

## **Internal Audit Progress Report**

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### **REASON FOR ITEM**

This report provides the Audit Committee with a summary of Internal Audit (IA) activity in the period from 20 February 2012 to 31 May 2012. This fulfils the requirements of CIPFA's Code of Practice for Internal Audit in Local Government to bring to Members' attention periodic reports on progress against planned activity and any implications arising from Internal Audit findings and opinions.

The report also satisfies the Audit Commission requirements to keep Members adequately informed of the work undertaken by Internal Audit and of any problems or issues arising from audits.

### **OPTIONS AVAILABLE TO THE COMMITTEE**

To note progress against the Internal Audit Plan for 2011-12 and the updated position of those audits undertaken in the years 2007-8, 2009-10 and 2010-11.

### **1. INFORMATION**

1.1. In addition to the Annual Report, the Head of Internal Audit produces interim reports to Officers and Members throughout the year. These are approximately quarterly, summarise progress to date and bring to the attention of members any issues of note.

### **2. Resources**

2.1. The School's Auditor post became vacant at the end of March 2012 and recruitment to this post is underway. One new trainee auditor started in April 2012, replacing an auditor that resigned earlier in the year.

### **3. Progress against Plan and Follow up Status**

3.1. During the period, only one audit received Limited Assurance, nine received Satisfactory Assurance, of which three were school audits, and six received Full Assurance of which three were school audits.

3.2. I am not anticipating any qualification of my annual opinion as a result of audits reported in the current period.

3.3. The current status of the 2011-12 plan is included in Appendix 1.

3.4. The progress and status of those audits carried out in 2007-8, 2009-10 and 2010-11 is included in Appendices 2, 3 and 4.

3.5. Ten 2012-13 have commenced. Position as at 31 May 2012 was:

**Planning Stage** – Commercial Waste Collection  
Education for Looked after Children – 21 to 25 Year Olds  
Golf Courses  
Facilities Management – Mechanical & Electrical  
Rural Activities Centre  
Housing Benefit Subsidy

**In Progress** - Sickness Absence  
Licensing Services  
Home Care - External  
Use of Purchase Cards

**Completed** - Professional Fees

3.6. Unless otherwise stated, all reports have an action plan agreed with internal audit.

3.7. Audits of a sample of establishments were not carried out as planned. These are relatively low risk audits, but were included in the 2011-12 as it was considered that there should be some audit coverage each year. However, time was spent during the year identifying all the establishments that the Council operates and compiling a database of them to enable programmed visits to be carried out from 2012-13 onwards.

3.8. There were two additions to the 2011/12 audit plan:

**16-19 Bursary Funding** - This audit was required as the terms and conditions of the funding from the Young People's Learning Agency (YPLA) required Internal Audit to review how schools, that had received the funding, were managing the funds.

**Teachers' Pensions TR17 Return** - As a result of Deloitte qualifying the 2010/11 TR17 return, Teachers' Pension requested an Action Plan be drawn up that would demonstrate how the issues highlighted by Deloitte had been tackled. Teachers' Pension also required that the Action Plan was accompanied by an assurance from Internal Audit that the processes due to be implemented would prevent future qualifications by Deloitte or any other external auditors.

3.9. One audit has been added to the 2012-13 audit plan. Hillingdon Grid for Learning was not included in the originally audit plan because at that time it was anticipated that it would be disbanded in September 2012. However, now that the service is to remain with the Council, I consider that a review would be beneficial in early 2012-13.

3.10. Summaries of the outcomes of the audits completed in the period are provided below:

**Audit Title: Utilities: Water Management**

**Assurance level:** Limited Assurance

There is a current national emphasis on reducing water usage and wastage. Between 1 April 2010 and 31 March 2011, the Council paid £2.2 million to its water services supplier. The BBC reported an estimated 5.7% inflation rise in water bills in April 2012. Furthermore, the Department of Environment, Food and Rural Affairs (February 2012) announced that much of southern and eastern England is officially in a state of drought. Thus water management is vital.

Currently, water is managed by individual services and has never been centralised. This has resulted in significant challenges for the Council in identifying bill miscalculations and leaks. This has been caused by having no historic data and incomplete information on water metre locations.

The objective of the audit was to ensure water management was efficient, effective and economical within the council.

We were pleased to report risks are appropriately addressed in the following areas:

- Roles and Responsibilities
- Strategy

Improvements are needed to address risks in the following areas:

<b>Control improvements required</b>	<b>Risk</b>	<b>Agreed Target Date</b>
Produce a timetable which lists clear actions and targets dates for awarding the contract and achieving water savings. This will ensure the objectives for managing water are achieved in a timely manner and that the Council is not paying for water where buildings have been sold or disposed off or for water that is being wasted through leakages.	High	December 2012
Update the vision on water management in the draft sustainability policy to reflect the new arrangements being put in place. This will ensure there is not a fragmented approach to water management within the Council and water costs are reduced.	High	December 2012
Create an Energy Team page on Horizon, stating roles and responsibilities of the team, contact details, as well as key objectives. This will ensure staff are proactive in helping the team to achieve their objectives.	High	December 2012

**Management Comment**

Although we agree with the findings, at the present time, we accept the risk. The benefits of investing considerable time and effort in Water resources are not there in terms of savings when compared to other areas of energy spend.

**Audit Title: Capita Online Payment System**

**Assurance level:** Satisfactory

AXIS Income Management (AIM) is a central transaction database used to control income imported from different sources. AIM was implemented in October 2010. The system captures payments uploaded into it through different payment collection modules. It also processes and validates transactions imported from 3<sup>rd</sup> party systems such as bank statements and updates back-end systems such as Council Tax, General Ledger, Housing, NNDR and others.

The objective of the audit was to ensure that the Capita Online Payments System is efficient, effective and economical.

