BUSINESS ASSURANCE

**Annual Internal Audit Report
& Opinion Statement 2020/21**

1st July 2021

HILLINGDON
LONDON

Contents

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1. Introduction

1.1   The Role of Internal Audit

1.1.1   Internal Audit (IA), which is part of the Council's Business Assurance (BA) Service, provides an independent assurance and consultancy service that underpins good governance. This is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon (LBH). It is also a requirement of the Accounts and Audit (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 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 2020/21 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 2020/21 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 (Amendment) Regulations 2021.

2. Executive Summary

2.1   2020/21 has been an unprecedented year; the global Coronavirus pandemic has had a major impact on everyday life for everyone. The Council has continued to operate effectively during the crisis and adapted its ways of working to suit the needs of its residents and support the most vulnerable in the borough. One of the new initiatives introduced during pandemic was the Council's **Food Delivery Service (FDS)**. Between March and June 2020, 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 FDS.

2.2   The IA team returned to IA work in 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.

2.3   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 2020/21 IA plan was 98% complete to final report stage by 31st May 2021**. The sole exception being the assurance review of Anti-Social Behaviour and Environment Team (ASBET) which was not completed by the 31st May 2021 deadline due to operational issues within ASBET. However, the IA review was completed in June 2021 with cooperation and support from colleagues in ASBET.

2.4   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.

2.5   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 2021 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 **41** pieces of IA work have been delivered as part of the 2020/21 IA plan. This included **27** assurance reviews, **2** follow-up reviews, **4** consultancy reviews and **8** grant claim audits.

2.7   An analysis of IA work over the past 4 years shows a significant **increase** in assurance work this year. Dedicated follow-up reviews have **decreased** this year due to the revised process (refer to para 2.11 for further information on this work). Consultancy work has also decreased this year, this is mainly due to focusing the IA resources on high risk assurance reviews, brought on by the Covid-19 pandemic. Due to the pandemic, 1 assurance review and 1 consultancy review were **DEFERRED** to 2021/22 (refer to **Appendix A** for further details).

Chart 1 ~ IA Work Undertaken
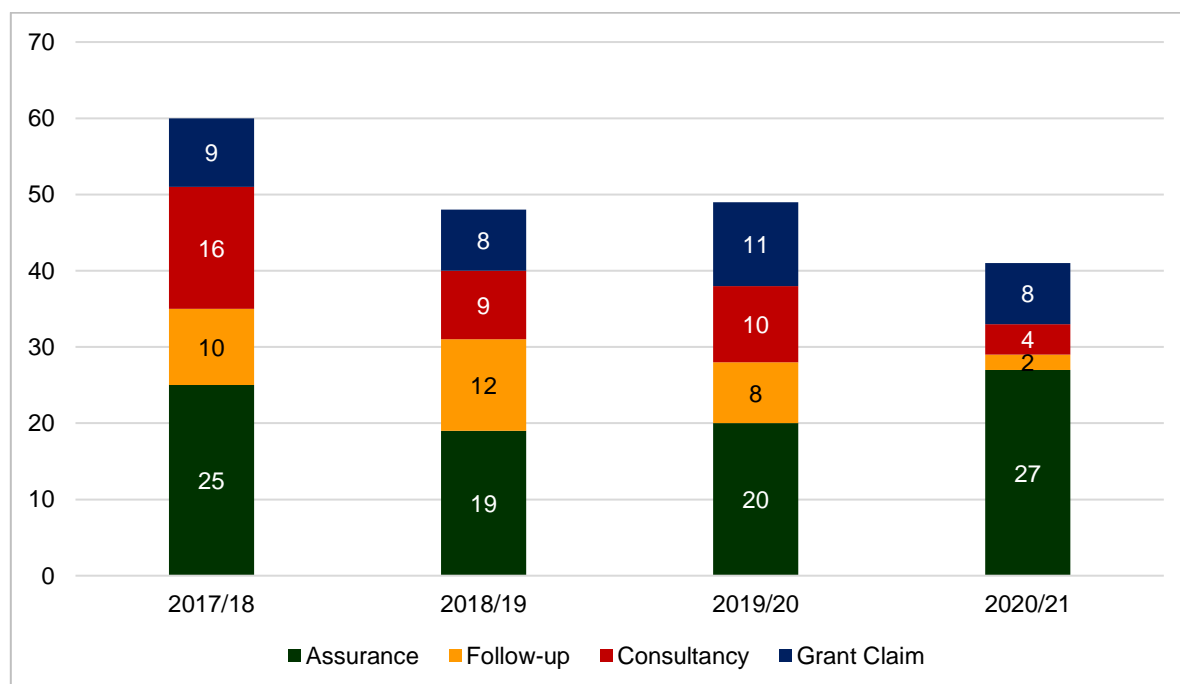
2.8   **56%** of the 2020/21 assurance reviews resulted in a **REASONABLE** opinion and **33%** of assurance reviews resulted in **LIMITED** and **NO** opinions; this provides positive assurance to the Audit Committee and CMT that IA resource is focused on the right areas, often highlighted by senior management as known areas of concern.

2.9   **100%** of the 2020/21 **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 2020/21). Further analysis of the IA assurance levels issued in 2020/21 along with a breakdown of the risk recommendations raised can be found at sections 4 and 5 of this report respectively.

2.10   Table 1 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 7 (35%) more assurance reviews in 2020/21 compared to 2019/20:

Table 1 ~ IA Assurance Levels

Assurance Level	2017/18	2018/19	2019/20	2020/21
SUBSTANTIAL	1 (4%)	1 (5%)	0 (0%)	**3 (11%)**
REASONABLE	13 (52%)	13 (68%)	16 (80%)	**15 (56%)**
LIMITED	10 (40%)	3 (16%)	4 (20%)	**7 (26%)**
NO	1 (4%)	2 (11%)	0 (0%)	**2 (7%)**
TOTALS	25	19	20	**27**

