across the organisation.**
- 5.10 It was noted that despite robust challenge from IA, **2** **MEDIUM** risk recommendations were stated by management as being **TOLERATED** with no action proposed. This means that management are accepting the risk the Council is exposed to. These 2 cases are the first time in the last 4 years that management has chosen to accept a **MEDIUM** risk IA recommendation with no action proposed.
- 5.11 The first one (from the Compliance with the Criminal Finances Act 2017 audit) refers to Employment Status Assessments which occur post contract. IA recommended that these take place pre-contract. The (former) Head of Procurement & Fleet believed that the IA recommendation *“added an extra layer of checks, which required additional resource for little value”* and she stated she believed that *“the current process manages the risk effectively in line with the Act”*. **IA believes the risk remains** that *“If Employment Status Assessments occur post-contract award then the Council is exposed to a greater risk of non-compliance with IR35 and Procurement rules, potentially resulting in financial penalties and reputational damage”*.
- 5.12 The second **TOLERATED MEDIUM** risk recommendation (from the Voids Property Management audit) concerns the enhancement of integrated IT systems to compliment processes and procedures. The Service Manager for Tenancy Services accepted the risk because he believes current systems are operating sufficiently. **IA believes the risk remains** that *“Where there are data errors and anomalies within the Northgate system, Civica and Google sheets, there is an increased risk that KPI data may be inaccurate, leading to incorrect decisions being made resulting in financial and operational consequences for the Council”*.
- 5.13 During Quarter 3, IA will be undertaking verifications testing on all implemented **HIGH** and **MEDIUM** risk recommendations to confirm and support management's assertion that recommended action has been successfully taken and is now embedded within the control environment. Further, IA 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 2019/20

6.1 Key Performance Indicators (KPIs)

- 6.1.1 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. Actual cumulative IA performance for 2019/20 against its KPIs is highlighted in the table below and overleaf:

2019/20 - IA Key Performance Indicators

IA KPI	Description	Target Performance	Actual Performance	RAG Status
KPI 1	HIGH risk IA recommendations where positive management action is proposed.	98%	100%	GREEN

IA KPI	Description	Target Performance	Actual Performance	RAG Status
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%	90%	GREEN
KPI 5	Percentage of IA Plan delivered to draft report stage by 31 st March.	90%	80%	RED
KPI 6	Percentage of IA Plan delivered to final report stage by 31 st March.	80%	80%	GREEN
KPI 7	Percentage of draft reports issued as a final report within 15 working days.	75%	95%	GREEN
KPI 8	Client Satisfaction Rating.	85%	94%	GREEN
KPI 9	IA work fully compliant with the PSIAS and IIA Code of Ethics .	100%		

- 6.1.2 The team's performance against **KPI 5** has seen the **target missed by 10%** this year, and as a result has been reported as **RED** in line with the KPI reporting standards. However, this is a considerable improvement from last year, where the actual performance against KPI 5 in 2018/19 was 63%. This shows a positive direction of travel in terms of team performance and had the IA work programme not been suspended by the Covid-19 pandemic this KPI would have been achieved quite comfortably.
- 6.1.3 In the current climate and during a period of significant change and upheaval some slippage is expected. Despite this, **100% of 2019/20 IA reviews were completed to final report stage by 31st August 2020**. Although 31st August is not in line with the IA team's expected annual deadline (i.e. 31st May) it is an achievement as it follows a period of uncertainty, disruption and 12 weeks of intense service delivery in other critical services.
- 6.1.4 The IA team meets regularly to discuss delivery against its KPIs and the HIA will continue to be carefully monitoring progress carefully against KPI 5 in particular moving forward. In addition, now that colleagues are familiar with the IA methodology and are establishing themselves across the Council, the HIA is confident that these targets will continue to be improved upon in 2020/21.
- 6.1.5 Management feedback continues to be positive about our coverage. This year's actual performance against **KPI 8** of 94% shows continued increase when compared to prior years, analysis provided at 6.2 below.