We were pleased to report risks are appropriately addressed in these areas:

- Policies and Procedures
- Roles and Responsibilities
- Refunds System

Improvements are needed to address risks in the following areas:

<b>Control improvements required</b>	<b>Risk</b>	<b>Agreed Target Date</b>
The ICT Shared Services Manager should investigate why a leaver's user account had not been deleted in a timely manner, including why processes did not identify this and how they should be strengthened. This will ensure the system is not vulnerable of being amended by individuals who are not authorised to use the system.	High	March 2012
The ICT Business Partner for Central Services should put adequate controls in place which ensures that all daily payment files are imported into the Capita System. This will ensure the General Ledger and individual Debtor Accounts	High	Immediately

are complete and accurate.

The ICT Business Partner for Central Services should ensure that the 'Paye.net Acceptable Usage Policy' is distributed and signed by all users of the Capita System. This will ensure staff have been made aware of their roles and responsibilities and in the event of any fraud/misuse provides evidence they had agreed to comply.

Medium

February  
2012

### **Audit Title: Education Psychology**

**Assurance level:** Satisfactory

The Education Psychology Service (EPS) works with children and young people who have difficulties that may affect their ability to learn, develop and progress as expected for their age.

Their role is to consult with parents, teachers, other professionals, and the children and young people themselves to explore issues that may interfere with learning. Strategies to promote the child's progress and inclusion are discussed with the people involved in the child's education and enacted. This is achieved using the psychologist's knowledge, experience, and relevant research

All schools have a designated Educational Psychologist (EP) who can access a range of consultation services, assessment, and intervention support. Currently, a time allocation based on a formula is given to each school. From April 2012, it will become a part traded service with Service Level Agreements being set up with individual schools.

Education Psychologists employed by the London Borough of Hillingdon must be registered with the Health Professions Council (HPC) and comply with both their code of ethics and conduct, and that of the British Psychological Society.

The EPS moved its base of operations from the Lancaster Centre to the Civic Centre in September 2011.

The audit objective was to ensure the Education Psychology Service is efficient, effective, and economical.

We were pleased to report risks are appropriately addressed in these areas:

- Consultations
- Statutory Assessments
- Staffing levels
- Performance Management

- Staff identification checks, criminal vetting, and professional requirement checks

Improvements are needed to address risks in the following areas:

<b>Control improvements required</b>	<b>Risk</b>	<b>Agreed Target Date</b>
Hardcopy files should be signed in and out by EPs in order to ensure there is a formal record of their whereabouts and accountability for the data itself. Otherwise, data could be lost or stolen without any accountability and failure to comply with the 1998 Data Protection Act.	High	Immediately
EPS should not hold copies of staff CRB checks as it contravenes the CRB Checks Security Policy, the CRB's Code of Practice and the 1998 Data Protection Act.	High	Already actioned
There should be checklist on the front of each file that the EP signs to say that they have viewed parental consent and have a copy of it in the file. This would prompt EP's to ensure they had written consent and therefore prevent the Council from exposure to a high risk of litigation.	Medium	September 2012

### **Audit Title: Penetration Testing Arrangements**

**Assurance level:** Satisfactory

In March 2012, we reported to the Audit Committee that the audit on Penetration Testing Arrangements was given Full Assurance. This assurance level was changed from Satisfactory to Full because we removed from the report a medium recommendation which related to Hillingdon Grid for Learning (HGFL) on the basis that it was being wound down and would be disbanded by November 2012. However, as this is now not the case, we have reintroduced the recommendation (see below) and changed the assurance level to Satisfactory. We have obtained management's response and an agreed target date as per our normal process.

The objective of the audit was to verify that data traffic in and out of the Council network is adequately managed, controlled and secure.

We were pleased to report risks are appropriately addressed in these areas:

- The scope of the penetration testing conformed to CESG specified ITHC standards (IT Health Check), reducing the risk of vulnerabilities not being identified which could be exploited to gain unauthorised access to the Councils network, systems and data;

- All staff undertaking the Penetration testing are CREST and Tiger qualified;
- Access to the Council's network for the penetration testing was explicitly authorised in writing beforehand. This reduces the risk of the access being viewed as unauthorised and responded to as such, which could adversely impact the testing.

Improvement is needed to address risk in the following area:

<b>Control improvements required</b>	<b>Risk</b>	<b>Agreed Target Date</b>
HGFL management should ensure that the HGFL network is subject to independent penetration testing on a regular basis to prevent unauthorised access to the HGFL network, systems and data.	Medium	Oct 2012

#### **Audit Title: Heathrow Imported Food Unit**

**Assurance level:** Satisfactory

The Imported Food Unit undertakes statutory inspections and enforcement in respect of imported food products and feed consignments arriving at Heathrow Airport, and offers advice to the trade and airport clearing agents regarding import controls. It is covered by various legal requirements under European UNION (EU) and UNITED Kingdom (UK) laws.

It is a 24/7, 365 day operation, and a great deal of its involvement is with clearances of perishable imported food of high commercial value. It clears over 15,000 consignments and generates an income of over £2 million per annum. Swift clearance is therefore of utmost importance in providing this service.

The service is subject to periodical inspections and scrutiny by external agencies, like European Food and Veterinary Office of the European Commission, Department for Environment, Food & Rural Affairs (DEFRA), Food Standards Agency (FSA) etc.

The last internal audit of this area reviewed the IT systems and controls in place at the time. Since then, the IT arrangements have considerably changed and they are now part of the corporate ICT network. The preliminary BID review carried out recently also identified a potential for further modernisation and improvement of IT systems.

The objectives of the audit were to:

- Assess the adequacy and effectiveness of current systems and controls in place for managing the Imported Food Unit at Heathrow.

- Provide management with an assurance that the unit's role / contribution to achieve the corporate objective of Airport Services is adequate.