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

Chart 2 ~ IA Assurance Levels
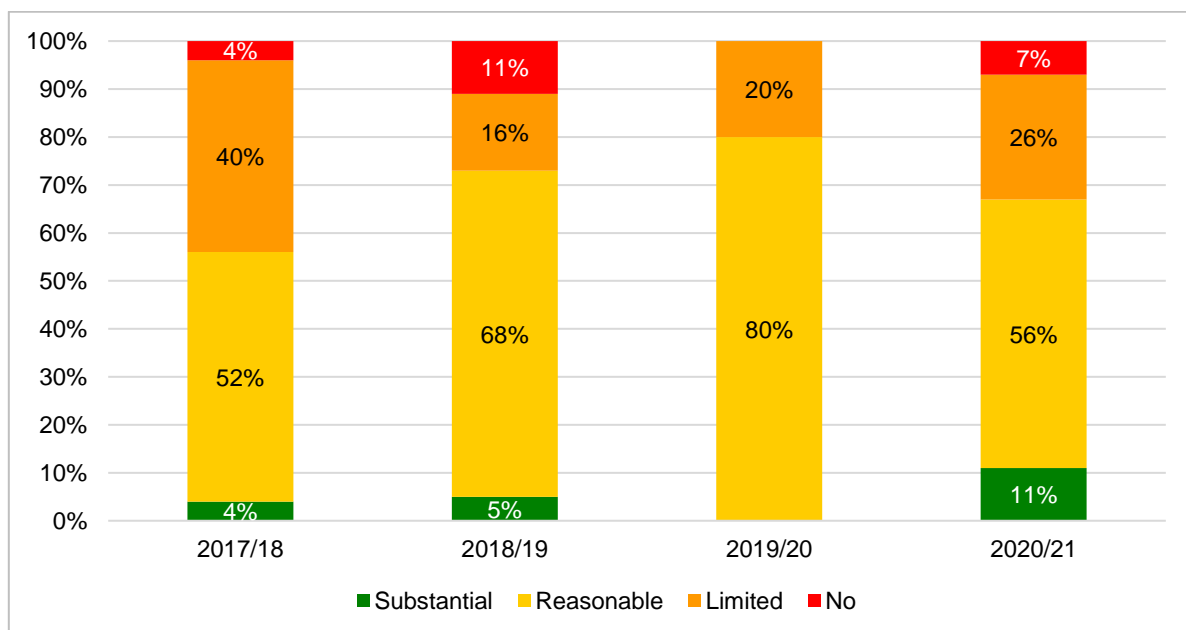
2.12   2020/21 has been a challenging year regarding the implementation of IA recommendations. There has been an increase in the number of recommendations that have passed their implementation date and have been extended without sufficient reason. As a result of this risk exposure, the follow-up process has been revised. Changes include IA actively following-up on all **HIGH** risk recommendations **within 2 weeks** after their implementation date and **MEDIUM** risks **within 4 weeks**. We have removed the functionality for risk owners to revise implementation dates on TeamCentral and we have hired additional IA resource to assist with the revised follow-up process and the backlog of outstanding recommendations created during the height of the pandemic.

2.13   Following IA's return to business as usual from the FDS, a restructure of the IA team was proposed and once agreed via the BID process was implemented. IA at LBH was in a relatively unique position, in that the Council agreed to invest additional resource into the IA team against a backdrop of significant budget pressures across the organisation. As a result, the new structure contains a stronger skills-mix which is allowing the IA team to deliver more complex assurance work required in a timely manner, as well a robust process for following-up previous IA recommendations.

3. Head of Internal Audit Opinion Statement 2020/21

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 2020/21 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 (Amendment) Regulations 2021 and is in line with the UK PSIAS.

3.2   Scope of Responsibility

3.2.1   LBH 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 2000, to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

3.2.2   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 2020/21, 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 2020/21 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 2020/21 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 2020/21 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 2020/21 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 3.12.4).

As a consequence, **there are no qualifications to the 2020/21 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 **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 2020/21;

- **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 2020/21**. 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 2020/21 IA assurance review of **ASBET Case Management** was awarded a **NO** assurance opinion. The ASBET recognises improvements are required on operational matters including updating policies and procedures, managing caseloads, updating electronic records, risk assessing cases and enhancing performance metrics. The team have been proactive with the managing their risk exposure, with the first tranche of **HIGH** risk recommendations to be implemented in July and August 2021.

2. The 2020/21 IA assurance review of **Tree Inspections** was awarded a **NO** assurance opinion and identified inconsistent record keeping for tree maintenance and inspection reports and the absence of a tree maintenance strategy. Without sufficient maintenance and inspection reports there is a risk that poorly maintained trees can cause serious harm to members of the public and damage to property which the Council could be liable for. IA are reviewing the teams progress with all **7 recommendations** as per the revised follow-up process.

3. The 2020/21 IA assurance review of **Music Service – Invoicing and Debt Collection** was awarded a **LIMITED** assurance opinion. Senior Management and the IA team found that the current system for invoicing and debt collection had been built outside of the Council's financial framework and without collaboration with the Corporate Payments team. The Music Service has started to mitigate all the identified risks and have been working with ICT and Finance to resolve the highlighted issues.

4. During 2020/21 the IA team performed 2 thematic reviews across 10 maintained schools within the borough. The first IA assurance review was **Purchasing and Payments** and the second was **Governance and Financial Management**. Both assurance reviews were awarded **LIMITED** audit opinions. During the audits it became apparent that schools remain a **HIGH** risk for the Council and consistent IA coverage and support is required. A summary of each IA review was published on the 'Local Authority Update' to all schools. Good practice is shared, and weaknesses are highlighted for learning and improvement purposes.

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 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 **Coronavirus pandemic** continues to present LBH with a unique set of risks and a considerable number of issues to address and respond to within tight timeframes (particularly within Test & Trace, Social Care and Housing). CMT consulted daily during the height of the pandemic 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 the lockdowns, it is working with residents as well as staff to help support the community. The risk of another wave is of course a possibility and the Gold Group continues to work diligently to plan for any eventuality if an increase in localised Coronavirus cases are identified.

7. Due to Covid-19, **Brexit** matters became slightly side-lined temporarily although this continues to be a risk for the Council. LBH undertook a range of activities to raise awareness and signpost residents and businesses in line with guidance, utilising the 'Get Ready for Brexit' and EU Settlement Scheme campaigns and programme of social media posts. The Council worked collaboratively with partner agencies and stakeholders, enabling key concerns and the identification of priority issues, which could be escalated through wider reporting structures via the Resilience and Emergencies Division to support pan-London assessments of immediate and longer-term impacts of the UKs exit from the EU on London local authorities. 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 several areas where other improvements have strengthened the control environment. These include:

- **Management and organisational structures have strengthened within the year.** Following the appointment of the new Leader of the Council and the retirement of the Deputy Chief Executive, Senior Management restructures and changes to Directorates across the Council 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 most of the Council's services' understanding of Risk Management could be improved. IA plans to do offer staff and services more risk management training in the 2021/22 financial year.

3.10.2 IA's review of the Council's Risk Management arrangements concluded that the approach to Risk Management at a strategic level was very effective, but risk identification and management at an operational level remains that of a scattered, silo-based approach with inconsistent practices.

