



BUSINESS ASSURANCE

Internal Audit Plan 2021/22: Draft for Audit Committee

1st April 2021

Contents

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1. Introduction

1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, which is 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 (Amendment) Regulations 2021 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control, and corporate governance processes, taking into account UK Public Sector IA Standards (PSIAS).
- 1.1.2 IA provides an objective opinion to the Council on whether the control environment, corporate governance arrangements and risk management framework are operating effectively. In 2021/22 the IA service at Hillingdon will continue to apply a fully risk-based approach to its IA coverage, establishing quarterly risk-based plans to determine the priorities of the IA activity, in accordance with PSIAS 2010 - Planning. This means that IA gives greater assurance to the Council because it is based on the key risks to the organisation's objectives. As a result, we will not just be commenting on whether the controls operate, but whether they are the right controls to achieve the overall aims of the service.

1.2 The Purpose of the Internal Audit Plan

- 1.2.1 The IA Plan is a crucial component of the annual assurance opinion statement provided by the Council's Head of Internal Audit & Risk Assurance (HIA), to those charged with governance. In order to deliver this assurance, it is vital for the organisation to have a comprehensive IA Plan which gives sufficient risk-based coverage and support to management. Hillingdon, in common with all other councils, faces a number of challenges including post Covid-19 recovery work and an increased demand for services in a number of key areas. The test for Hillingdon Council is therefore to continue to try to balance the needs of our most vulnerable communities with the continually decreasing financial resources.
- 1.2.2 To help meet this need, the risk-based IA Plan for 2021/22 has been linked to the organisational objectives and strategic priorities, whilst also taking account of the Council's wider assurance framework. In addition, the IA Plan for 2021/22 has been developed in accordance with the IA Charter, the IA Strategy and also gives consideration to the Counter Fraud Strategic Plan 2021/22.

2. The Internal Audit Planning Process

2.1 The Approach to IA Planning in 2021/22

- 2.1.1 The pandemic continues to have a major impact globally and as a result Council services continues 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 policies that are no longer practical or relevant. It is against this backdrop that IA continues to apply its revised '**Audit Needs Analysis**' to help formulate its IA plan for 2021/22.
- 2.1.2 Since Quarter 2 2020/21 (during the Covid-19 pandemic), IA has used its '**Risk Universe**' (a long list of areas for potential IA review) to update the Audit Needs Analysis which included:
- Scoring and profiling each service in the Council via a risk assessment;
 - Identifying any service areas that have not been subject to an IA review in the last 4 years; and
 - Highlighting any new functions that have been created, or significant process changes that have occurred within the last 12 months.

- 2.1.3 The Audit Needs Analysis is used to inform the quarterly IA planning process, ensuring a stronger risk based approach (in accordance with PSIAS 2010 - Planning) that provides coverage over the Council's **HIGH** and **MEDIUM** risks. The changed control environment has resulted in **greater assurance coverage** featuring in the 2021/22 IA Plan. Another feature of the plan is **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.
- 2.1.4 The quarterly risk-based approach to IA planning means that IA coverage gives greater assurance to the Council because it is based on the key risks to the organisation's objectives. As a result, IA will not just be commenting on whether the controls operate, but whether they are the right controls to achieve the overall aims of the service.

2.2 Skills and Resources

- 2.2.1 In line with the **PSIAS Standard 1210 - Proficiency**, the HIA is professionally qualified and suitably experienced, whilst the IA activity collectively possess the knowledge, skills and other competencies needed to perform its responsibilities. The skills mix within the in-house IA team has once again continued to evolve in the last 12 months, with every team member either **professionally qualified or actively studying** for a relevant professional IA qualification.
- 2.2.2 As per the IA strategy, we continue to invest in the training and development of all our staff, including identifying opportunities for further development in associated areas of assurance. The recent recruitment exercise within the IA service has provided the HIA with an opportune time to reflect on the structure and skills mix across the IA team. This has enabled internal promotion as well as further training and development opportunities. This is in line with our recruitment strategy and model, giving additional responsibility where merited as a result of high performance.
- 2.2.3 Demand for IA assurance and consulting services usually exceeds available IA resources at local authorities. This means choices must be made that will determine the impact IA has upon the organisation and the way key stakeholders perceive the value of IA. The starting point in the IA planning process at Hillingdon is therefore to **determine the total available IA staff resources**.
- 2.2.4 After deducting an appropriate amount of allocated time for IA planning, reporting, staff training, etc, the calculated **total available IA chargeable time for 2021/22** at Hillingdon is **1,100 IA Days**, which is a **29% increase** compared to the 2020/21 IA Plan (850 IA Days). For comparison, this represents a 250 day increase on the 2020/21 IA Plan as detailed at **Appendix B**. This increase in days is primarily due a change in the composition and skills mix of the IA team.
- 2.2.5 Nevertheless, overall available IA resources fulfil the PSIAS requirements in terms of the combination of professionally qualified and appropriately experienced staff. In addition, the level of IA resources at Hillingdon is broadly in line with similar size and types of local authority in England. As a result, we are confident that there will be sufficient IA resources available to meet the skills and resource requirements needed to deliver the 2021/22 risk-based IA Plan.