We were pleased to report risks are appropriately addressed in these areas:

- Policies and Procedures
- Roles and Responsibilities
- Budgetary Control
- Checks and Tests to clear consignments
- Treatment of rejected consignments

Improvements are needed to address risks in the following areas:

<b>Control improvements required</b>	<b>Risk</b>	<b>Agreed Target Date</b>
The current arrangements for handling cash and cheques should be reviewed with a view to reducing access to the main safe to a limited number of officers. Accountability can be reduced if too many officers have access to the main safe.	Medium	April 2012
The Airport Services Manager should ensure that either the two team leaders or another member of staff is fully trained and fully conversant with updating and administering the Card File system, otherwise business continuity could be jeopardised.	Medium	June 2012
The Airport Services Manager or the team leaders should periodically carry out a spot check of notifications and alerts received in the Heathrow-BIP (Border Inspection Post) mailbox, to ensure that they had been properly actioned by the system administrator. If there is no supervision, it may be difficult to establish the performance or effectiveness of a system administrator's work.	Medium	April 2012
The BID Review team should consider extending the scope of their exercise to incorporate the modernisation / computerisation of administrative practices and records related to income management. Without an all encompassing approach, the full potential for service efficiencies may not be identified or achieved.	Medium	October 2012
Management should ensure that the business continuity	Medium	June 2012



<b>Control improvements required</b>	<b>Risk</b>	<b>Agreed Target Date</b>
plan is tested at the earliest opportunity as without testing the plan, it may be difficult to judge its effectiveness.		
Management should provide backup option/s for the Imported Food Unit at Heathrow to access the internet when the corporate ICT network is not available. Without adequate IT facilities, undue delays may occur in clearing consignments, leading to potential losses for clients.	Medium	November 2012
The Airport Services Manager should make all possible efforts to promote the facility for clients to pay by debit / credit card, and discourage payments by cash or cheques. Otherwise, the cost of processing cheques and cash to the Council will be greater in comparison to payments by card.	Medium	October 2012
Management should ensure that official receipts are issued for all cash and cheques collected at the Imported Food Unit, even if the client does not request one. If there are inconsistencies in practice, and official receipts are only issued if asked for, there could be allegations by clients or disputes over amounts.	Medium	Already implemented

**Audit Title: Debtors**

**Assurance level:** Satisfactory

The Corporate Debt Collection Team deals with invoicing and collection of all the council's sundry income other than council tax, national non domestic rates, social services assessed charges and housing rents. Recently the Housing Benefit overpayments and regular income from the Council's property portfolio have been added to the team's debt collection responsibilities.

The audit objective was to ensure that the debtors system is efficient, effective and economical.

We were pleased to report risks are appropriately addressed in these areas:

- Debt recovery process
- Bad debt write-off process
- 

Improvements are needed to address risks in the following areas:

<b>Control improvements required</b>	<b>Risk</b>	<b>Agreed Target Date</b>
The Corporate Debt Collection Manager should ensure procedures and policy are produced to reflect the current processes and Council's objectives. To guard against inconsistent practices being followed.	Medium	June 2012
The Corporate Debt Collection Manager should ensure that the outstanding amount of £3,863.16 in the suspense account is written into the Council's account and that reconciliation statements are reviewed, checked, and signed monthly to confirm that the suspense account is being managed efficiently and effectively.	Medium	June 2012
The Corporate Debt Collection Manager should consider including a note on the "Request to Raise Invoice Form", that it is the responsibility of the service manager to ensure that VAT is correctly applied on their invoices. If they are not sure they should check with the VAT team. This will ensure service managers take responsibility for checking whether VAT is payable or not.	Medium	June 2012
The Corporate Debt Collection Manager should put a process in place to review all debts that are over 366 days with a view to identifying all those that are bad and uneconomical to recover. If the bad debts are not written off, the Council's accounts might not be showing a true and fair view and may not be able to recover VAT on bad debts	Medium	June 2012

**Audit Title: HR Payroll Changes and Trigger Dates**  
**Assurance level: Satisfactory**

There are various changes that can be made to an employee's pay. These include annual increments and pay changes resulting from new roles/jobs due to promotions and job restructures. Payments can also be made in the form of honoraria for taking on extra responsibilities and protection of earnings.

Apart from increments, which are governed by the employee's contract of employment, all changes to an employee's pay, including honoraria, must be authorised correctly in accordance with the London Borough of Hillingdon's Scheme of Delegations for each Directorate. There are different schemes for each directorate; however, changes to staff's pay and conditions and the approval of honoraria must all come from Level A – B managers across all schemes. Level B managers are Heads of Service/Deputy Directors

Human Resources are currently undergoing a restructure. Part of the plan is to replace the Employee Change of Details form with an 'Achieve' form. This is in electronic format and should ensure managers complete all the necessary steps to change an employee's pay. The 'Achieve' form is currently in development but is expected to be ready in May 2012.

The audit objective was to ensure that there are adequate and effective systems in place to ensure that the correct amounts are paid for the correct period.

We were pleased to report risks are appropriately addressed in these areas:

- Policies and Procedures
- Annual increments
- Protection of earnings payments

Improvements are needed to address risks in the following areas:

<b>Control improvements required</b>	<b>Risk</b>	<b>Agreed Date</b>
'Achieve' forms should contain a reminder to managers that if they are regrading an employee, they must first change the post. If an automatic control is not included upon introduction of the 'Achieve' forms, the weakness will still exist and management information will be incorrect.	M	October 2012
HR should not action changes received from level C managers on behalf of a level A or B manager unless the latter has been copied into the email or there is evidence that they have otherwise authorised the changes. If they are actioned, incorrect or fraudulent changes may be made.	M	October 2012
The current forms are too complicated and are not always used which leads to inconsistent practices and confusion. The new 'Achieve' form should be simple to use and contain guidance.	M	October 2012
HR should run periodic exception reports for honoraria, pay protection payments and post grade comparison to pay rate to identify and correct any errors. Otherwise, human errors and/or possible fraud may not be identified.	M	October 2012
Once the 'Achieve' form system is operating, HR should provide quarterly reports to Level A-B managers showing the changes they have authorised as a balance against fraud as members of staff could make fraudulent changes to pay by simply 'name dropping' a manager on the form.	M	October 2012
Once the new structure is implemented, the Payroll Team should	M	October

**Control improvements required****Risk****Agreed  
Date**

check that HR has input accurate information to the payroll system. If not checked, human error will not be picked up and staff may receive incorrect pay.