6.2 Client Feedback Questionnaires (CFQ)

- 6.2.1 As part of continuous improvement, a CFQ 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 **32** CFQs completed in relation to the 2019/20 IA Plan (as per **Appendix A**):

Comparison of Client Feedback Questionnaires

IA CFQ Areas	Average Score 2016/17	Average Score 2017/18	Average Score 2018/19	Average Score 2019/20	% Change (18/19-19/20)
Q1. Planning: The planning arrangements for the IA review were good	3.49	3.63	3.63	3.71	+2.2%
Q2. Scope: The scope of the IA review was relevant	3.44	3.59	3.66	3.79	+3.5%
Q3. Conduct: The IA review was conducted in a highly professional manner	3.76	3.67	3.68	3.85	+4.6%
Q4. Timing: The IA review was carried out in a timely manner	3.61	3.59	3.55	3.76	+5.9%
Q5. Report: The IA report was presented in a clear, logical and organised way	3.61	3.67	3.71	3.79	+2.2%
Q6. Recommendations: The IA recommendations were constructive and practical	3.51	3.46	3.53	3.71	+5.1%
Q7. Value: The IA review added value to your service area	3.44	3.48	3.53	3.62	+2.5%
Q8. Overall: I look forward to working with IA in future	3.66	3.72	3.71	3.88	+4.6%
Average Total Score	3.56 (89%)	3.60 (90%)	3.63 (91%)	3.76 (94%)	

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.

6.2.5 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.

6.2.6 From the **32** CFQs returned in 2019/20, IA has received a range of formal client comments on IA performance, **a snapshot of additional comments are provided below:**

Voids Management

- *"Your suggestions of a risk register has been a key part of our success on mitigating the risks of COVID-19 so again thank you for that - it came at the right time!"*

Missing Children from Home and Care

- *"The IA team really took time to understand both the local perspective and the legislation surrounding this piece of work which added value to the process."*

CCTV Control Room

- *"Well managed audit, helpful recommendations."*

HMO – Applications and Licensing

- *"The audit was carried out very well during Covid-19. It has added significant value to how the Private Sector Housing team now develops and grows."*

6.2.7 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.

7. Forward Look to 2020/21

7.1 Looking ahead to 2020/21, the **Coronavirus pandemic** continues to have a major impact globally and as a result Council services have had to adapt or in some cases radically change the way they operate. The consequences of this are significant changes to the Council's control environment including working to new processes and also policies that are no longer practical or relevant. It is against this backdrop that IA has had to revisit its **Audit Needs Analysis** to help formulate a revised IA plan for 2020/21.

7.2 Having recently completed the delayed 2019/20 IA Plan, IA is now in the process of using its **Risk Universe** to update the Audit Needs Analysis for 2020/21 which will:

- Score and profile each service in the Council by risk assessment;
- Identify any service areas that have not been subject to an IA review in the last 3 years; and
- Identify any new functions or significant processes that have been created in the last 6 months.

7.3 The Audit Needs Analysis will then be used to inform the quarterly IA planning process (for Quarters 3 and 4 2020/21) whilst ensuring a stronger risk based approach that provides coverage over the Council's **HIGH** and **MEDIUM** risks. The changed control environment will result in **a greater percentage of assurance coverage** featuring in the 2020/21 IA Plan. Another feature of the 2020/21 IA Plan will be **an increased focus on the prompt follow-up of IA recommendations** to provide timely assurance to key stakeholders. In addition, IA has agreed to **work more closely with the Council's Business Improvement Team** moving forward to ensure a more dovetailed approach to transformation of services.

7.4 The knock-on effect of the revised IA Plan and change in approach and has meant that a different skills mix is required within the IA service to ensure timely delivery of the work to the required high quality standards. Specifically, this means an increased level of complex assurance work being carried out and significantly less consultancy reviews. As a consequence, the majority of IA staff (and some Insurance staff) are currently in consultation on a proposed restructure. Whilst this is obviously a difficult time for the staff affected by the proposal, the Audit Needs Analysis has set out the clear business need to increase the level of assurance coverage provided by IA.