2.3 Planning Sources

- 2.3.1 Although the IA Plan for the year is determined by the number of days available, the primary purpose of the IA Plan is ensuring that the key risks facing the Council are given sufficient IA attention. Therefore, the next step in developing the risk-based annual IA Plan has been to make reference to a variety of planning sources (as per the flowchart of the IA Process attached at **Appendix A**) including:

- **Team Plans** – We carried out a review of team plans, where these could be traced, to help us confirm the strategic objectives of each service area;
- **Corporate Risk Register** – Review of the Council’s Corporate Risk Register to establish those charged with governance’s view of the main risks facing the Council;
- **Group & Service Risk Registers** – We conducted a review of Group and Service risk registers (where they were in place), to help identify the key risks facing each service;
- **Senior Management** – We have met or spoken with senior managers across the Council including members of Corporate Management Team (CMT), to develop our knowledge of the risks and challenges facing their services;
- **Key Documents** – We have carried out a desktop review of key Council documents including recent Business Improvement Delivery (BID) and Hillingdon Improvement Programme (HIP) reports;
- **Audit Committee** – We will invite comments from all members of the Audit Committee when they consider the draft IA plan at the next Audit Committee meeting planned for 20th April 2021. The IA plan will be subsequently updated to reflect any further comments and observations the Audit Committee members may have, before being formally finalised and circulated to all key stakeholders;
- **Members** – We have consulted with the Leader of the Council and the Lead Cabinet Member for Finance to seek their views on the key risks facing the Council and also offered training at Member development days;
- **External Audit** – We have previously liaised with Ernst and Young (EY) to discuss any matters of concern and to identify those areas where they are likely to consider IA work to inform their own risk assessment;
- **External Inspections** – We have given consideration to any relevant external inspection or peer review reports; and
- **IA Cumulative Knowledge** – We also make reference to the cumulative knowledge of the Business Assurance service of known control weaknesses and risks facing the Council, including the wider strategic issues and regulatory changes emerging elsewhere, effecting local government.

2.4 Risk Assessment

- 2.4.1 Using the knowledge gained through the planning sources, we carry out a comprehensive **audit needs analysis** and define what is known as the **audit universe** (a long list of areas for potential IA review). We then conduct an IA risk assessment for each area in the audit universe based on the following **three elements**:

Element	Definition
Inherent Risk	Our assessment of the overall level of risk associated with the audit area. This is effectively a gross relative risk of the potential impact of this area.
Control Risk	Our assessment and cumulative knowledge of the risk that exists within a particular area based upon the controls that we understand the Council has put in place. This affects the likelihood of the risk being realised.
Materiality	Our assessment of the potential financial or organisational impact. This might be judged by the potential for a monetary loss or the extent to which it impacts on core Council objectives.

- 2.4.2 The Council's risk management framework is not sufficiently mature to place full reliance on the corporate, directorate (group) and service risk registers to identify ALL the risks the Council faces. However, the corporate and group risk registers are developed sufficiently enough to inform the IA risk assessment process which includes post Covid-19 risk assessment and audit needs analysis work including calculating the total audit risk.
- 2.4.3 The **total audit risk score** is determined using each of the elements in para 2.4.1, which enables each area in the audit universe to be categorised into one of three '**Overall Risk Assessment**' areas as detailed below:

Overall Risk Assessment	Definition
HIGH	This relates to a significant threat or opportunity that impacts the Council's corporate objectives. This has an impact on the Council's reputation, statutory compliance, finances, or key corporate objectives.
MEDIUM	This relates to a potentially significant threat or opportunity that impacts on either corporate or operational objectives. This has an adverse impact on the Department's reputation, adherence to Council policy, the departmental budget or service plan objectives.
LOW	This relates to a minor threat or opportunity that impacts on operational objectives. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives.

