

INTERNAL AUDIT ANNUAL REPORT & OPINION STATEMENT

2024/25

24 April 2025



HILLINGDON
LONDON

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1. INTRODUCTION

- 1.1 Internal Audit (IA) provides an independent assurance and advisory service that underpins good governance. IA gives an objective opinion on whether the control environment is operating as expected to help the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon (LBH). It is also a requirement of the Local Government Accounts and Audit Regulations 2015 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account public sector internal auditing standards or guidance.
- 1.2 The UK Public Sector IA Standards (PSIAS) in place during 2024/25 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). Going forward into 2025/26 the PSIAS have been replaced by the Global Internal Audit Standards.
- 1.3 This annual report summarises the main findings arising from the 2024/25 IA work and the annual Head of Internal Audit (HIA) opinion as required by the PSIAS. The report also provides IA key stakeholders, including the Council's Corporate Management Team (CMT) and the Audit Committee, with an opportunity to review the performance of the IA service on the delivery of the 2024/25 IA Plan and on the effectiveness of the IA service.

2. SUMMARY OF 2024/25 INTERNAL AUDIT WORK

- 2.1 In total **45** pieces of IA work were delivered as part of the 2024/25 IA plan as at the beginning of April 2025. This included **29** assurance reviews, **10** advisory reviews and **7** grant claim audits. This is consistent with the level of reviews completed in the prior year, despite a 2FTE reduction in the team.

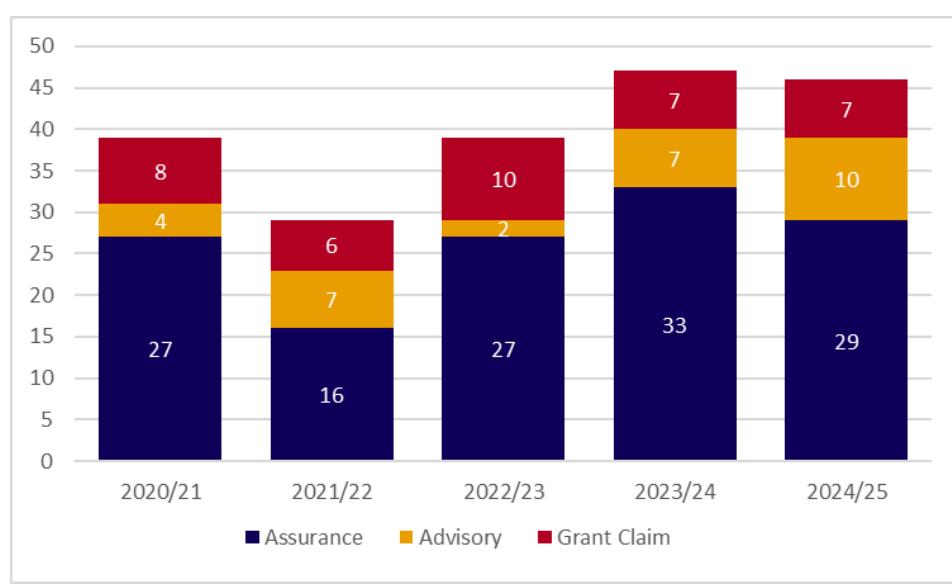


FIGURE 1: IA WORK COMPLETED BY REVIEW TYPE

- 2.2 Two planned reports are currently being finalised and a further two are being drafted. These will be reflected in the ongoing 2025/26 IA workplan. Any significant findings from these reviews have been taken into consideration as part of the Annual HIA Opinion reported below.
- 2.3 Of the 29 assurance reviews completed in the year, only **48%** resulted in a **SUBSTANTIAL** or **REASONABLE** assurance opinion. This is a significant decrease from 63% in 2023/24. Overall, **38%** of the assurance reviews resulted in **LIMITED** opinions and there were **four NO** assurance reviews (13%). Definitions of the IA assurance levels are included at Appendix C.