2012

**Disagreed Recommendation****Control improvements required****Risk****Agreed  
Date**

HR should produce a guidance document for managers. This should contain details of all the steps necessary when making changes to an employee's post and pay, including the granting of honoraria. It should also contain a reminder about the Scheme of Delegations and ask that any documents sent by a manager on behalf of the Head of Service/Deputy Director should be copied to them. This is because there is obvious confusion as to the processes to be followed and there is not always a clear audit trail.

M

N/A

**Management Comment**

Disagreed

The guidance will be within the Achieve Form, relating to post/pay changes.

The conditions of service already give guidance relating to honorariums. The Achieve forms will also ask for relevant information e.g. reason, calculation used. If there are any concerns HR will raise these with line managers prior to processing.

The Achieve form will state that the authorising officer must be in accordance with the Scheme of Delegations. The Heads of Service/Deputy Directors have not requested copies of documents (they are not sent on their behalf) and the recommendation regarding issuing quarterly reports, which is agreed, will give them the required information.

When the achieve forms are ready to pilot I would welcome Audit input, prior to them going Live, so that any concerns can be addressed.

**Audit Title: Agency & Interim Approvals****Assurance level: Full**

Contingent labour is the collective term for all workers within the Council that are not directly employed through a contract of employment with the London Borough of Hillingdon. It includes:

- Agency Workers
- Interim Managers
- Supernumerary staff (outside of the organisational establishment)
- Consultants (through consultancy, agency or directly paid).
- Workers who directly invoice LBH for services

The Council has corporate contracts in place with Matrix SCM, ASAP Pertemps and Pulse to recruit agency workers.

The objective of the audit was to confirm that the correct level of authorisation has been obtained for a sample of Contingent Labour.

We were pleased to report risks are appropriately addressed in the following areas:

- A policy is in place and accessible on Horizon
- Procedures and guidance are in place supporting the delivery the of the policy
- There is a process in place to ensure Line Managers are alerted when agency assignments are nearing the prescribed end date

### **Audit Title: Budgetary Control**

**Assurance level: Full**

Budgetary Control is the process of comparing actual and forecast expenditure and income throughout the financial year. It involves identifying main variances, pressures and risks and taking prompt action to prevent budget pressures from arising or to bring pressures that have arisen back under control.

The budget monitoring process involves interactions at various stages with budget managers and group finance teams, service managers, senior management teams, corporate directors and corporate finance.

The main challenge in delivering a balanced budget for 2011/12 was in the development of significant savings of over £26M, more than double the £10.3M required in 2010/11.

The audit objective was to ensure that the budgetary control process is efficient, effective and economical.

We were pleased to report risks are appropriately addressed in these areas:

- Roles and Responsibilities
- Monitoring and Reporting Cycles
- Tracking of BID savings

**Audit Title: Housing Needs 2011-2012**

**Assurance level: Full**

Hillingdon receives many enquiries and applications every year from people who want to be re-housed within the borough. There are not enough properties within the Council's stock, and other stock to which it has nomination rights, to meet demand. The borough therefore has a system for prioritising the needs of customers who want to be re-housed, including households and individuals who are currently homeless.

The Housing Needs Service has as its primary function the assessment of the housing need of Hillingdon residents, and the management and provision of accommodation sources to meet these needs and prevent homelessness. This is exercised through housing advice, homeless prevention, assessment of actual homelessness, provision of temporary accommodation and maintenance of the Council's housing register and choice based lettings system for allocating social housing properties.

The objective of this audit was to ensure that the management of housing needs is efficient, effective and economical.

We were pleased to report risks are appropriately addressed in these areas:

- Strategies, policies, protocols, procedures and customer information
- Client housing needs assessment
- Housing waiting register
- Roles and responsibilities
- Staff training
- Performance management and value for money
- Appeals
- Complaints
- Data security

Improvements are needed to address risks in the following areas:

<b>Control improvements required</b>	<b>Risk</b>	<b>Agreed Target Date</b>
The Housing Needs Manager should verify with Human Resources whether Criminal Records Bureau Disclosures are in place for the staff in question, otherwise clients could be placed at risk if staff criminal records are not known.	Medium	April 2012
The Housing Needs priority banding of clients should be subject to independent checking and clearly evidenced,	Medium	June 2012

otherwise incorrect banding decision may not be identified promptly.

**Teacher’s Pensions TR17 Return** – Our audit enabled us to provide assurance that the processes being followed should prevent qualification for the TR17 Return for 2011/12. However, for 2012/13 onwards, we could not provide similar assurance as, from 1 April 2012, the Council would no longer be providing payroll services to its schools. Therefore, we have added this audit to the 2012/13 audit plan using the contingency allocation and will review the processes that the external payroll providers have in place and any internal controls that London Borough of Hillingdon can introduce during 2012/13 in order to provide future assurance.

### Schools’ Audits

The table below summarises the school audits finalised in the period.

<b>2011/12</b>	<b>Assurance Level</b>
<b>Schools - Primary</b>	
Holy Trinity	Satisfactory
St Bernadette’s	Satisfactory
St Mary’s	Full
St Swithun Wells	Full
Bourne Primary	Full
<b>Schools - Special</b>	
Moorcroft	Satisfactory

### 4. Follow up audits

4.1. We continue to make progress in following up and clearing action points from previous audits.

4.2. The table below shows the results of follow ups for general audits and school audits. Implementation rates on follow ups have increased slightly from 75% to 77% in this period.