3. The 2021/22 Internal Audit Plan

- 3.1 The results of the **Overall Risk Assessment** process are used to determine IA priorities and produce the allocation of IA resources. This provides a high-level estimation of where we expect to utilise our resources over the year. Attached at **Appendix B** is a Pie Chart which provides the 2021/22 IA Plan high-level '**Estimation Allocation by Audit Type**'. We believe this allocation provides the best value to our key stakeholders, using a risk-based approach to internal control, risk management and corporate governance. Also, at **Appendix B** is a Bar Chart showing the 2021/22 IA Plan analysed by audit type.
- 3.2 Underpinning the high-level annual plan, IA will carry out quarterly planning cycles to ensure that IA coverage has the flexibility to respond to the dynamic environment in which the Council operates. As a result, appended to the quarterly IA progress reports will be the detailed operational IA plan for the following quarter. These will be formally presented and considered at the respective CMT and Audit Committee meetings in line with previous practice. It is our opinion that this approach helps make sure IA resources are directed in a more flexible and targeted manner to maximise the benefit to our stakeholders. This enables a continuous risk-based IA approach in line with the PSIAS. This will also make sure that IA planning will be conducted regularly to help ensure it remains aligned with the Council's objectives and emerging risks impacting their achievement.
- 3.3 Set out at **Appendix C** is the high level '**Allocation of IA Days for 2021/22**' which highlights that the calculated **total available IA chargeable time** for a full audit year will become **1,100 IA Days**, which is a **29% increase** (250 IA Days) compared to the 2020/21 IA Plan (850 IA Days). This increase in IA Days (as detailed at para. 2.2.4) is achievable because of a recent team restructure which saw **an increase in the size of the IA function by 2.0 f.t.e. staff** and strengthened the skills mix of the IA team at the same time (refer to the IA structure chart attached at **Appendix F**).

3.4 Appended to the 2020/21 Quarter 4 IA Progress report presented to the Audit Committee, is the detailed operational IA plan for **2021/22 Quarter 1** as agreed with the relevant senior managers. The quarterly detailed operational IA plans include several **key features** as detailed below:

- **ICT Audit** – The quarterly operational IA plans makes provision for specialised computer audit work to be undertaken by our in-house qualified computer auditor. The scope of this assurance work will be to assess and report upon the adequacy of the key ICT controls present within major Council systems and ICT processes.
- **Grant Claims** - The public sector is funded from a number of sources, including hypothecated and un-hypothecated grants. Hypothecated grants are grants for a specific purpose and un-hypothecated grants are general grants. The IA planning process has identified the number and timing of grant audits required during the year (some of which will be related to Covid-19) to ensure that there is appropriate resource available to audit claims within the required timescales.
- **Counter Fraud** – Whilst the Business Assurance Counter Fraud Team (CFT) is the lead assurance provider for the Council on fraud and corruption, the PSIA's require IA to evaluate the risk of fraud and thus we have a responsibility to give regard to the possibility of fraud and corruption as part of our coverage. IA will review the Council's counter fraud and corruption key controls as part of its 'assurance' coverage. In addition, close working, and liaison between IA and the CFT is in place, which provides critical risk intelligence to help focus IA resources.
- **Core Financial Systems** – The allocation of IA days at **Appendix C** highlights **100 days** which have been allocated for coverage of the core financial systems. This represents a slight increase to the previous year's coverage and reflects the changing risk landscape of the Council as a result of the pandemic. Financial controls are always at risk during periods of operational change and the IA resource has been adjusted to reflect this.
- **Value for Money** – As part of our 'assurance' coverage, IA may, where requested by Management, conduct Value for Money (VfM) reviews on specific areas of expenditure and seek to reach a judgement on whether good VfM has been achieved by the Council. Good VfM is defined as the optimal use of resources to achieve the intended outcomes. Our role is not to question the Council's policy objectives, but to provide independent and rigorous analysis to CMT and to the Audit Committee on the way in which public money has been spent to achieve policy objectives. As well as reaching an overall conclusion on VfM, where applicable we will make recommendations on how to achieve better VfM and to improve the services under examination.
- **Contracts** – With the increasing number of contracts in operation across the Council, there will be an increased focus by IA on contract related 'assurance' audits. This will include reviews of the procurement process, as well as contract management arrangements for the significant / high value contracts.
- **Consultancy** – In line with the PSIA's, IA coverage will include some consultancy work. The allocation of IA days at **Appendix C** highlights that only **81 days** has been allocated for IA consultancy in 2021/22. This reflects the change in risk appetite following the pandemic, with assurance coverage becoming a much greater priority.
- **Contingency** – An allocation for unprogrammed work will be included in each quarterly operational IA Plan. This will be used to respond to urgent requests for unplanned IA work. Where requests for work are not urgent, they will form part of the following quarter's operational IA Plan.