-
- 7.5 Therefore the proposed IA restructure will not only increase the total resource in the IA function but also strengthen the skills mix. As a result, even in the significantly reduced 2020/21 IA year, the HIA is confident that the IA plan will be delivered by 31st May 2021.
- 7.6 We have a successful track record in investing in the **professional development of our IA team** and of course we will continue to do so moving forward. We are pleased to report that recently the Senior Internal Auditor and one of the Internal Auditors were awarded professional IA qualifications by the Chartered Institute of Internal Auditors. Further, one of the Internal Auditors and the IA Apprentice have been shortlisted for the 2020 London Borough Apprenticeship Awards for the Best Progression and Best Contribution categories respectively. This is a great achievement for those individuals but is also a reflection of the priority we gave to the professional training and development of staff within IA, which will continue to be a priority in 2020/21.
- 7.7 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 a continued collaborative approach in IA's working relationship with staff and management who have generally responded very positively to IA findings.
- 7.8 There are no other matters that IA 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
31st August 2020

APPENDIX A**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2019/20**

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

2019/20 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 31 st August 2020	Assurance Level	Risk Rating				CFQ Received
				H	M	L	NP	
19-A12	Cyber Incident Management	Final report issued on 19 th Nov 2019	Limited	1	5	1	0	✓
19-A20	Payment Process New Yr's Green Lane	Final report issued on 20 th Feb 2020	Limited	4	7	1	0	✓
19-A25	Administration of DSG in Nurseries	Final report issued on 2 nd Mar 2020	Limited	1	5	1	0	✓
19-A30	Playground Inspections	Final report issued on 5 th Aug 2020	Limited	4	1	2	0	✓
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 Sep 2019	Reasonable	0	16	5	1	✓
19-A2	Compliance with Criminal Finances Act	Final report issued on 9 th Sep 2019	Reasonable	1	5	4	0	✓
19-A4	Battle of Britain Bunker	Final report issued on 30 th Sep 2019	Reasonable	0	5	6	1	✓
19-A3	Grounds Main. Spend on Eqpt	Final report issued on 30 th Sep 2019	Reasonable	0	7	1	0	✓
19-A7	Food H&S - Site Inspections	Final report issued on 24 th Oct 2019	Reasonable	0	7	1	0	✓
19-A14	Absence Management	Final report issued on 9 th Dec 2019	Reasonable	0	2	1	2	✓
19-A5	CCTV Control Room Arrangements	Final report issued on 24 th Feb 2020	Reasonable	0	4	4	1	✓
19-A21	Missing Children from Home and Care	Final report issued on 5 th Mar 2020	Reasonable	0	4	0	0	✓
19-A13	**Thematic Review of Pupil Premium Funding in Schools	Final report issued on 9 th Mar 2020	Reasonable	0	12	9	5	✓

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

IA Ref.	IA Review Area	Status as at 31 st August 2020	Assurance Level	Risk Rating				CFQ Received
				H	M	L	NP	
19-A19	Corporate Governance	Final report issued on 16 th Mar 2020	Reasonable	0	1	3	0	✓
19-A22	Voids Management	Final report issued on 23 rd Mar 2020	Reasonable	0	5	2	1	✓
19-A26	HMO - Applications and Licensing	Final report issued on 25 th Aug 2020	Reasonable	1	1	5	0	✓
19-A28	Void Property Management	Final report issued on 25 th Aug 2020	Reasonable	0	5	0	0	✓
19-A31	Purchase Cards	Final report issued on 25 th Aug 2020	Reasonable	0	6	1	0	
19-A18	<i>Cyber Maturity Assessment</i>	<i>Deferred to 2020/21 due to Covid-19</i>						
19-A29	<i>Terminating a Tenancy</i>	<i>Deferred to 2020/21 due to Covid-19</i>						
19-A27	<i>Adult Pathway</i>	<i>Cancelled due to risk reduction</i>						
Total <u>number</u> of IA Assurance Recommendations raised in 2019/20				12	105	52	11	
Total <u>percentage</u> of IA Assurance Recommendations raised in 2019/20				7%	62%	31%	-	