Audit Title	DATE ISSUED	HIGH	MEDIUM	LOW	IMPLEMENTED HIGH	IMPLEMENTED MEDIUM	IMPLEMENTED LOW	NOT IMP'D - HIGH	NOT IMP'D MEDIUM	NOT IMP'D - LOW	REVISED TARGET DATE
Rural Activities Garden Centre	Oct-10	1	2	0	0	0	0	1	2	0	Jul-12
Facilities Management Contract	Oct-11	3	5	1	2	3	0	1	2	1	Oct-12
Court Costs 2nd F-up	Jun-11	1	0	0	1	0	0	0	0	0	N/A
LGPS Governance 3rd F-up	Sep-10	0	2	0	0	1	0	0	1	0	Jun-12
Learning & Development 2nd F-up	Jul-11	0	4	7	0	3	6	0	1	1	Aug-13
Debt Recovery Processes	May-10	0	6	2	0	6	2	0	0	0	N/A
Employability_ Eligibility to work in the UK	Sep-11	1	2	2	1	2	2	0	0	0	N/A
MCP Project Management Audit	Jul-11	3	3	0	3	3	0	0	0	0	N/A
Adult Education	Jul-11	0	6	1	0	6	1	0	0	0	N/A
Temporary Accommodation	Aug-10	1	0	0	1	0	0	0	0	0	N/A
Protocol Systems Adult Social Care & Children Services	Sep-11	0	2	2	0	1	2	0	1	0	Sep-12
Fusion Contract Management	Jun-11	5	1	0	3	1	0	2	0	0	Aug-12
Financial Assessments	Jul-11	1	0	0	1	0	0	0	0	0	N/A
Carefirst Debtors 3rd Follow up	Feb-11	1	0	0	1	0	0	0	0	0	N/A
Hillingdon Customer Contact Centre	Dec-11	1	2	3	0	1	3	1	1	0	Aug-12
Securicor	Mar-08	1	0	0	1	0	0	0	0	0	N/A
Private Sector Leasing	Jun-10	1	0	0	1	0	0	0	0	0	N/A
Housing Repairs Planned	Jan-12	0	3	2	0	2	2	0	1	0	Apr-13
Investigation 56	Jan-12	3	3	0	0	2	0	3	1	0	Aug-12
Residential to Independent Living 2nd F-up	Jul-11	0	1	0	0	1	0	0	0	0	N/A
General Ledger	May-11	0	1	0	0	0	0	0	1	0	Jun-12
Penalty Charge Notices & Appeals	Nov-11	0	2	1	0	2	1	0	0	0	N/A
Safeguarding Adults 2nd & 3rd F-up	May-11	0	3	1	0	2	1	0	1	0	Jun-12
Budgetary Control (former ECS & ECP) 4th F-up	Mar-10	0	6	2	0	6	2	0	0	0	N/A
Professional Fees	May-12	0	1	0	0	1	0	0	0	0	N/A
Creditors (Reconciliations) 2nd F-up	Jun-11	0	1	0	0	1	0	0	0	0	N/A



Education for Looked after Children	Nov-11	2	4	0		2	4	0		0	0	0	N/A
Youth & Connexions	Oct-11	0	7	4		0	6	4		0	1	0	Jul-12
Highways Planned Maintenance	Jan-10	0	4	0		0	1	0		0	3	0	Jul-12
E-Payments 3rd Follow Up	Apr-11	2	3	2		1	3	2		1	0	0	Oct-12
Greenwich Leisure Contract	Feb-12	3	2	0		0	1	0		3	1	0	Nov-12
Improvement Projects	Jul-11	1	5	0		1	3	0		0	2	0	Jul-12
Application Review Debtors ICT 2nd & 3rd	Jul-11	0	2	0		0	1	0		0	1	0	Jul-12
Culture and Arts Strategy follow up audit	Nov-10	3	0	0		1	0	0		2	0	0	Jul-12
Fuel at HRD	Jan-12	4	9	0		2	6	0		2	3	0	Jul-12
Fleet Management	Feb-12	3	7	6		2	7	5		1	0	1	Jul-12
Whitheath Junior	Jul-10	1	0	0		1	0	0		0	0	0	N/A
Whitheath Infant	Oct-11	0	1	1		0	1	1		0	0	0	N/A
Yeading Infants	Jun-11	1	1	0		1	1	0		0	0	0	N/A
Yeading Junior	Oct-11	1	3	0		1	3	0		0	0	0	N/A
Ruislip High	Mar-10	1	2	0		1	2	0		0	0	0	N/A
Children with Disabilities - Transition	Sep-11	1	4	4		0	3	3		1	1	1	Sep-12
CTAX / NNDR Review	Jul-11	1	11	0		1	8	0		0	3	0	Aug-12
		<b>47</b>	<b>121</b>	<b>41</b>		<b>29</b>	<b>94</b>	<b>37</b>		<b>18</b>	<b>27</b>	<b>4</b>	
	<b>% Implemented by Risk</b>					<b>62%</b>	<b>78%</b>	<b>90%</b>					
	<b>Overall % Implemented</b>									<b>77%</b>			
	<b>Overall % Not Implemented</b>									<b>23%</b>			

4.3. Details of audits followed up, but where High or Medium risk issues remain outstanding are included in the appendices. The dates of the latest follow up are given alongside the number of outstanding recommendations and the revised target date.

## 5. Advice Guidance and Consultancy

Management continue to request ad hoc advice from us on operational issues within their service. Since February 2012, two of the main areas we have provided advice on was:

- The introduction of on-line reporting by Council establishments of income received and banked to Corporate Accountancy to replace the completion of the old manual Cash and Deposit Summaries.

- The new on-line system for claiming employee expenses and car mileage allowances which will be piloted in July 2012.