3.5 Our revised risk assessment and Audit Needs Analysis for 2021/22 continues to highlight schools as an increasingly significant risk. Schools will remain a prominent feature in the detailed quarterly operational IA Plans. As a result, **the IA team will continue to provide risk based IA coverage at LBH maintained schools**. When agreeing the quarterly audit programme for schools our cumulative knowledge includes meeting with the Council's Education Lead, Schools Finance team, HR and the relevant CMT Director.

4. Internal Audit Reporting

- 4.1 Business Assurance reports the findings of its IA work in detail to key officers at the conclusion of each piece of its work. However, Corporate Directors are immediately informed of any significant internal control weaknesses identified by IA. With the exception of follow-up and consultancy reviews (including grant claim audits), all IA reports issued include an assurance opinion and recommendations based on the **IA Assurance Levels and Recommendation Risk Rating** definitions included at **Appendix D**.
- 4.2 A quarterly IA progress report is submitted to CMT and the Audit Committee, summarising IA performance and work carried out in the period. These reports will provide an update on the progress made against the delivery of the IA Plan and provide details of IA work completed to date, the assurance opinions given, and the number and type of recommendations made. As already noted, these quarterly progress reports also include the detailed operational IA Plan for the following quarter.
- 4.3 In addition, at the end of the audit year an annual IA report is presented to CMT and the Audit Committee. This provides the statutory HIA opinion statement on the Council's internal control, risk management and corporate governance arrangements. The individual assurance ratings help determine the overall audit opinion at the end of the financial year, although other factors such as implementation of IA recommendations will have a bearing too. The annual IA report contributes to the assurances underpinning the Council's Annual Governance Statement (AGS).

5. The Internal Audit Follow-Up Process

- 5.1 IA evaluates the Council's progress in implementing management agreed IA recommendations against set targets. Although detailed follow-up work will not be carried out by us for any **LOW** risk recommendations, IA continues to monitor all **HIGH** and **MEDIUM** risk recommendations raised. The full definitions of all the **IA Risk Ratings** are included at **Appendix C**. If progress is unsatisfactory or management fail to provide a reasonable response to our follow-up requests, we will implement the escalation procedure agreed with CMT, as clearly set out in the IA Management Protocol.
- 5.2 In addition to this, we will continue to **strengthen our approach to follow-up work in 2021/22** where we will actively follow-up on all **HIGH** risk recommendations **within 2 weeks** after their implementation date and **MEDIUM** risks **within 4 weeks** after their implementation date. This a major positive change, rather than waiting for six months for assurance in this respect as has previously been the case.
- 5.3 TeamCentral was implemented in 2014 and since then IA recommendation owners have been given the authority to revise the implementation date for the recommendation they are responsible for. In the past, when an implementation date was changed on TeamCentral by the risk owner, IA would be made aware via an automated message. Until 2020/21 the process had been working effectively with risk owners accountable for their recommendations and the recommendations generally being actioned in the agreed timescales.
- 5.4 However, in Quarter 3 2020/21 we saw a significant number of IA recommendations where the implementation date has been revised/ extended several times by risk owners and consequently in the meantime these risks remain a threat to Council objectives. As a result, IA is amending this process so that the functionality to revise implementation dates is removed for risk owners and instead all requests for implementation extensions will go to the HIA for consideration. The HIA will then, in consultation with the relevant CMT Director, agree the most appropriate course of action. This discussion will take into consideration the Covid-19 related service pressures on each manager to ensure that IA continues to be balanced and proportional in its collaborative approach with management.

