

Internal Audit Progress Report to Audit Committee:

2022/23 Quarter 1

**(including the Internal Audit Plans for 2022/23
Quarters 2 & 3)**

14th July 2022



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1. Introduction

1.1 The Role of Internal Audit (IA)

- 1.1.1 IA provides an independent assurance and consultancy service that underpins good governance, essential in helping the Council achieve its corporate objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit (Amendment) Regulations 2021 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account the UK Public Sector IA Standards or guidance.
- 1.1.2 The UK Public Sector IA Standards (PSIAS) define the nature of IA and set out basic principles for carrying out IA within the public sector. The PSIAS help the Council to establish a framework for providing IA services, which adds value to the organisation, leading to improved organisational processes and operations.

1.2 The Purpose of the Internal Audit Progress Report to Audit Committee

- 1.2.1 This progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all IA work for Quarter 1 (1st April to 30th June 2022). In addition, it provides an opportunity for the Council's Head of Internal Audit (HIA), to highlight any significant issues which have arisen from IA work in Quarter 1.
- 1.2.2 A key feature of this report is the inclusion of the IA plans for 2022/23 Quarter 2 and Quarter 3 (Q2 & Q3) (refer to **Appendices B & C**). These have been produced throughout Q1 following our assessment of the key risks in consultation with senior managers. It sets out the planned programme of IA coverage due to commence in the Q2 & Q3 periods (1st July to 31st December 2022).

2. Executive Summary

- 2.1 Since the 2021/22 Q4 IA Progress Report to CMT and the Audit Committee dated 6th April 2022, **4 assurance** reviews and **1 consultancy** review, all relating to the 2021/22 IA plan have concluded, and in addition **4 grant claims** have been checked and certified.
- 2.2 IA's work on the 2022/23 Q1 IA Plan commenced in late April 2022, with the planning stage of all audits now complete and testing well underway on almost all Q1 pieces of IA work. Despite further challenges caused by staff vacancies within the IA team, the IA work in Q1 has progressed with support from our external partner, Mazars.
- 2.3 Further details of all IA activity carried out in this period are summarised in section 3 below.

3. Analysis of Internal Audit Activity

3.1 Assurance Work in Quarter 1

- 3.1.1 During this quarter, **4** 2021/22 assurance reviews were completed to final report stage with another **1** assurance review at draft report stage.
- 3.1.2 In Q1, **2** assurance reviews received **NO** or **LIMITED** assurance opinions:
- **Allotments** – **NO** Assurance. Where **4 HIGH**, **3 MEDIUM** and **2 LOW** risk recommendations were raised. The review identified that there was no clear overarching strategy that outlines the Council's commitment and approach to managing and maintaining allotments within the borough safely and no policy in place to ensure governance, information, and expectations from both the Council and residents over the usage and maintenance of allotments. Although some processes were found to be

documented within the terms and conditions agreement on how to maintain and use the allotment, there was no evidence for how the processes would be handled by Council officers. Further, allotment sites are not visited or inspected by any Council staff to ensure that plots are being used for their intended purposes or even being used at all.

- **Planning Enforcement – LIMITED** Assurance. Where **2 HIGH**, **7 MEDIUM** and **5 LOW** risk recommendations were raised. The review was able to give limited assurance over the key risks to the achievement of objectives for Planning Enforcement. This included prioritisation and response to complaints, investigating prosecution cases and tracking of enforcement deadlines. The Planning & Regeneration (P&R) Management Team is currently undertaking a service review with a view to ensuring that the Planning Enforcement Team is appropriately resourced to meet service demand moving forward. P&R Management is also currently developing a programme for improved performance management to improve staff performance and manage team progression. Management is also currently undertaking a process review for PACE and prosecution proceedings and is developing clear and formal risk assessment criteria and planning checks to ensure that all planning enforcement cases are assessed and prioritised with a consistent threshold applied to enable efficient use of resources.

3.1.3 Other assurance reviews finalised this quarter include the review of **Chronology on Protocol** which was awarded a **REASONABLE** assurance opinion. The review of the **Music Service Overseas Trip** was also given a **REASONABLE** assurance opinion.

3.1.4 All IA assurance reviews being carried out from the 2022/23 Q1 plan are individually listed at **Appendix A**. Where these are completed this will provide details of the assurance levels achieved as well as providing an analysis of recommendations made (in accordance with the assurance level definitions and recommendations risk categories outlined at **Appendix D**).

3.2 Consultancy Work in Quarter 1

3.2.1 There was no new Consultancy work carried out in Q1

3.3 Grant Claim Verification Work in Quarter 1

3.3.1 During this quarter IA has assisted the Council in certifying **4** grant claims. Further details can be found at **Appendix A**.

3.4 Other Internal Audit Work in Quarter 1

3.5.1 During Q1 we continued to undertake risk-based planning meetings alongside risk register reviews due to the synergies between these two functions.