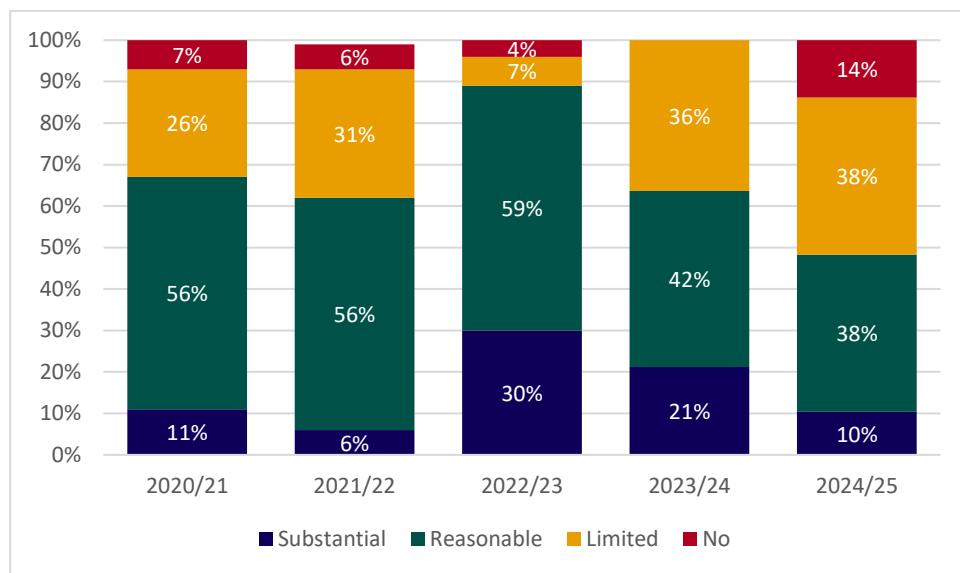


FIGURE 2 IA ASSURANCE RATINGS AS A PERCENTAGE OF ASSURANCE REVIEWS COMPLETED

2.4 Within the 29 IA assurance reviews completed in 2024/25, we raised 127 IA assurance recommendations in total. This is a slight **increase** compared to prior years and the higher number of high and medium rated recommendations reflects the increase in no and limited assurance reports.

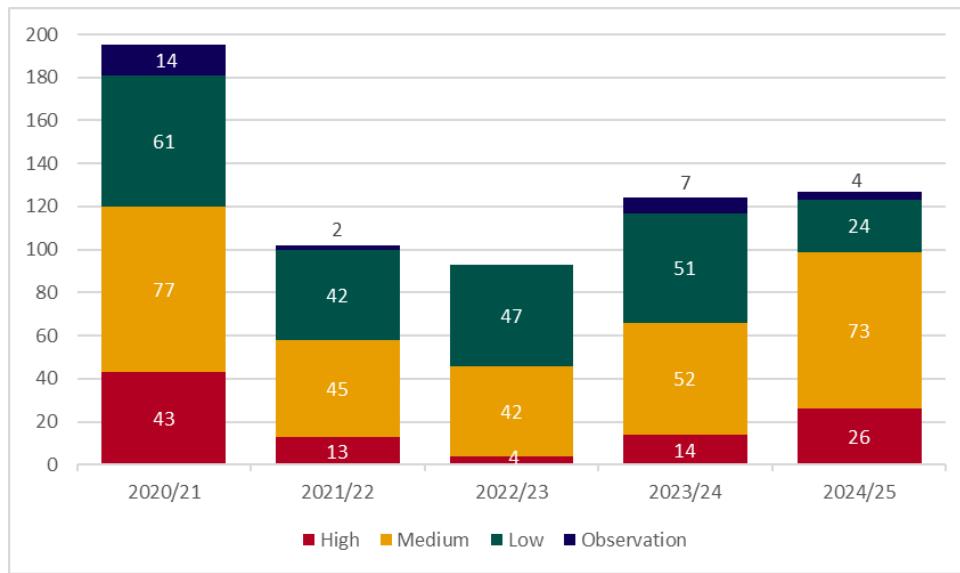


FIGURE 3 IA ASSURANCE RECOMMENDATIONS BY SIGNIFICANCE RATING

2.5 The individual assurance reviews carried out during 2024/25 are listed in Appendix A, including the assurance levels achieved and the number of IA recommendations made.

2.6 Five planned advisory reviews and five ad-hoc advisory reviews were also completed during the year, and seven grant claim audits. These are also detailed in Appendix A. Ad-hoc advisory work includes providing supportive advice and guidance to services across the Council, enhancing the role of IA in helping Council services improve as part of a collaborative approach.