3.10.3 The Risk Management policy and guidance was last updated and approved in August 2020. It is 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 Directorate (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 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. 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 many 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, several 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 30th June 2021. 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
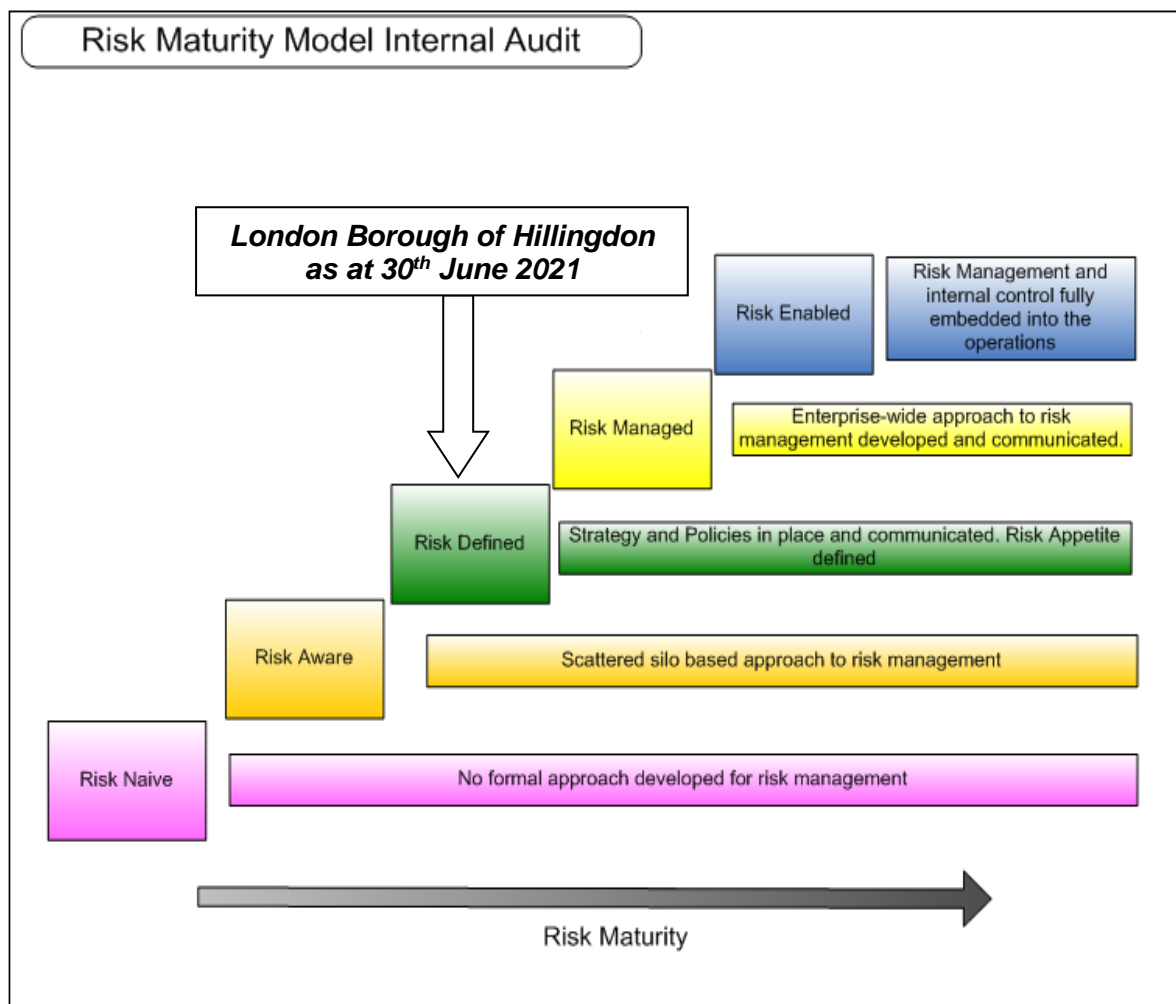
3.11   Corporate Governance

3.11.1 The 2020/21 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:

Table 2 ~ 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.	REASONABLE **Assurance** 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: *"Putting our residents first"*.

| Langland's Governance Principles	IA Assessment of Hillingdon
(Principle 1 – cont'd)	*(Principle 1 – cont'd)* These themes and the vision further inform the Council's objectives, enshrined primarily within the Hillingdon Improvement Programme (HIP) and Local Plan. 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 "*Hillingdon*" and "*objectives*" found a document outlining a 'Core Strategy' and Council objectives, which were updated in 2012. 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.
2. Good governance means performing effectively in clearly defined functions and roles.	**REASONABLE Assurance** 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. 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.
3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour.	**REASONABLE Assurance** 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. Under the Local Government Transparency Code 2015, the Council is required to regularly publish certain data openly and transparently.

Langland's Governance Principles	IA Assessment of Hillingdon
(Principle 3 – cont'd)	*(Principle 3 – cont'd)* 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.
4. Good governance means taking informed, transparent decisions and managing risk.	**SUBSTANTIAL** Assurance 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. 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.
5. Good governance means developing the capacity and capability of the governing body to be effective.	**SUBSTANTIAL** Assurance 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. 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.
6. Good governance means engaging stakeholders and making accountability real.	**SUBSTANTIAL** Assurance 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. 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.

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

3.11.3 IA also noted the Cabinet is collectively viewed as effective and renowned for generally quick decision making. In IA's opinion, although the Council's CG arrangements are not fully in line with more traditional CG models, **the outcomes the Council has achieved within a period of austerity measures and constant change are exceptionally good**. This demonstrates that the overall direction and control is a good fit for the organisation at this time. It is clear that the Council put their residents at the forefront of all activity that it engages in, maintaining a high resident satisfaction rating.

3.11.4 The Council exemplifies strong financial management and control that is illustrated by the relatively healthy reserves balances and history of record low Council Tax levels. Nevertheless, the Council continues to operate in an environment of declining financial support from government against a backdrop of rising inflation costs and significant demographic changes (i.e. there are an increasing number of children in the borough and people are living longer). 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.