## **6. Anti Fraud Work**

### **Pro-active Probity Audits**

6.1. We completed two anti-fraud audits during the period:

**Compliance with Driving Policy** – Probity checks to ensure compliance with the Council’s driving policy identified no major concerns. We provided each Corporate Director with details of our findings pertinent to their directorate and also notified respective line managers of our findings and the actions they need to take to ensure compliance with the driving policy.

**Petty Cash – Imprest Accounts** - We carried out probity checks on a sample of establishments reviewing the controls over their Imprest Accounts and compliance with Financial Regulations. No major concerns were identified but some improvements were recommended to some of the establishments visited.

**Professional Fees** - We examined a sample of applications for reimbursement of professional fees by employees, to ensure that current policies and procedures were being adhered to. No universal issues were identified, however, one area of concern was in regards to the submission of satisfactory evidence to confirm that the employee had already paid their subscription. Recommendations were made to amend the application form so that applicants and managers were reminded of the evidence required.

### **Fraud Awareness**

6.2. Another Fraud Awareness Bitesize session for managers was presented in March 2012 and sessions will continue to be run half yearly during 2012/13.

6.3. The revised induction guidelines / checklists have been finalised by Learning and Development and are now in use. These include the Fraud e-Learning module as a compulsory module for all new starters and the Fraud Awareness sessions for all new managers.

### **National Fraud Initiative (NFI)**

6.4. The few remaining data matches are still under investigation and we continue to monitor their progress. The Revenues Service has started investigating the new Council Tax Single Person Discount to Electoral Register cases.

6.5. The Audit Commission is currently requesting local authorities to put themselves forward as pilot authorities for the new NFI real time and flexible data matching services. We are liaising with the Audit Commission with a view to proposing LB Hillingdon as a pilot so that we can contribute to this initiative from the beginning.

6.6. Planning for the NFI 2012/13 is underway and we have notified key departmental contacts of the proposed timetable. As further details are received from the Audit Commission, we will keep key contacts advised.

### **Other work**

6.7. Four confidential investigations are underway and the results of these will be reported upon conclusion of the investigations.

6.8. The outcomes of those confidential investigations that have been concluded are contained in Part II of this report.

Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
<b>CROSS CUTTING CORPORATE ISSUES</b>							
<b>Anti Fraud and Investigation</b>							
Planned proactive (to be determined):							
- Write-off Probity	Finalised	15/07/11	Full	November 2011	0	0	0
- Disabled Parking Bays	Finalised	07/11/11	N/A	In Progress	0	1	2
- Mayoral Services	Finalised	22/8/11	Satisfactory	November 2011 – Revised date August 2012	0	1	0
- Imprest Accounts	Finalised	29/3/12	N/A		0	0	0
- Leisure Link Card	Finalised	19/09/11	N/A		0	0	2
- Compliance with Driving Policy (Non council vehicles)	Finalised	24/05/12	N/A		2	2	0
<b>Other Cross-Cutting</b>							
Pre-Loaded Cards	Being covered under Self Directed Support audit						
Establishment Audits - to be determined	Deferred to 2012/13						
<b>CENTRAL SERVICES</b>							
<b>Finance</b>							
Creditors	In progress						
Debtors	Finalised	17/05/12	Satisfactory		0	5	4
Budgetary Control	Finalised	29/03/12	Full		0	0	0
Capita On-Line Payments	Finalised	22/02/12	Satisfactory	In Progress	2	2	1

Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
<b>Central Services</b>							
<b>Human Resources</b>							
Agency & Interim Approvals	Finalised	29/03/12	Full		0	0	0
Employability Status - Permanent Staff	Finalised	14/09/11	Satisfactory	March 2012	0	0	0
HR Payroll Changes & Trigger Dates	Finalised	02/05/12	Satisfactory		0	7	0
<b>Audit &amp; Enforcement</b>							
Planning Enforcement	Drafting						
<b>SOCIAL CARE HEALTH &amp; HOUSING</b>							
<b>Adult &amp; Older People Services</b>							
Critical Team	Finalised	09/11/11	Satisfactory	In Progress	2	3	2
Self Directed Support	In progress						
<b>Children's Social Services</b>							
Fostering	Drafting						
Adoption	In progress						
Emergency Duty Team	Drafting						
<b>Hillingdon Housing Services</b>							
Housing Repairs & Maintenance - Responsive	Finalised	30/11/2011	Limited	In Progress	3	3	1
Housing Repairs & Maintenance - Planned, including Major Works	Finalised	05/01/2012	Satisfactory	May 2012 - Revised date	0	1	0

<b>Internal Audit Plan 2011-12 Progress</b>							
<b>Audit Title</b>	<b>Status</b>	<b>Date Finalised</b>	<b>Assurance Level</b>	<b>Date of Last Follow Up</b>	<b>Number of outstanding recommendations</b>		
					<b>H</b>	<b>M</b>	<b>L</b>
				April 2013			
Leasehold Management & Service Charges	Draft Issued						
Tenancy Management	Finalised	23/11/11	Satisfactory	In Progress	0	2	2
<b>Housing</b>							
Housing Needs	Finalised	05/04/12	Full		0	2	0
<b>PLANNING, EDUCATION SERVICES &amp; ENVIRONMENT, COMMUNITY SERVICES</b>							
<b>Street Environment</b>							
Street Lighting	Finalised	29/11/11	Limited	In Progress	1	3	0
Highways - Reactive Maintenance	In Progress						
<b>Corporate Construction</b>							
School Building Programme - Permanent	In Progress						
School Building Programme - Temporary	In Progress						
Construction Contracts - Final Accounts	Draft Issued						
<b>Green Spaces, Sport &amp; Leisure</b>							
Greenwich Leisure Ltd Contract	Finalised	13/02/12	Limited	May 2012 – Revised date November 12	3	1	0
<b>Parking Services</b>							
Penalty Charge Notices and Appeals	Finalised	28/11/11	Satisfactory	April 2012	0	0	0

Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
<b>Transport Services</b>							
Fleet Management	Finalised	14/02/12	Limited	May 2012 – Revised date July 2012	1	0	1
Fuel at Harlington Road Depot	Finalised	24/01/12	Limited	May 2012 – Revised date July 2012	2	3	0
Stores at Harlington Road Depot	In progress						
<b>Property Services</b>							
Utilities Contracts - Water	Finalised	30/05/2012	Limited		3	0	1
<b>Consumer Protection</b>							
Food Health & Safety Services	Draft Issued						
<b>Business Services</b>							
Heathrow Imported Food Unit	Finalised	4/4/12	Satisfactory		0	8	0
Passenger Services	Drafting						
Cemeteries	Finalised	12/09/11	Satisfactory	February 2012 – Revised date March 2012	0	3	1
<b>ICT</b>							
Customer Contact Centre	Finalised	15/12/11	Satisfactory	May 2012 – Revised date August 2012	1	1	0

Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
<b>Youth Services</b>							
Youth Services	Finalised	7/10/11	Satisfactory	May 2012 – Revised date July 2012	0	1	0
<b>Other Education</b>							
Pupil Referral Unit	Drafting						
Early Years Centres	Drafting						
Psychology Service	Finalised	19/03/12	Satisfactory		2	1	3
<b>Schools - Primary</b>							
Bourne Primary	Finalised	12/03/12	Satisfactory		0	0	0
Minet Infants	Finalised	16/11/11	Satisfactory	In progress	0	2	2
Firthwood Primary	Finalised	16/11/11	Satisfactory	In progress	0	2	1
Holy Trinity Primary	Finalised	29/03/12	Satisfactory	In progress	0	4	2
Hillside Infants	Finalised	10/1/12	Satisfactory	In progress	0	3	2
Hermitage Primary	Finalised	21/11/11	Satisfactory	In progress	0	4	0
Whiteheath Infants	Finalised	6/10/11	Full	March 2012	0	0	0
Ryefield Primary	Finalised	9/2/12	Satisfactory	In progress	0	2	2
Harmondsworth Primary	Finalised	16/1/12	Satisfactory	In progress	1	3	1
Newham Junior	Finalised	30/11/11	Satisfactory	In Progress	1	2	0
Whitehall Junior	Finalised	29/06/2011	Satisfactory	March 2012 – Revised date April 2012	0	1	0
Yeading Infants	Finalised	23/06/2011	Satisfactory	March 2012	0	0	0
Yeading Junior	Finalised	3/10/11	Satisfactory	March 2012	0	0	0
Bishop Winnington Ingram	Finalised	03/05/2011	Satisfactory	March 2012	0	0	0
Deansfield	Finalised	3/11/11	Satisfactory	In Progress	4	5	0



Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
Ruislip Gardens	Finalised	10/11/11	Satisfactory	In Progress	0	2	0
St Bernadettes	Finalised	1/03/12	Satisfactory	Due July 2012	1	2	3
St Marys	Finalised	28/02/12	Full		0	0	0
St Swithun Wells	Finalised	26/03/2012	Full	In progress	0	1	2
<b>Special</b>							
Meadow	Finalised	26/04/2012	Satisfactory		1	4	2
Moorcroft	Finalised	13/03/2012	Satisfactory	N/A became an Academy	0	0	0
Hedgewood	Finalised	16/11/11	Satisfactory	In Progress	1	5	0
<b>Nursery Schools</b>							
McMillan Nursery	Finalised	12/12/11	Satisfactory	In Progress	1	3	1
<b>ICT audit contract</b>							
Penetration Testing Arrangements	Finalised	18/01/2012	Full Satisfactory		0	1	2
Adults and Children's Protocol	Finalised	12/09/2011	Limited	April 2012 - Revised date September 2012	0	1	0
IT Strategy replaced with Schools Security	Draft Issued						
LBH Cloud Computing Advisory Review	Draft Issued						
<b>Contingency Audits</b>							
Investigation 049	Completed	N/A	N/A	N/A	0	0	0
New Year's Green Lane Weighbridge	Draft issued						
Payments for Contingent Labour (on and off	Draft Issued						

Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
contracts)							
Direct Payments	Drafting						
Investigation 056	Finalised	Feb 2012	N/A	May 2012 - Revised date August 2012	3	1	0
CRC Energy Efficiency Scheme	Finalised	15/02/2012	Limited	In Progress	5	1	0
Investigation 057	In Progress						
Investigation 058	Completed	N/A	N/A	N/A	0	0	0
Investigation 060	In Progress						
16-19 Bursary Fund	Draft Issued						
Teachers' Pensions TR17 Return	Completed	15/3/12	N/A	N/A	0	0	0

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
<b>CROSS CUTTING CORPORATE ISSUES</b>							
Records Management	Finalised	01/06/2011	Limited	In progress	2	3	1
Subsistence	Finalised	9/7/10	Satisfactory	October 11 – Revised date September 12	1	0	0
<b>FINANCE &amp; RESOURCES</b>							
CT/NNDR - System	Finalised	14/7/2011	Satisfactory	May 12 – Revised date August 12	0	3	0
LG Pension Scheme - Governance	Finalised	30/09/10	Satisfactory	March 2012 – Revised date June 2012	0	1	0
Creditors	Finalised	03/06/11	Limited	May 2012	0	0	0
General Ledger	Finalised	31/05/11	Satisfactory	April 2012 - Revised date June 2012	0	1	0
<b>DCEO</b>							
Learning & Development	Finalised	01/07/11	Satisfactory	March 2012 - Revised date August 2013	0	1	1
<b>EDUCATION &amp; CHILDREN'S SERVICES</b>							
<b>Schools - Primary</b>							
Glebe Primary	Finalised	19/7/10	Satisfactory	In progress	1	0	0
Whiteheath Junior	Finalised	10/02/2011	Satisfactory	March 2012	0	0	0
<b>Special</b>							
Grangewood School	Finalised	18/10/10	Satisfactory	Becoming an academy on the	0	0	0