2.7 The IA team staffing structure has remained relatively consistent during 2024/25. Although two members of the team left at the beginning of the year these were expected changes, and the IA plan was delivered by the remaining team without any external support. Following the introduction of the Global Internal Audit Standards the team have also undertaken a review of their working practices and developed a Quality Improvement Action Plan for 2025/26, which will be presented to the next Audit Committee meeting and taken forward throughout 2025/26.

3. HEAD OF INTERNAL AUDIT OPINION STATEMENT 2024/25

- 3.1 The role of the IA service is to provide the Audit Committee and CMT with an independent assessment of the adequacy and effectiveness of the internal control, risk management and governance arrangements to ensure the achievement of the organisation's objectives. The opinion statement is also a source of assurance for the Chief Executive and Leader of the Council in completing the Annual Governance Statement (AGS), which forms part of the statutory Statement of Accounts.
- 3.2 During 2024/25 the IA service had unrestricted access across the Council, received reasonable co-operation from officers, and had sufficient resources to enable it to provide adequate coverage of the Council's control environment. Therefore, there are no qualifications to the 2024/25 HIA opinion statement. Our approach also complies with the Public Sector Internal Audit Standards and the Global Internal Audit Standards introduced at the year end.
- 3.3 Our IA work during 2024/25 was carried out in accordance with the IA work plan approved by CMT and the Audit Committee. The overarching opinion in this report takes into consideration the areas and risks reviewed by IA in the year, as well as the wider control environment and other sources of assurance received during the year.
- 3.4 2024/25 was a particularly difficult year for the Council due to significant demand pressures in key areas such as adult social care, children and young people services and homelessness, with limited funding and capacity within the services. The Council is not unique in facing these challenges, evidenced by the number of other Local Authorities seeking additional financial support.
- 3.5 To address these pressures there was significant focus on developing new ways of working and fast paced change during 2024/25. This included engaging external consultants to undertake a Council-wide zero-based budgeting exercise, followed by extensive senior officer challenge sessions and star chamber sessions.
- 3.6 The increased focus on cost saving proposals was essential given the financial challenges facing the Council. However, this also led to increased uncertainty around forward planning, weakened oversight controls due to limited capacity at a senior level, and significantly reduced focus on core areas of governance. This was particularly highlighted through the Internal Audit reviews into Directorate Governance, Asset Management and Performance Information.
- 3.7 Financial governance was also significantly impacted during the year due to issues with the implementation of the Oracle finance system. These issues were highlighted through the Budget Monitoring IA report, and wider reports from external consultants. Key issues include a lack of confidence in using the system by budget managers, insufficient accountability for budgets at a service level, and data quality issues with the finance and system data. These issues were further exacerbated during 2024/25 by staffing shortages in key roles in the finance directorate.
- 3.8 Overall, 38% of the IA reports completed in 2024/25 were given a Limited assurance opinion, and 14% were given No Assurance. This is a significant increase in the number of Limited and No assurance reviews and include some key areas of governance, for example Asset Management, Contract Management Oversight and Budget Monitoring.
- 3.9 The HIA also takes into consideration the scope of individual reviews, and the wider context why the review was included in the IA plan. For example, the Pre-employment checks review (reasonable assurance) only focused on the Eploy system introduced for new employees as it had already been acknowledged there were significant weaknesses with the records maintained for existing staff. Similarly, the Decent Homes Standards review (reasonable assurance) only focused on the Council's action plan to address the high levels of non-decency in the housing stock, it did not test compliance with the standards as this was a known area of improvement.

3.10 Common themes arising from the Internal Audit findings raised in 2024/25 include poor data quality and poor oversight controls, often due to limited capacity at a senior management level due to the increased focus on Council-wide transformation. At an operational level governance arrangements were often sporadic and related to specific areas rather than a consistent, overarching reporting framework. However, IA note there has been a positive drive towards developing consistent performance dashboards across the Council towards the year end, to facilitate better governance arrangements going forwards. There is further work required to ensure these are aligned to overarching objectives and formal monitoring arrangements, however this is planned for 2025/26.

3.11 Due to the challenges noted above, weaknesses in the governance arrangements have been recognised by CMT, and a Governance Review Improvement Plan has been developed to take forward during 2025/26. Overall, it is the HIA's opinion that Internal Audit can provide **NO** assurance over the internal control, risk management and governance arrangements in place during 2024/25, however initial steps have been taken to address the issues going forward.