3.11.5 As a result, this presents the Council with the challenge of managing the greater demand for its broad range of services, which in the absence of any response would result in a rising annual deficit. However, LBH continues to review and transform services to drive improvement and efficiency through initiatives such as the successful BID programme, which has bridged the budget gap with 2020/21 savings of £6.3 million delivered, on track for delivery or covered in the short term by alternative savings/the Covid-19 grant. This proven successful approach is set to be continued beyond 2020/21, 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 Commission** (COSO). The diagram below details the elements of the COSO internal integrated control framework and categorises all **120 HIGH** and **MEDIUM** risk IA recommendations (per para. 5.3.2) raised during the 2020/21 year:

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Chart 4 ~ The COSO Internal Control Framework

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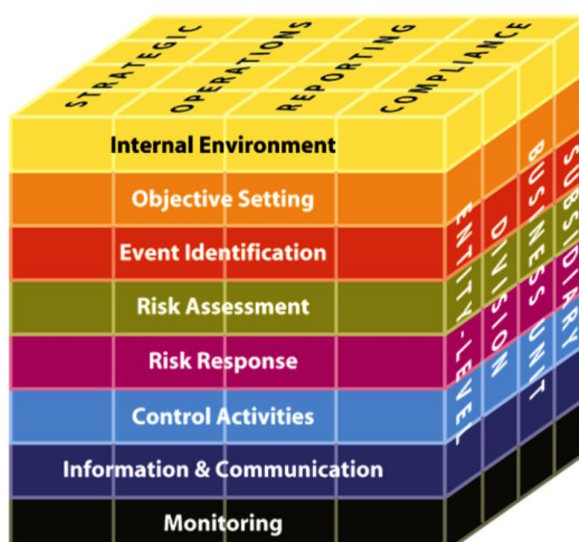
3.12.2 Using the components of the COSO model, the recommendations raised in 2020/21 have been categorised as:

- Internal Environment – **7** Recommendations (**2 High** and **5 Medium**) **6%**;

- Objective Setting – **8** Recommendations (**1 High** and **7 Medium**) **7%**;

- Risk Assessment – **3** Recommendations (**1 High** and **2 Medium**) **2%**;

- Risk Response – **1** Recommendation (**1 Medium**) **1%**;

- Control Activities – **75** Recommendations (**37 High** and **38 Medium**) **63%**;

- Information and Communication – **3** Recommendations (**3 Medium**) **2%**; and

- Monitoring – **23** Recommendations (**2 High** and **21 Medium**) **19%**.

3.12.3 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.

3.12.4 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 2020/21, 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 2021 accords with proper practice**, except for the significant internal control issues referred to in para 3.8.

## 4. Analysis of Internal Audit Activity 2020/21

4.1   Internal Audit Assurance Work 2020/21

4.1.1   The 2020/21 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:

Table 3 ~ Comparison of Assurance Levels from 2017/18 to 2020/21

Assurance Level	2020/21 IA Assurance Reports	% Split 2020/21	Comparison		
			2019/20	2018/19	2017/18
SUBSTANTIAL	3	11%	0% (0)	5% (1)	4% (1)
REASONABLE	15	56%	80% (16)	68% (13)	52% (13)
LIMITED	7	26%	20% (4)	16% (3)	40% (10)
NO	2	7%	0% (0)	11% (2)	4% (1)
TOTAL	27	100%	100% (20)	100% (19)	100% (25)

4.1.2   The pie chart overleaf depicts the levels of assurances achieved based on a percentage of the total 2020/21 assurance audits completed by IA:

Chart 5 ~ Comparison of Assurance Levels from 2017/18 to 2020/21
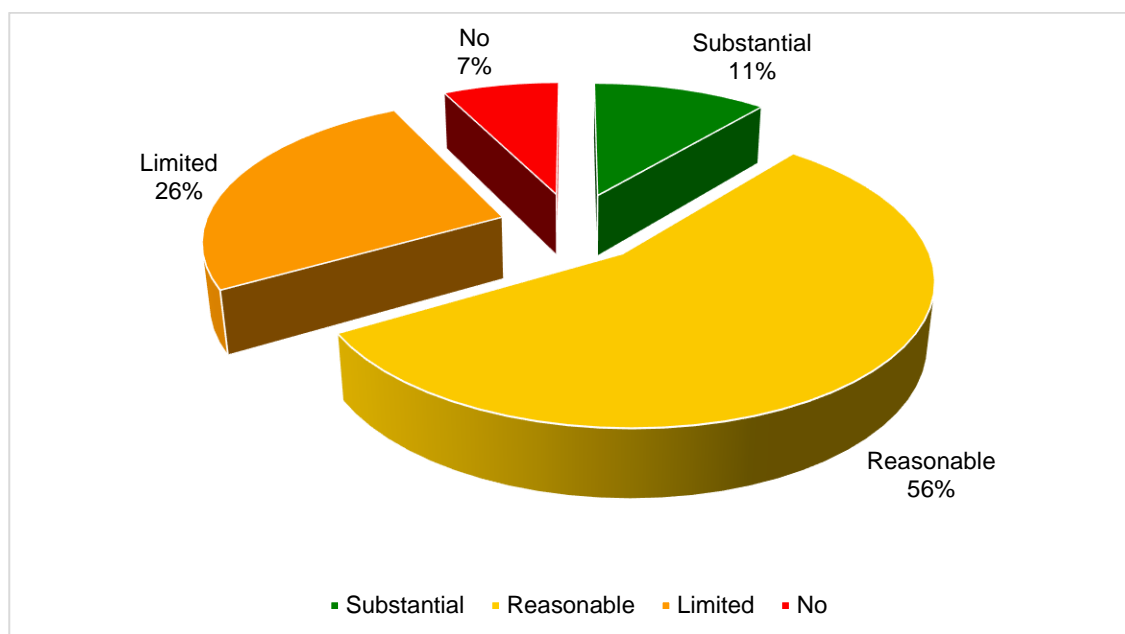
4.1.3   Chart 5 highlights the positive news for the Council that 56% of the areas audited in 2020/21 were assessed by IA as providing **REASONABLE** levels of assurance and 33% of areas audited in 2020/21 were assessed as **NO** and **LIMITED** levels of assurance over the management of the key risks to achieving the service objectives. 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 2020/21.

4.1.4   The individual assurance reviews carried out during 2020/21 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 **27** IA assurance reviews completed in 2020/21, we raised **181** IA assurance recommendations in total as set out in the table below:

Table 4 ~ IA Recommendations Comparison

Risk Rating	2020/21		Comparison		
	Recommendations	%	2019/20	2018/19	2017/18
HIGH	43	24%	7% (12)	10% (13)	5% (12)
MEDIUM	77	42%	62% 105	46% (60)	50% (110)
LOW	61	34%	31% 52	44% (58)	45% (98)
TOTALS	181	100% (181)	100% (169)	100% (131)	100% (220)
NOTABLE PRACTICE	14	-	11	5	6

4.1.6   Given that a risk based IA approach has continued to be applied during 2020/21, it is in line with IA's expectations that **66% of the IA recommendations raised** were rated as either **HIGH** or **MEDIUM** risk.