* Total number of recommendations raised across 6 schools

** Total number of recommendations raised across 7 schools

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

IA Ref.	IA Follow-Up Review Area	Status as at 31 st August 2020	Recommendations				Total
			Implemented	Partly Implemented	Not Implemented	No Longer Applicable	
19-A9	Follow-up of IA recs	Verification testing concluded	64	1	0	19	84
19-A10	Volunteering	Memo issued on 21 st Jun 2019	3	0	0	0	3
19-A11	Trading Standards	Memo issued on 15 th Jul 2019	6	1	0	0	7
19-A17	Cyber Security	Memo issued on 30 th Sep 2019	3	1	1	0	5
19-A16	Positive Behaviour Support	Memo issued on 22 nd Oct 2019	3	3	1	0	7
19-A24	Merchiston House	Memo issued on 16 th Dec 2019	6	0	0	0	6
19-A15	Emergency Duty Team	Memo issued on 28 th Feb 2020	7	5	2	0	14
19-A33	Child Protection Conferences	Memo issued on 31 st Jul 2020	8	6	2	0	16
19-A32	<i>Early Years Centres</i>	<i>Deferred to 2020/21 due to Covid-19</i>					
Total Number			100 (62%)	17 (11%)	25 (15%)	19 (12%)	161 (100%)

2019/20 IA Consultancy Reviews:

IA Ref.	IA Review Area	Status as at 31 st August 2020	CFQ Received
19-C4	Troubled Families Spot Check	Memo issued on 25 th Jun 2019	✓
19-C2	Inquest Hearing Preparation	Memo issued on 13 th Sep 2019	✓
19-C5	Hillingdon Shared Lives Fund	Memo issued on 27 th Nov 2019	✓
19-C8	Safeguarding Adults Review - Learning Points Verification	Memo issued on 23 rd Dec 2019	✓
19-C10	Mayor's Charity Accounts	Memo issued on 15 th Jan 2020	N/A

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

IA Ref.	IA Review Area	Status as at 31 st August 2020	CFQ Received
19-C12	Adaptations Team Invoice Query	Memo issued on 5 th Feb 2020	✓
19-C9	Data Security Protection Toolkit	Memo issued on 17 th Mar 2020	✓
19-C1	Private Sector Housing Q1 - Q3 (Working Group)	Advisory work concluded in Mar 2020	N/A
19-C3	HR IT Projects (Working Group)	Advisory work concluded in Mar 2020	N/A
19-C7	Payment Modernisation (Working Group)	Advisory work concluded in Mar 2020	N/A
19-C11	Stores Stock Check	Deferred to 2020/21 due to Covid-19	