3.12 A Corporate Governance Group has recently been established to oversee the Governance Review Improvement Action plan. The HIA has offered their support to this group and will ensure any additional areas of improvement are shared during 2025/26.

4. Risk Management

4.1 Risk Management is the process by which risks are identified and evaluated so that appropriate actions can be taken to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Council from achieving its objectives and fulfilling its strategic priorities.

4.2 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. The IA assessment of the Council's Risk Management maturity is that the Council was **RISK AWARE** as at the end of April 2025, the second of the five maturity levels and consistent with the prior year.

4.3 There has been an improved focus on risk management through the introduction of the risk management system in 2024/25, leading to a significant increase in the number of risks documented and reviewed. However there are still a number of ongoing actions to embed risk management as a proactive process, including ensuring there are set actions in place to address the risks identified.

5. INTERNAL AUDIT FOLLOW-UP 2024/25

5.1 Progress towards implementing recommended management actions is also taken into consideration as part of the HIA annual opinion. If actions are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. A proactive approach to implement recommendations quickly demonstrates management's commitment to the maintenance of a robust control environment.

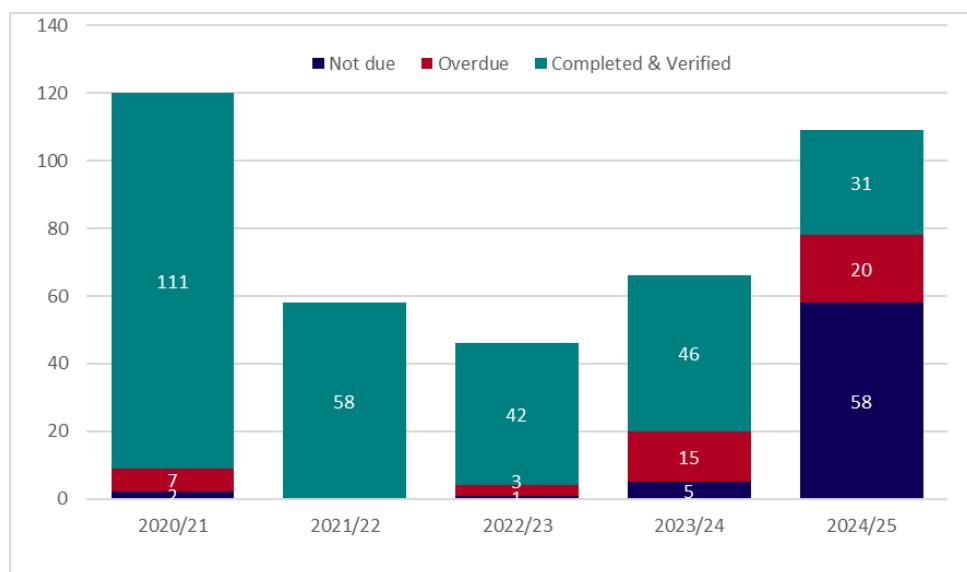


FIGURE 4 Status of IA Recommended Actions at the year end.

5.2 Updates on all outstanding IA management actions are reported in the quarterly IA progress reports for CMT and Audit Committee. Due to the transformational changes ongoing across the council, many of the actions have been delayed as they are incorporated into wider changes or if the responsible officer has left the organisation. These recommendations are allocated new responsible officers and implementation dates and will continue to be followed up until they are completed and verified.

6. REVIEW OF INTERNAL AUDIT PERFORMANCE 2024/25

6.1 The significant challenges facing the Council during 2024/25 also impacted on the Internal Audit team. Other services had less capacity to engage with IA reviews, there were many key officer changes and substantial restructures, and the plan was extensively adjusted to reflect emerging priority areas and other sources of assurance. In total 907 IA days were undertaken (2024/25 budget: 909 days) and 47 pieces of work were delivered, consistent with the prior year.

6.2 IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. Performance against the IA KPIs is reported to the Audit Committee quarterly through the IA Progress Report. At the year-end IA fully achieved all **eight** of the agreed KPIs in relation to the IA work.