4.1.7 The breakdown of all 2020/21 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
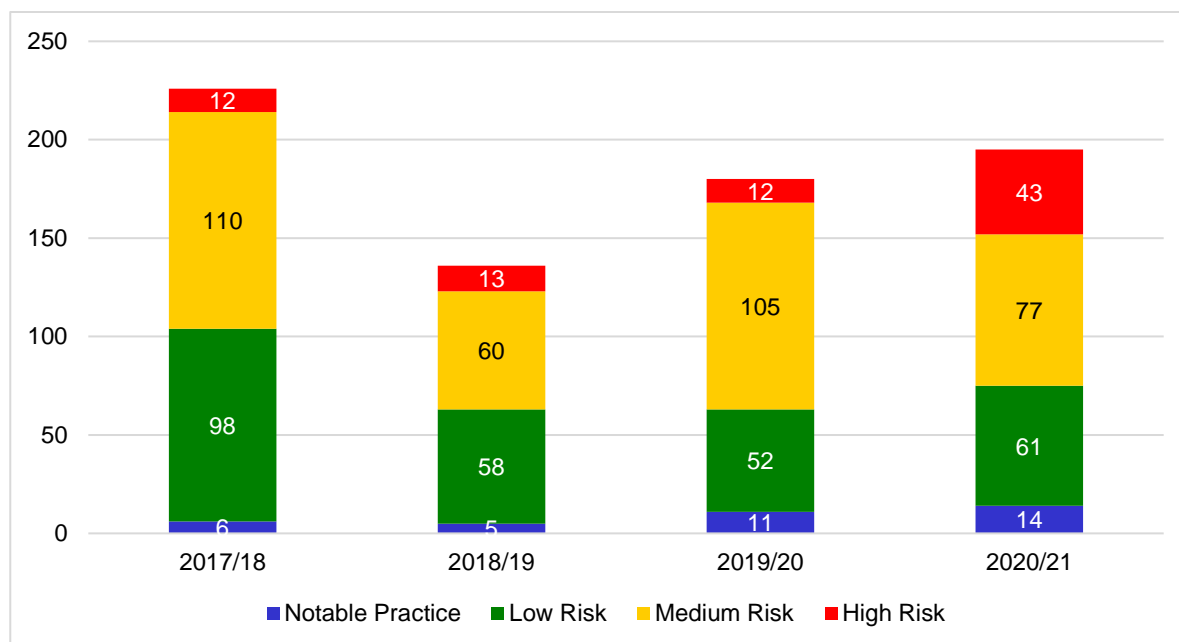
4.1.8 Chart 6 highlights that **24% (43)** of recommendations raised by IA in 2020/21 were rated as **HIGH** risk, which is a significant increase from previous years and is partly due to the **23 HIGH** risk recommendations **raised across 10 schools**. We therefore believe that the results depicted above, given the risk based approach to IA work introduced since 2013/14, demonstrate good IA coverage in the control environment across the Council and focusing our work on the areas of highest risk. This year has seen a notable increase in the proportion of **HIGH** risk recommendations and a reduction in the proportion of **MEDIUM** risk recommendations raised within 2020/21.

4.2 Internal Audit Consultancy Work 2020/21

4.2.1 Due to the disruption caused by Covid-19, the Council has relied on the IA team to support their high risk areas by providing assurance reviews rather than consultancy work. As a result, **the number of consultancy reviews in 2020/21 decreased** to **4** pieces of work as detailed in **Appendix A** (compared to **10** in 2019/20). Consultancy work continues to provide advice and guidance 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 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.

4.3   Quality Assurance and Improvement Programme 2020/21

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 is aligned to best practice as we prepare for our next EQA in June 2022.

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5. Internal Audit Follow-Up 2020/21

5.1   Revised Follow-Up Process

5.1.1   IA monitors all **HIGH** and **MEDIUM** risk recommendations raised, through to the point where the recommendation has either been fully implemented, or a satisfactory alternative risk response has been proposed. Due to the significant support that is required to embed a strong control framework within maintained schools (refer to para 3.8.2, section 2), the IA team is now monitoring all **HIGH** and **MEDIUM** risk recommendations raised during thematic reviews. This is a new practice as schools were omitted from this exercise in the past.

5.1.2   Following the Audit Committee's request in November 2020 for greater assurance in this area of IA activity, it was agreed that IA 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. Further to this, IA has removed the functionality for risk owners to revise implementation dates and instead any requests for implementation date 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.

5.2   2020/21 Follow-Up Exercise

5.2.1   The table below and overleaf shows **the number of IA recommendations (as at 31st March 2021) that have not been actioned within the agreed timescales** (where an extension has not been agreed) and lists the numbers of **HIGH** and **MEDIUM** risk IA recommendations that have passed their implementation date and details their current status.

Table 5 ~ 2020/21 Follow-Up Work Undertaken to Date

	HIGH risk IA recommendations	MEDIUM risk IA recommendations
1. No. of recommendations that have passed their implementation date	13	47
2. No. of implemented recommendations	3	24
3. No. of recommendations with new implementation date agreed by HIA & CMT	11	9

	HIGH risk IA recommendations	**MEDIUM risk IA recommendations**
4. *No. of recommendations whose status IA is currently verifying	1	7
Total number of recommendations	28	87

* These recommendations have passed their implementation date and IA have been liaising with the Action Owner and relevant Corporate Director to verify/confirm their status

5.2.2 Table 5 shows **13 HIGH** and **47 MEDIUM** risk recommendations have passed their implementation date (as at 31st March 2021). Out of those, **11 HIGH** and **9 MEDIUM** risk recommendations have a revised implementation date which has been agreed by the HIA and the respective CMT Corporate Director.

5.2.3 It should be noted that **12** of the **13 HIGH** risk recommendations and **40** of **47 MEDIUM** risk recommendations were due to be implemented between 31st January 2020 and 31st January 2021. This highlights the negative impact the Covid-19 pandemic has had on the implementation of IA recommendations and the management of the related risks. During this period, it was agreed that IA would temporarily suspend TeamCentral (TC - a module of the IA software TeamMate) so that reminder emails on outstanding IA recommendations were not sent to Action Owners. This was whilst they concentrated their efforts on delivering critical services to residents during the height of the pandemic.

5.2.4 Further, there are **1 HIGH** and **7 MEDIUM** risk recommendations which IA is currently verifying the status of in liaison with the relevant Action Owner/Corporate Director. Updates on the progress of all outstanding IA recommendations will be reported in the quarterly IA progress reports for CMT and Audit Committee.