- 5.5 A summary of IA recommendations is included in the quarterly IA progress reports to CMT and the Audit Committee. The IA progress report will include a table listing the numbers of **HIGH** and **MEDIUM** risk IA recommendations that have passed their implementation date and detail their current status. We will also highlight the number of recommendations that have not been actioned in the agreed timescales (where an extension has not been agreed) and provide the management rationale for that and the risk the Council is consequently still exposed to.
- 5.6 This revised approach will provide greater accountability to senior managers to manage their risk in the timescale that they have agreed. It will also provide greater transparency and assurance to CMT and the Audit Committee over the timely implementation of **HIGH** and **MEDIUM** risk IA recommendations.
- 5.7 Linked to this, it is important that all key stakeholders are clear on our role; we do not tell management what to do; we identify internal control, risk management and corporate governance weaknesses along with notable practices for management's attention. Good practice in IA and risk management encourages management to respond to risks in any combination of the following four ways (**the 4 T's**):
- i) **Transfer** the risk i.e. insure against it;
 - ii) **Terminate** the risk i.e. stop carrying out the activity that creates the potential risk;
 - iii) **Treat** the risk i.e. take mitigating action to reduce the risk; and
 - iv) **Tolerate** the risk i.e. do nothing and accept that this risk could materialise.
- 5.8 IA support and advise managers in formulating a response to the risks identified. As an organisational improvement function, we will also offer assistance to management to help devise pragmatic and robust action plans arising from IA recommendations. Progress on the implementation of IA recommendations will continue to be formally reported to CMT and the Audit Committee on a quarterly basis.

6. Measuring Internal Audit Performance

6.1 The Public Sector Internal Audit Standards

- 6.1.1 The PSIAS, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. The standards, revised in April 2016, stress the importance of robust, independent and objective IA to provide senior management with the key assurances to support them in managing the organisation and in producing the AGS.

6.2 Internal Audit Measures of Success

- 6.2.1 The PSIAS are also clear that IA should be adding value to the organisation in which it operates. At a time when all areas of the Council are being urged to deliver better and more efficient services, it is absolutely right that IA demonstrates improvements in its services through key performance indicators and the Quality Assurance and Improvement Programme (QAIP).

6.3 Reporting Internal Audit Performance

- 6.3.1 There are a wide range of IA stakeholders to satisfy, but the key stakeholders for the purposes of the IA progress reports are CMT and the Audit Committee. Further to this, attached at **Appendix E** are the agreed **IA KPIs** that will continue to be used in 2021/22. The rationale for KPI 7 has been revised slightly to provide more clarity over the area that is being measured and reported on.

6.3.2 We will continue to use the monitoring data maintained on our dedicated IA software system (TeamMate). A summary of actual IA performance against the targeted performance will continue to be reported to CMT and the Audit Committee as part of the quarterly IA progress reports. These results will allow all stakeholders to measure the performance and robustness of the IA team delivered by the Business Assurance Service at Hillingdon.

6.4 Analysing Internal Audit Performance

6.4.1 All nine of the agreed IA KPIs (as per **Appendix E**) need management co-operation to enable them to be achieved. In fact, IA in isolation is unable to achieve any of these KPIs; they can influence the results, but they cannot completely control them i.e. IA KPI 3 (**HIGH** risk IA recommendations where management action is taken within agreed timescale). IA influences this KPI by raising pragmatic recommendations and agreeing reasonable timescales with management, but ultimately the reliance is on management to strengthen the control environment in the agreed timeframe.

6.4.2 It is therefore important that interpretation of the IA KPIs is not taken in isolation, as other factors should be taken into account i.e. the risk focused IA approach being applied could result in a greater number of **HIGH** risk recommendations and/or a greater number of **LIMITED** assurance reports.

6.4.3 The IA KPI targets remain ambitious, but we believe they are achievable and realistic for a high performing IA service working collaboratively with exceptional managers, which is what we strive to be at Hillingdon. In terms of KPI 8 (Client Satisfaction Rating), this is based on an average score of 3.4 out of 4.0 from the IA Client Feedback Questionnaires completed by management. KPI 9 (IA reviews compliant with the PSIAS and IIA Code of Ethics) is an internal quality check completed, as part of an annual assessment of the service, to verify that all our IA work meets the required standards.

6.5 Individual Internal Audit Staff Performance

6.5.1 As well as the KPIs for quarterly reporting to CMT and the Audit Committee, a further set of performance measures are in operation and are used to monitor and assess the performance of individual IA staff. These operational KPIs form the basis of the performance targets for IA staff and are aligned to the detailed IA procedures, as set out in the IA Manual, and outlined in the IA Charter. The IA standards aim to ensure that all IA staff follows a consistent process for each piece of IA work and that the planned IA programme is completed within agreed timescales and to the required quality standards.

7. Acknowledgement

7.1 The draft 2021/22 IA Plan has been considered by CMT and is due to be presented to the Audit Committee at its meeting scheduled for 20th April 2021. It will then be finalised and circulated/ made available to key stakeholders.

7.2 The IA team would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the Council's management as part of the risk-based planning process.