6.3 Two further KPIs relating to management engagement with IA were partially met. The IA team has limited control over these KPIs, however they are used to indicate the level of engagement from other services and monitor the final outcomes of the IA work. Increasing engagement with services during 2025/26 will hopefully improve this KPI going forward and the IA team are already looking to develop monitoring dashboards to support Corporate Directors monitor IA work and recommended actions within their areas.

6.4 Finally, during 2024/25 the new Global Internal Audit Standards were introduced and became mandatory in the UK Public Sector from the beginning of 2025/26. The IA undertook a self-assessment of compliance against the standards during the year and found no significant areas of non-compliance. A Quality Improvement Action Plan has been developed and will be taken forward throughout 2025/26 to ensure compliance with the Standards.

APPENDIX A: DETAILED INTERNAL AUDIT ACTIVITY

PLANNED ASSURANCE & ADVISORY REVIEWS

IA Ref.	IA Review Area	Date Final Report was Issued	Assurance Level	Management Actions			
				H	M	L	O
23.S04	Organisation Culture	Final report issued 03 July 2024	N/A: ADVISORY	-	-	-	-
23.C03	SEND Data Quality	Final report issued 30 July 2024	No	4	1	1	-
23.C06	Thematic Schools Audit	Final report issued 28 October 2024	Limited	-	3	1	1
23.F04	Oracle Programme	Final report issued 28 May 2024	Reasonable	-	1	-	-
23.A08	ARCH Social Work Outputs	Final report issued 13 June 2024	Substantial	-	-	-	-
23.A06	Neglect (Adults)	Final report issued 11 July 2024	Reasonable	-	2	2	-
23.P09	Uninspected B&Bs	Final report issued 2 August 2024	No	2	3	1	-
23.P10	Statutory Servicing, Engineering & Maintenance Contracts	Final report issued 22 July 2024	Substantial	-	-	1	-
23.S08	Performance Information	Final report issued 31 July 2024	Limited	1	3	-	-
24.D02	Cyber Security (1)	Final report issued 26 June 2024	Reasonable	-	3	2	-
24.S07	Voids Processes	Final report issued 06 August	Reasonable	-	5	3	-
24.P04	Asset Management (Corporate Properties)	Final report issued 08 October 2024	No	2	2	-	-
24.S17	Section 202 & 204 Appeals	Final report issued 16 September	Limited	-	4	2	-
24.A03	Telecare (Intelligent Lilli)	Final report issued 25 October 2024	N/A: ADVISORY	-	-	-	-
24.C02	Schools Finances (Part One)	Memo completed 25 October 2024	N/A: ADVISORY	-	-	-	-
24.S15	Overtime, Expenses & Mileage Payments	Final report issued 08 November 2024	Limited	5	2	-	-
24.S18	B&B Rent Arrears	Final report issued 17 January 2025	No	3	2	-	-
24.S01	Organisation Culture (Part Two)	Final report issued 19 December 2024	N/A: ADVISORY	-	-	-	-
24.S13	HRA Rent Arrears	Final report issued 17 January 2025	Limited	1	3	1	-

Key:

IA = Internal Audit	H = High Risk	M = Medium Risk	L = Low Risk	O = Observation
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IA Ref.	IA Review Area	Date Final Report was Issued	Assurance Level	Management Actions			
				H	M	L	O
24.S05	Decent Homes Standards	Final report issued 17 January 2025	Reasonable	-	2	1	-
24.F03	Contract Management Oversight	Final report issued 21 January 2025	Limited	1	2	-	-
24.X01	Directorate Governance	Final report issued 22 January 2025	N/A: ADVISORY	-	-	-	-
24.S03	Pre-employment checks (Eploy)	Final report issued 27 January 2025	Reasonable	-	3	-	-
24.S16	Personal Appraisals	Final report issued 30 January 2025	Reasonable	-	3	1	-
24.P03	Leasehold Management & Service Charges	Final report issued 13 February 2025	Reasonable	-	2	-	-
24.D05	Hillingdon First Card	Final report issued 19 February 2025	Limited	-	4	-	-
24.A02	Transport Provider	Final report issued 03 March 2025	Reasonable	-	3	2	-
24.D03	Cyber Security (2)	Final report issued 12 March 2025	Substantial	-	-	-	-
24.C03	Schools Admissions	Final report issued 31 March 2025	Reasonable	1	4	1	1
24.C02	Schools Finances (Part Two)	Final report issued 08 April 2025	Limited	2	4	2	-
24.F04	Debtors	Final report issued 24 April 2025	Reasonable	-	3	1	2
24.S02	Mandatory Training & Induction	Final report issued 30 April 2025	Limited	1	2	-	-
24.F06	Budget Monitoring	Final report issued 1 May 2025	Limited	-	6	-	-
14.F02	Key Financial Controls (Cash Handling)	Final report issued 1 May 2025	Limited	2	1	2	-
Total Number of IA Recommendations Raised						25	73
						24	4