5.2.5 IA does not follow-up **LOW** risk IA recommendations as they are minor risks including compliance with best practice, or issues that have a minimal impact on a Service's reputation i.e. adherence to local procedures. It would also take a disproportionate amount of time for IA to robustly follow-up **LOW** risk recommendations. The full definitions of the IA recommendation risk ratings are included at **Appendix C**.

5.2.6 The implementation of recommendations raised by IA continues to be monitored through TC. 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.

5.2.7 IA always offer support and advise managers when they are formulating a response to the risks identified. As an organisational improvement function, IA also offer assistance to management to help them devise pragmatic and robust action plans arising from the IA recommendations raised. 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**.

5.3   Status of Recommendations Raised in 2020/21

5.3.1 In 2020/21 IA has undertaken verification work on **HIGH** and **MEDIUM** risk recommendations in addition to 2 specific follow-up reviews. For the dedicated reviews our follow-up work found that **11 (65%)** of the **17** recommendations followed-up were deemed **Implemented**. Of the remaining recommendations we deemed **5 (29%) Partly Implemented** and **1 (6%)** were **Not Implemented** and the recommendation date was extended (further details at **Appendix A**).

5.3.2   The **27** IA assurance reviews have resulted in **181** IA recommendations being raised in **2020/21** as well as **14 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 **was almost twice as many MEDIUM risk recommendations than HIGH risk recommendations raised** in 2020/21. The table below summarises the **status of IA recommendations** raised in 2020/21:

Table 6 ~ 2020/21 Recommendation Status

2020/21 IA Recommendation Status	HIGH	MEDIUM	LOW	Total	NOTABLE PRACTICE
Total No. of Recommendations Raised (**per Appendix A**)	43	77	61	**181**	14
Total No. of Recommendations Risks Tolerated by Management	-	-	-	**-**	-
No. Not Yet Due for Implementation	38	67	-	**105**	-
No. Implemented	1	3	-	**4**	-
No. of Recommendations Outstanding	**4**	**7**	**-**	**11**	-

5.3.3   Positive management action was proposed to address **120** of the 2020/21 **HIGH** and **MEDIUM** risk recommendations raised, **105** of which have not yet reached their target date for implementation. IA can report that **1 HIGH** and **3 MEDIUM** risk recommendations which were due for implementation have been confirmed by management as being implemented. **IA are checking the implementation status of the 11 outstanding recommendations as part of our all-encompassing follow-up work.** 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.

6. Review of Internal Audit Performance 2020/21

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 2020/21 against its KPIs is highlighted in the table below and overleaf:

Table 7 ~ 2020/21 IA Key Performance Indicators

IA KPI	Description	Target Performance	Actual Performance	RAG Status
KPI 1	2020/21 **HIGH** risk IA recommendations where positive management action is proposed.	**98%**	**100%**	**GREEN**
KPI 2	2020/21 **MEDIUM** risk IA recommendations where positive management action is proposed.	**95%**	**100%**	**GREEN**
KPI 3	2020/21 **HIGH** risk IA recommendations where management action is taken within agreed timescale.	**90%**	**90%**	**GREEN**

IA KPI	Description	Target Performance	Actual Performance	RAG Status
KPI 4	2020/21 MEDIUM risk IA recommendations where management action is taken within agreed timescale.	75%	91%	GREEN
KPI 5	Percentage of annual (Q1 to Q4) IA Plan delivered to **draft report** stage by 31st March.	90%	44%	RED
KPI 6	Percentage of annual (Q1 to Q4) IA Plan delivered to **final report** stage by 31st March.	80%	41%	RED
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%	89%	GREEN
KPI 8	Client Satisfaction Rating (from CFQs).	85%	95%	GREEN
KPI 9	IA work fully compliant with the UK **PSIAS** and **IIA Code of Ethics**.	100%	100%	GREEN

6.1.2   **KPI 5** shows that 12 assurance reviews (out of 27) reached draft report stage as at 31st March 2021 which accounts for **44%** of work undertaken in Q1 to Q4 compared to the **90% target** and **KPI 6** shows 11 assurance reviews (out of 27) reached final report stage at 31st March 2021 which accounts for **41%** of work undertaken in Q1 to Q4 compared to the **80% target**. As a result, both KPIs have been reported as **RED** in line with the IA KPI reporting standards.

6.1.3   The reported drop in IA performance is primarily due to the lack of IA work that was undertaken in Q1 due to the pandemic and the redeployment of IA staff to support crucial services. However, this drop in performance against these two KPIs was anticipated and the HIA is confident that the IA KPIs performance will improve now that IA has returned to focussing on delivery of the IA Plan and IA assurance resource has increased.

6.1.4   The IA team meets regularly to discuss delivery against its KPIs and the HIA will continue to carefully monitor progress against KPI 5 and 6 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 2021/22.

6.1.5   Management feedback continues to be positive about our coverage. This year's actual performance against **KPI 8** of 95% 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 nor 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 **31** CFQs completed in relation to the 2020/21 IA Plan (as per **Appendix A**):

Table 8 ~ Comparison of Client Feedback Questionnaires

IA CFQ Areas	Average Score 2017/18	Average Score 2018/19	Average Score 2019/20	Average Score 2020/21	% Change (19/20-20/21)
Q1. Planning: The planning arrangements for the IA review were good	3.63	3.63	3.71	**3.76**	**+1.86%**
Q2. Scope: The scope of the IA review was relevant	3.59	3.66	3.79	**3.83**	**+1.26%**
Q3. Conduct: The IA review was conducted in a highly professional manner	3.67	3.68	3.85	**3.93**	**+2.37%**
Q4. Timing: The IA review was carried out in a timely manner	3.59	3.55	3.76	**3.76**	**-**
Q5. Report: The IA report was presented in a clear, logical, and organised way	3.67	3.71	3.79	**3.86**	**+2.17%**
Q6. Recommendations: The IA recommendations were constructive and practical	3.46	3.53	3.71	**3.72**	**+0.93%**
Q7. Value: The IA review added value to your service area	3.48	3.53	3.62	**3.69**	**+2.78%**
Q8. Overall: I look forward to working with IA in future	3.72	3.71	3.88	**3.79**	**-2.24%**
Average Total Score	**3.60 (90%)**	**3.63 (91%)**	**3.76 (94%)**	**3.79 (95%)**	

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.