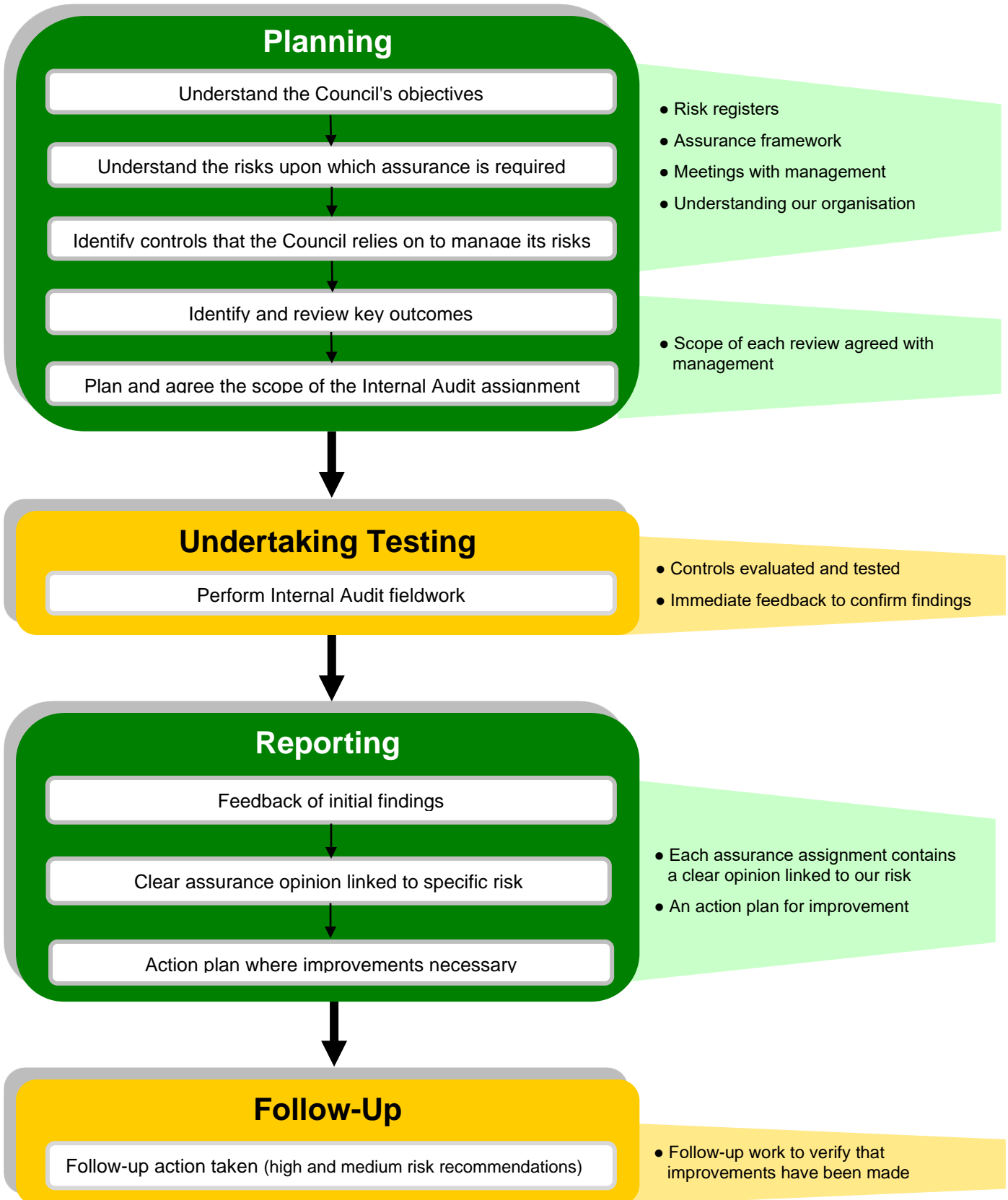
Sarah Hydrie CMIIA CIA
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1st April 2021