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
				1 <sup>st</sup> June 2012			
<b>Other School Related</b>							
Education - Looked After Children	Finalised	4/11/11	Satisfactory	May 12	0	0	0
<b>ADULT SOCIAL CARE HEALTH &amp; HOUSING</b>							
Financial Assessments	Finalised	01/07/2011	Satisfactory	April 12	0	0	0
<b>Older People's Care</b>							
Residential to Independent Living	Finalised	27/07/11	Limited	May 2012	0	0	0
<b>People with Physical and Sensory Disability</b>							
Children with Disabilities - Transition	Finalised	14/09/11	Limited	May 2012 – Revised date September 2012	1	1	1
<b>Other Adult Services</b>							
Safeguarding Adults	Finalised	18/05/11	Satisfactory	March 2012 – Revised date June 2012	0	1	0
<b>ENVIRONMENT AND CONSUMER PROTECTION</b>							
Improvement Projects	Finalised	5/7/2011	Satisfactory	May 12 – Revised date July 2012	0	2	0
Parking Cash Collection	Finalised	27/06/2011	Satisfactory	In Progress	1	0	1

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
<b>PLANNING AND COMMUNITY SERVICES</b>							
<b>Major Construction Projects</b>							
Individual Project Management x 2	Finalised	06/07/11	Limited	March 2012	0	0	0
<b>Property</b>							
Facilities Management Contract	Finalised	6/10/11	Limited	May 12 Revised Date October 2012	1	2	1
<b>Arts, Culture, Libraries &amp; Adult Education</b>							
Adult Education	Finalised	01/07/2011	Satisfactory	March 12	0	0	0
Culture and Arts Strategy	Finalised	11/11/10	Satisfactory	May 2012 – Revised date July 2012	2	0	0
<b>Sport and Leisure</b>							
Fusion Management Contract	Finalised	06/07/11	Limited	February 2012 - Revised date August 2012	2	0	0
<b>Contingency</b>							
Investigation 030	Finalised	15/10/10	N/A	February 2012 - Revised date July 2012	1	2	0
Court Costs	Finalised	03/06/11	Limited	March 2012	0	0	0
Investigation 037	Now with corporate fraud team						

<b>Internal Audit Plan 2010-11 Progress</b>							
<b>Audit Title</b>	<b>Status</b>	<b>Date Finalised</b>	<b>Assurance Level</b>	<b>Date of Last Follow Up</b>	<b>Number of outstanding recommendations</b>		
Investigation 044	In progress						
<b>ICT audit contract</b>							
Liquid Logic	Finalised	May 11	Limited	November 2011 Revised Date August 2012	0	2	0
Oracle Financials- Debtors	Finalised	July 11	Limited	May 2012 - Revised date July 2012	0	1	0
E-Payments	Finalised	April 11	Limited	May 2012 – Revised date October 2012	1	0	0
Information Assurance & Security	Finalised	31/1/11	Satisfactory	November 2011 – Revised date December 2012	0	1	0
<b>Hillingdon Homes Audits by Mazars</b>							
Housing – Responsive Repairs	Finalised	Aug 10	Substantive	In Progress	1	0	0

Internal Audit Plan 2009-10 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
<b>CROSS CUTTING CORPORATE ISSUES</b>							
Budgetary Control	Finalised	02/03/10	Satisfactory	May 2012	0	0	0
<b>DEPUTY CHIEF EXECUTIVE/FINANCE &amp; RESOURCES</b>							
<b>Corporate Property</b>							
Utilities Contracts Gas & Electricity	Finalised	26/03/10	Satisfactory	January 2012 – Revised date Aug 2012	0	1	0
<b>Legal</b>							
Debt Recovery Processes	Finalised	10/5/10	Satisfactory	February 2012	0	0	0
<b>ENVIRONMENT &amp; CONSUMER PROTECTION</b>							
Highways Planned Maintenance	Finalised	26/01/10	Satisfactory	May 2012 – Revised date July 2012	0	3	0
<b>CHILDREN'S SERVICES</b>							
Asylum Accommodation	Finalised	23/04/10	Satisfactory	In Progress	0	3	0
<b>Schools - Secondary</b>							
Ruislip High Secondary School	Finalised	25/03/10	Satisfactory	Mar 12	0	0	0
<b>ASCHH</b>							
<b>Finance systems</b>							
Carefirst Debtors	Finalised	12/2/10	Satisfactory	April 2012	0	0	0
<b>Housing</b>							
Temporary Accommodation (formerly B&B)	Finalised	26/08/10	Limited	April 2012	0	0	0
<b>Learning Disabilities</b>							
Sec 75 Agreement (Funding of LD Services)	Finalised	6/10/10	Satisfactory	Nov 2011 – Revised	0	1	0

Internal Audit Plan 2009-10 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
				date Mar 2013			
<b>Mental Health Service</b>							
Mental Health Service	Finalised	29/06/10	Limited	April 2011 - To be followed up during the 12/13 audit	0	0	0



✓ for  
Finalised/Satisfactory/Full  
⇒ for in progress  
⇩ for Limited

Key

Number of outstanding  
recommendations

Comments

PLAN 2007-8

Audit Title	Status	Assurance Level	Number of outstanding recommendations			Comments
			High	Med	Low	
<b>ADULT SOCIAL CARE, HEALTH &amp; HOUSING</b>						
Private Sector Leasing	✓	✓	0	0	0	Followed up May 2012
<b>FINANCE &amp; RESOURCES</b>						
Securicor Collection	✓	⇩	0	0	0	Followed up May 2012