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 **31** CFQs returned in 2020/21, IA has received a range of formal client comments on IA performance, **a snapshot of additional comments is provided overleaf**:

Estates – Lease Management

- *"This was a complex audit as it covered roles and responsibilities cutting across several council services. The management action plan reflects this as the actions refer to three separate services, all playing a part in the management of the council's leased properties."*

Homelessness

- *"It was good to have the interna; audit team in - they have a fresh set of eyes which is always helpful in improving service delivery."*

Thematic Review of Purchasing and Payments in Schools

- *"A really helpful audit which will help drive up standards."*

Information Sharing – Adult Social Care

- *"This was a helpful audit and was conducted in a collaborative and practical way."*

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 can continue to improve as a service.

7. Forward Look to 2021/22

7.1   Looking ahead to 2021/22, 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 policies that are no longer practical or relevant. It is against this backdrop that IA continues to review its **Audit Needs Analysis** to help formulate the quarterly risk based IA plans for 2021/22.

7.2   This year the HIA will be developing a new **3-year IA strategy**, which will focus on the use of technology, data analytics and workforce development against the backdrop of a post Covid-19 world. The strategy will provide structure and objectives for the next 3 years, will help the IA team support the Council with their strategic priorities and help drive an improved, modern IA service.

7.3   Following the team restructure and a review of our IA processes, particularly the follow-up process, 2021/22 will be focused on embedding and implementing these changes. All of which will help prepare the IA team for their next **EQA review** which is due to commence in June 2022. Further, the HIA and the Deputy Director will be carrying out an EQA for another London local authority, which should help identify good practice and benchmark our IA work and processes against another Council.

7.4   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 in general responded positively to IA findings.

7.5   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

1st July 2021

APPENDIX A

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2020/21

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

2020/21 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 30th June 2021	Assurance Level	Risk Rating				CFQ Received
				H	**M**	**L**	**NP**	
20-A2	Tree Inspections	Final report issued on 23rd Oct 2020	**No**	4	3	1	0	✓
20-A25	ASBET - Case Management	Final report issued on 30th Jun 2021	**No**	5	1	1	0	Not Yet Due
20-A6	Estates - Lease Management	Final report issued on 22nd Feb 2021	**Limited**	1	2	3	0	✓
20-A3	Cemeteries - Bereavement Service & Ground Maintenance	Final report issued on 3rd Mar 2021	**Limited**	3	7	2	1	✓
20-A12	Education, Health & Care Plans and Local Offer	Final report issued on 30th Mar 2021	**Limited**	4	5	1	0	✓
20-A22	Former Tenant Arrears	Final report issued on 27th May 2021	**Limited**	0	6	2	0	✓
20-A11	Music Service - Invoicing and Debt Collection	Final report issued on 28th May 2021	**Limited**	3	2	3	0	✓
20-A15	*Purchasing and Payments in Schools	Final report issued on 28th May 2021	**Limited**	18	7	7	0	✓
20-A28	**Governance and Financial Mgmt in Schools	Final report issued on 28th May 2021	**Limited**	5	1	7	0	✓
20-A1	Starting and Terminating a Tenancy	Final report issued on 5th Oct 2020	**Reasonable**	0	3	2	2	✓
20-A5	Property Acquisitions - Payment Process	Final report issued on 23rd Nov 2020	**Reasonable**	0	1	2	0	✓
20-A21	Children and Young People's Service (CYPS) Pathway Plans	Final report issued on 6th Jan 2021	**Reasonable**	0	4	1	2	✓
20-A13	Reunification	Final report issued on 6th Jan 2021	**Reasonable**	0	2	2	0	✓
20-A7	Remote Working	Final report issued on 18th Mar 2021	**Reasonable**	0	5	0	0	✓

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2020/21 (cont'd)

2020/21 IA Assurance Reviews (cont'd):

IA Ref.	IA Review Area	Status as at 30th June 2021	Assurance Level	Risk Rating				CFQ Received
				H	M	L	NP	
20-A4	Homelessness	Final report issued on 23rd Mar 2021	**Reasonable**	0	4	5	1	✓
20-A10	CYPS Multi Agency Response to Risk	Final report issued on 7th Apr 2021	**Reasonable**	0	2	2	0	✓
20-A24	Housing Applications	Final report issued on 26th May 2021	**Reasonable**	0	1	1	1	✓
20-A26	Building Control	Final report issued on 27th May 2021	**Reasonable**	0	2	0	0	✓
20-A32	Queens Walk Resource Centre	Final report issued on 27th May 2021	**Reasonable**	0	3	4	1	✓
20-A14	Flooding - Lessons Learned	Final report issued on 28th May 2021	**Reasonable**	0	3	0	1	✓
20-A23	Information Sharing - Adult Social Care	Final report issued on 28th May 2021	**Reasonable**	0	2	1	0	✓
20-A29	Planning	Final report issued on 28th May 2021	**Reasonable**	0	4	2	0	✓
20-A30	Review of the Effectiveness of the Audit Committee	Final report issued on 28th May 2021	**Reasonable**	0	0	7	1	✓
20-A31	Exclusions and Education Cases for Vulnerable Young People	Final report issued on 28th May 2021	**Reasonable**	0	5	2	1	✓
20-A16	Treasury Management	Final report issued on 11th Feb 2021	**Substantial**	0	1	3	0	✓
20-A8	Covid-19 Emergency Assistance Grant	Final report issued on 19th Apr 2021	**Substantial**	0	0	0	3	✓
20-A27	†Ofsted Readiness for CIN, CP and HARP	Final report issued on 24th May 2021	**Substantial**	0	1	0	0	✓
20-A9	*IT Governance*	*Deferred to 2021/22 due to Covid-19*						
	Total **number** of IA Assurance Recommendations raised in 2020/21			**43**	**77**	**61**	**14**	
	Total **percentage** of IA Assurance Recommendations raised in 2020/21			**22%**	**39%**	**31%**	**8%**	

*Thematic review with total number of recommendations raised across 6 schools

**Thematic review with total number of recommendations raised across 4 schools

†Audit title: Ofsted Readiness for Children in Need (CIN), Child Protection (CP) and Hillingdon Access to Resources Panel (HARP)

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2020/21 (cont'd)

2020/21 IA Follow-Up Reviews:

IA Ref.	IA Follow-Up Review Area	Status as at 30th June 2021	Recommendations				Total
			Implemented	Partly Implemented	Not Implemented	No Longer Applicable	
20-A19	Payment Process in NYGL	Memo issued on 10th Dec 2020	7	3	1	0	**11**
19-A20	Cyber Incident Management	Memo issued on 14th May 2021	4	2	0	0	**6**
		Total Number	**11 (65%)**	**5 (29%)**	**1 (6%)**	**0 (0%)**	**17 (100%)**