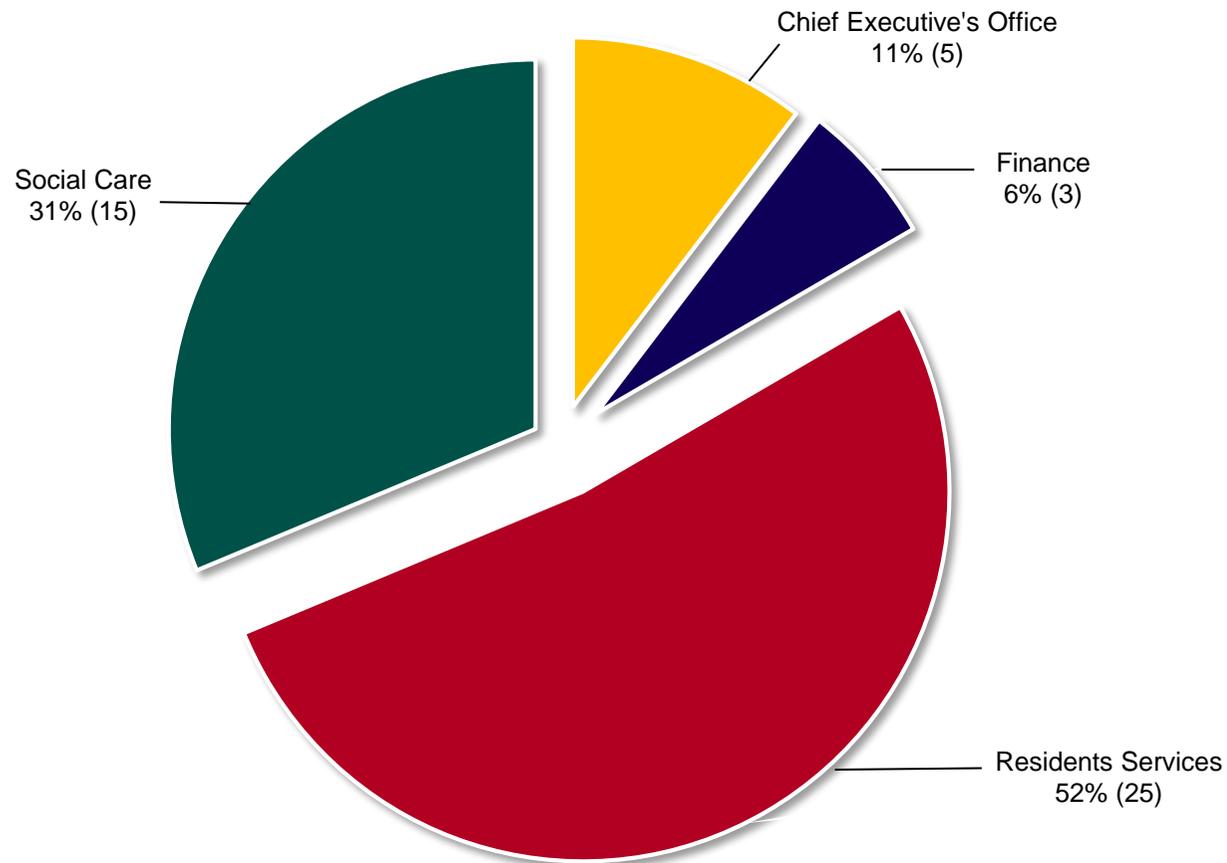
2019/20 IA Grant Claims certified:

IA Ref.	IA Review Area	Status as at 31 st August 2020
19-GC1	Troubled Families Grant - Quarter 1	Certified and memos issued on 24 th Apr and 26 th Jun 2019
19-GC3	2017/18 DfE Collaborative Fund (St. Mary's Catholic Pr. School)	Certified and memo issued on 27 th Jun 2019
19-GC4	2018/19 DfE Collaborative Fund (St. Mary's Catholic Pr. School)	Certified and memo issued on 27 th Jun 2019
19-GC8	Troubled Families Grant - Quarter 2	Certified and 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 September 2019
19-GC5	Disabled Facilities Capital Grant	Certified and memo issued on 30 th Oct 2019
19-GC9	Troubled Families Grant - Quarter 3	Certified and memos issued on 23 rd Oct, 29 th Nov and 18 th Dec 2019
19-GC11	Troubled Families Grant - Quarter 4	Certified and memos issued on 30 th Jan and 26 th Feb 2020
19-GC10	Public Health England Capital Funding Grant 2019/20	Certified and memo issued on 13 th Mar 2020

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2019/20 (cont'd)

Chart 7 – Analysis by Corporate Director of 2019/20 IA work (undertaken in the 1st April 2019 to 31st August 2020 period)



The IA review 'Follow-up of implemented IA recommendations' (IA Ref. 19-A9) is not featured in this chart because this is an overarching piece of work which is performed across Directorates (Groups).

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.

INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS

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

RISK RESPONSE DEFINITIONS

RISK RESPONSE	DEFINITION
TREAT	The probability and / or impact of the risk are reduced to an acceptable level through the proposal of positive management action.
TOLERATE	The risk is accepted by management and no further action is proposed.
TRANSFER	Moving the impact and responsibility (but not the accountability) of the risk to a third party.
TERMINATE	The activity / project from which the risk originates from are no longer undertaken.