APPENDIX A

THE INTERNAL AUDIT PROCESS

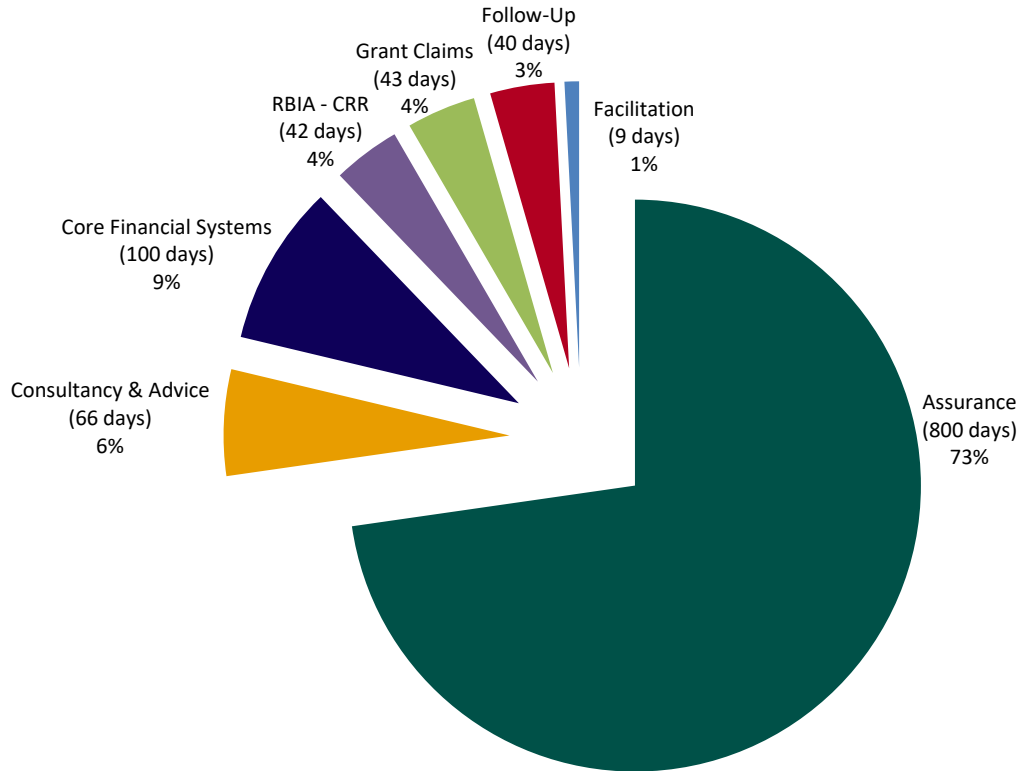
As per para 2.2, after total available IA resources have been determined the overall IA process is summarised below:



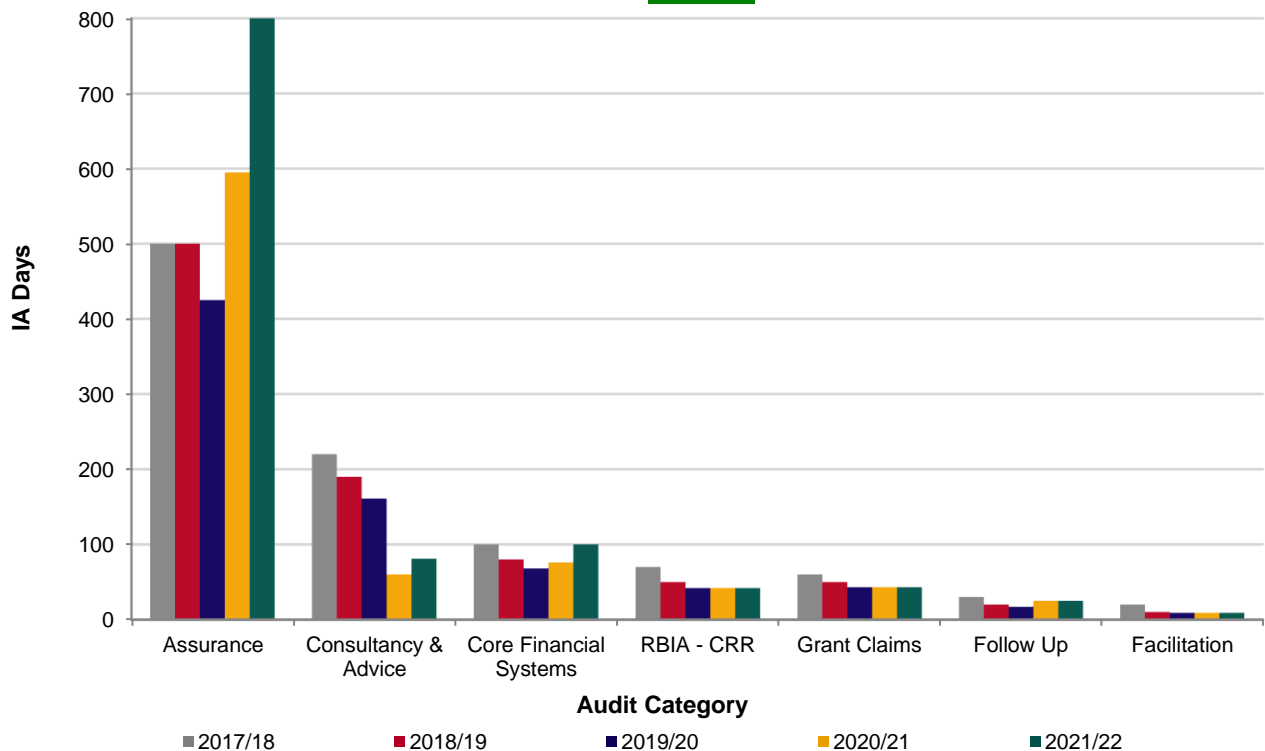
APPENDIX B

THE 2021/22 ANNUAL INTERNAL AUDIT PLAN ~ ESTIMATED ALLOCATION BY AUDIT TYPE

The 2021/22 Annual IA Plan estimated allocation by audit type is as follows:



COMPARISON OF PLANNED IA TIME BETWEEN 2017/18 THROUGH TO 2021/22



APPENDIX C**THE 2021/22 ANNUAL INTERNAL AUDIT PLAN ~ ALLOCATION OF DAYS**

Type of IA Work	Definition	% of IA Plan	2021/22 Days	2020/21 Days	2019/20 Days
Assurance	Work which provides confirmation to CMT and the Audit Committee that key risks to the achievement of objectives (including transformation projects) are being effectively mitigated and arrangements are operating as expected.	73%	800 Days	595 Days	425 Days
Core Financial Systems	Assurance coverage of the core financial processes that have a material impact on the financial position of the Council (including the HRA and DSG).	9%	100 Days	76 Days	68 Days
Consultancy & Advice	Work where the primary purpose is to advise and support management to improve systems and processes, mitigate risk and enable the achievement of objectives.	6%	66 Days	60 Days	161 Days
Grant Claims	Grant work on behalf of the Council including the Housing Subsidy and Troubled Families claims (fixed days).	4%	43 Days	43 Days	43 Days
RBIA - CRR	<u>Risk-based IA</u> (RBIA) reviews that provide assurance on the Council's strategic risks identified in the <u>Corporate Risk Register</u> (fixed days).	4%	42 Days	42 Days	42 Days
Follow-Up	Activity which ascertains the implementation of agreed management actions (fixed days - new approach introduced in 2020/21).	3%	40 Days	25 Days	17 Days
Facilitation	Activity which supports CMT in their management of risk and the production of the Annual Governance Statement (fixed days).	1%	9 Days	9 Days	9 Days
		100%	1,100 Days	850 Days	765 Days

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

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





1. Control Environment: The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- Establishing and monitoring the achievement of the authority's objectives;
- The facilitation of policy and decision-making;
- Ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- The financial management of the authority and the reporting of financial management; and
- The performance management of the authority and the reporting of performance management.

2. Risk Appetite: The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.

3. Residual Risk: The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

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

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

APPENDIX E**INTERNAL AUDIT KEY PERFORMANCE INDICATORS 2021/22**

The Key Performance Indicators (KPIs) for IA quarterly reporting to CMT and the Audit Committee in 2021/22 are set out below:

KPI Ref.	Performance Measure	Target Performance 2021/22
KPI 1	HIGH risk IA recommendations where positive management action is proposed	98%
KPI 2	MEDIUM risk IA recommendations where positive management action is proposed	95%
KPI 3	HIGH risk IA recommendations where management action is taken within agreed timescale	90%
KPI 4	MEDIUM risk IA recommendations where management action is taken within agreed timescale	75%
KPI 5	Percentage of IA Plan delivered to draft report stage by 31 st March	90%
KPI 6	Percentage of IA Plan delivered to final report stage by 31 st March	80%
KPI 7	Percentage of draft reports issued as a final report within 15 working days of completion of fieldwork (this being the final day of fieldwork, exit meeting and receipt of all outstanding information)	80%
KPI 8	Client Satisfaction Rating (from completed CFQs)	85%
KPI 9	IA work fully compliant with the PSIAS and IIA Code of Ethics	100%

*All IA KPIs Target Performance for 2021/22 have been set at the same thresholds as they were for 2020/21.

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.

INTERNAL AUDIT TEAM STRUCTURE