Key:

IA = Internal Audit

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M = Medium Risk

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IA AD-HOC CONSULTANCY & GRANT CLAIM VERIFICATION REVIEWS

IA Ref.	IA Review Area	Current Status at end of Q3 2023/24
24.G1	Supporting Families Grant – Quarter 1	Complete – Memo Issued
24.G1	Supporting Families Grant – Quarter 2	Complete – Memo Issued
24.G1	Supporting Families Grant – Quarter 3	Complete – Memo Issued
24.G1	Supporting Families Grant – Quarter 4	Complete – Memo Issued
24.G2	Housing Benefit Grant	Memo issued 12 December 2024
24.G3	Mayors Charity Accounts	Memo issued 13 January 2025
24.G4	Bus Subsidy Grant Claim	Memo Issued October 2024
24.Z01	TSM Technical Requirements	Memo issued June 2024
24.Z02	Business Continuity Plans	Memo Issued
24.Z03	ASC Uplift	Memo Issued
24.Z04	Section 202 Follow Up	Memo Issued
24.Z05	Uninspected B&B's Follow Up	Memo Issued

Key:

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APPENDIX B: IN YEAR CHANGES TO THE INTERNAL AUDIT PLAN

Internal Audit is most effective when it adapts to emerging risks and other sources of assurance received to avoid duplication. The IA team maintain an audit monitoring spreadsheet which is used to track all audit reviews, including new areas added in year, and identify any areas that can be postponed where capacity is needed for higher risk areas.

The original Internal Audit plan presented to the Audit Committee in January 2024/25 included 39 planned audits. Of these, 18 reviews were removed from the plan during the year (listed below) and 15 audits were added. This resulted in 34 planned reviews completed in the year, as listed in Appendix A.

IA Ref.	IA Review Removed from the Plan	Reason for the Change
24.X02	Cabinet Engagement	Delayed to 25/26 & replaced with Directorate Governance
24.X03	Transformation Programme	Delayed to 25/26 due to ongoing work in the area
24.X04	Corporate Policies and Procedures	Delayed to 25/26 due to ongoing work in the area
24.S04	Gifts, Hospitality & Conflicts of Interest	Replaced with Section 202 & 204 Appeals
24.S06	Utilisation of Housing Stock	Removed due to alternative assurance
24.S08	Emergency Planning	Replaced with Personal Evaluation Plans
24.S09	Dangerous Structures	Replaced with advisory work on Tenancy KPIs
24.S11	Temporary Accommodation	Replaced with B&B Rent Arrears
24.S12	Private Sector Housing Procurement	Replaced with HRA Acquisitions
24.S14	Registrars	Replaced with Schools Admissions
24.C01	Safety Valve Plan (Part 2)	Delayed to 25/26 due to ongoing work in the area
24.F01	Post Oracle Implementation	Removed due to alternative external assurance
24.F05	Social Care Charges	Delayed to 25/26 due to ongoing work in the area
24.F06	Budget Setting	Replaced with Budget Monitoring
24.D01	Data Quality (Liquid Logic)	Replaced with Data Quality (ContrOCC) & delayed to 25/26
24.D04	Device Usage	Replaced with Performance Information
24.D06	Digital Inclusion	Replaced with Personal Appraisals
24.P02	Waste Services	Replaced with Capital Programme

APPENDIX C: INTERNAL AUDIT 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 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.

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.
OBSERVATION	This includes any items Internal Audit would like to highlight that may not directly relate to a finding. This includes notable performance and innovative controls that should be shared with others , potential concerns raised during the audit that are outside the scope of the review and will be considered separately, and any areas of improvement that had already been addressed by management at the time of the review.