2020/21 IA Consultancy Reviews:

IA Ref.	IA Review Area	Status as at 30th June 2021	CFQ Received
20-C2	Business Energy and Industrial Strategy – Fraud Risk Assessment	Advisory work concluded in Q1	N/A
20-C1	Xychro Solutions Limited	Memo issued on 19th August 2020	✓
20-C3	Benefits Performance Indicators	Memo issued on 23rd September 2020	✓
20-C4	Mayors Charity Accounts 2020/21	Memo issued on 15th February 2021	N/A
20-C5	*Stores Stock Check 2020/21*	*Deferred to 2021/22 due to Covid-19*	

2020/21 IA Grant Claims certified:

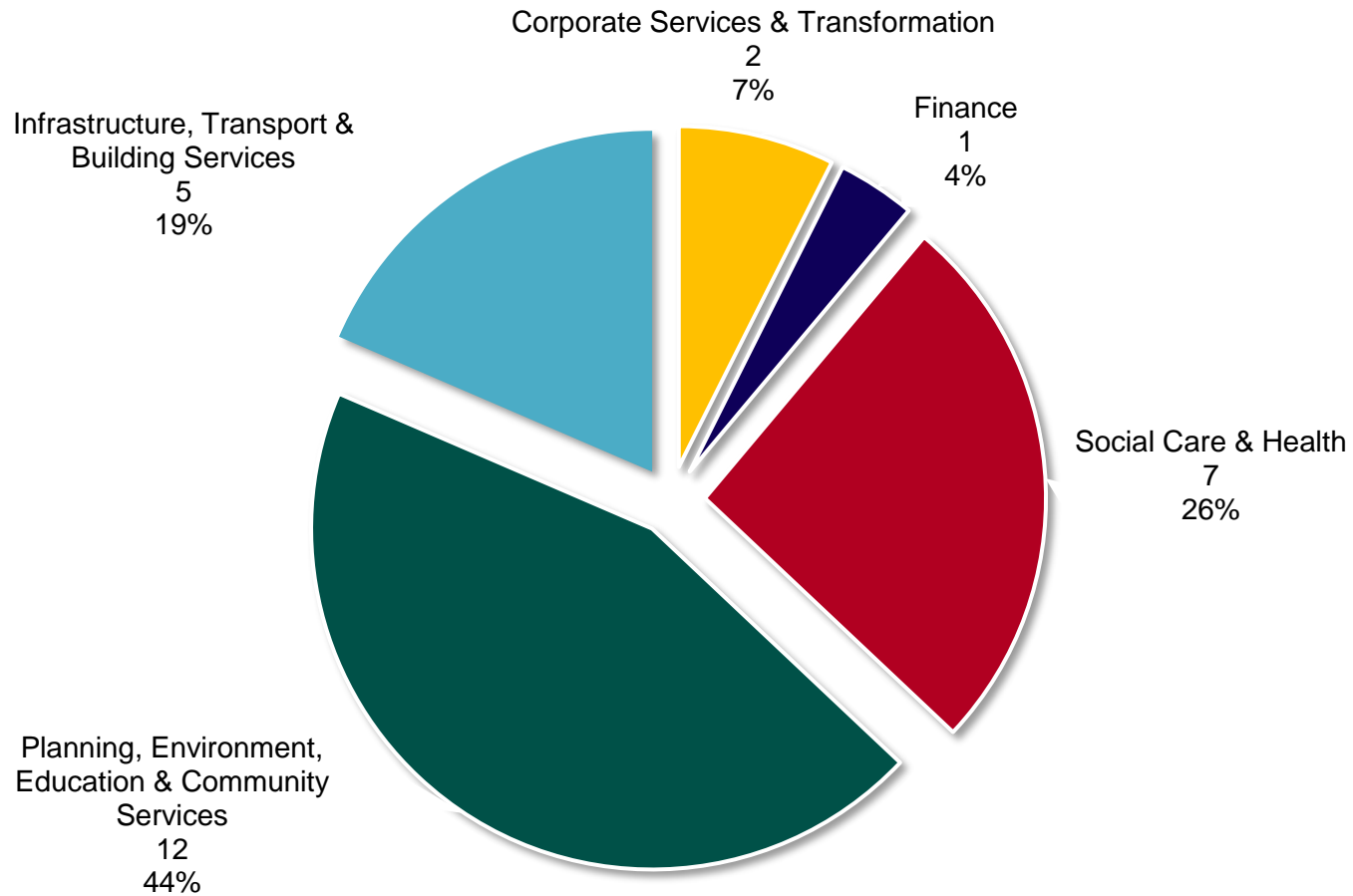| IA Ref.	IA Review Area	Status as at 30th June 2021
20-GC2	Troubled Families Grant - Quarter 2	Certified, memos issued on 29th Jul, 26th Aug and 24th Sep 2020
20-GC1	2019/20 Housing Benefit Subsidy Grant	Certified and memo issued on 21st August 2020
20-GC3	Bus Service Operators Grant	Certified and memo issued on 1st October 2020
20-GC5	2019/20 Disabled Facilities Capital Grant	Certified and memo issued on 30th October 2020

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2020/21 (cont'd)

2020/21 IA Grant Claims certified (cont'd):

IA Ref.	IA Review Area	Status as at 30th June 2021
20-GC4	Troubled Families Grant - Quarter 3	Certified, memos issued on 13th Nov, 25th Nov 20, 15th Jan 2021
20-GC6	Troubled Families Grant - Quarter 4	Certified, memos issued on 4th Feb, 4th Mar and 25th Mar 2021
20-GC8	Emergency Active Travel Fund Capital Grant 2020/21	Certified and memo issued on 23rd March 2021
20-GC9	Local Authority Covid-19 Test and Trace Service Support Grant 2020/21	Certified and memo issued on 30th March 2021

APPENDIX A (cont'd)

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2020/21 (cont'd)

Chart 7 – Analysis by Corporate Director of 2020/21 IA work (undertaken in the 1st April 2020 to 30th June 2021 period)

Corporate Services & Transformation
2
7%

Finance
1
4%

Infrastructure, Transport & Building Services
5
19%

Social Care & Health
7
26%

Planning, Environment, Education & Community Services
12
44%

<u>APPENDIX B</u>

<u>INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS</u>

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

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

   - establishing and monitoring the achievement of the authority's objectives;

   - the facilitation of policy and decision-making;

   - ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;

   - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;

   - the financial management of the authority and the reporting of financial management; and

   - the performance management of the authority and the reporting of performance management.

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

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

<u>APPENDIX C</u>

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.