3.5.2 The detailed operational IA plan for Q2 & Q3 of 2022/23 (refer to **Appendices B & C**) has been produced in consultation with management. On this occasion we have moved from quarterly planning to planning for 2 quarters to support our external partner in planning their own resources.

3.5.3 The IA plans for Q2 & Q3 2022/23 include **27** audit reviews (12 in Q2 and 15 in Q3); **21** of which are assurance reviews, **2** are consultancy and **4** are grant claims. In addition, there is some time for supporting the Council's Transformation Programme.

4. Current Internal Audit staffing position and resourcing challenges

- 4.1 From mid 2021/22 and through into 2022/23 the IA team has seen significant resourcing changes and challenges, which have been report to the Audit Committee at previous meetings:
- **Head of Internal Audit and Risk Assurance** – Vacant since February 2022, however being covered on an interim basis. A recruitment campaign in Q4 2021/22 to find a new permanent HoIA was unsuccessful. Another campaign is being launched to try to fill the post before the end of the calendar year.
 - **Other team members** – Of the 8 posts that work with the HoIA, 5 are vacant and a further team member is on sick leave.
 - **External Partner (Mazars)** – Fortunately, Hillingdon Council was already signed up to a framework for the provision of internal audit services and this has now been accessed and a number of audits are being undertaken by Mazars. They started work in mid May 2022.

5. Forward Look

- 5.1 Taking account of the very difficult recruitment situation in the internal audit market now, it has been decided to continue with the co-sourced model of delivery. It is also planned to attempt to recruit a further experienced Principal Auditor to support the in-house team. Whether in-house or external partner, what is essential is that any IA resource secured has a high level of skill and proficiency but can also deliver change and add value.
- 5.2 Given the various challenges that COVID presented the Council, it was agreed that internal audit would effectively 'pause' its programme of audit follow up work in Q4 2021/22. Given the resourcing challenges within the IA team this has continued through Q1 this year. With the external partner now fully on-board the recommencement of a programme of IA follow-ups will be a priority going forwards.
- 5.4 IA would like to take this opportunity to formally thank all staff throughout the Council with whom IA had contact during Q1. There are no other matters that the HIA needs to bring to the attention of the Council's Audit Committee at this time.

Simon Maddocks JP, MSc, CFIIA
Interim Head of Internal Audit

14th July 2022

APPENDIX A**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2022/23**

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

2022/23 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 30 th June 2022	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
21-A32	IT Governance	ToR issued	TBC once final report issued					
21-A34	Licensing – Animal Welfare	Testing completed	TBC once final report issued					
22-A36	Capital Programme	ToR issued	TBC once final report issued					
22-A37	Direct Payments	Testing in progress	TBC once final report issued					
22 A38	Domestic Violence Homelessness Process	ToR issued	TBC once final report issued					
22-A39	Stronger Families	ToR issued	TBC once final report issued					
22-A40	Information Security	Testing in progress	TBC once final report issued					
22-A41	Making Tax Digital	Draft Report issued 29 th June 22	TBC once final report issued					
22-A42	Fraud prevention Controls in Contracts	Testing in progress	TBC once final report issued					
Total Number of IA Recommendations Raised								
Total % of IA Recommendations Raised								

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2022/23****2022/23 IA Consultancy Reviews:**

IA Ref.	IA Review Area	Status as at 30 th June 2022	CFQ Received?
		None in Quarter 1	

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2022/23**2022/23 IA Grant Claim Verification Reviews:**

IA Ref.	IA Review Area	Status as at 30 th June 2022
22-G1	Supporting Families Grant – Quarter 1	Memos issued 30 th May and 22 nd June 2022
22-G2	Contain Outbreak Management Fund	Memo issued 30 th June 2022
22-G3	Rough Sleepers Initiative	Memo issued 27 th June 2022
22-G4	Test and Trace	Memo issued 30 th June 2022

APPENDIX B**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2022/23 ~ QUARTER 2****IA work scheduled to commence in the 1st July to 30th September 2022 period:**

IA Ref.	Planned Audit Area	Audit Type	Review Sponsor	Rationale
22-A43	Registrars Cash Handling	Assurance	Dan Kennedy Corporate Director, Central Services	This review will provide assurance over the adequacy and application of the control and governance framework in place in relation to handling and processing cash payments, further that these processes are robust, secure and working effectively.
22-A44	Members' Gifts & Hospitality and Declarations of Interest	Assurance	Dan Kennedy Corporate Director, Central Services	This review will provide assurance over the adequacy and application of the control and governance framework in place for Members' declarations of interest and gifts and hospitality. Further, that these controls are embedded and in accordance with the Nolan Principles: "Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest"; and "Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties".
22-A45	Adult Social Care Referrals and assessments	Assurance	Sandra Taylor Executive Director, Adult Services & Health	This review will provide assurance regarding the quality of referral and assessments, that there is appropriate documentation held in support of all individuals assessed as having care and support needs, the decision making, referral and escalation (ie to statutory services, early intervention).
22-A46	Colham Road Care Home	Assurance	Sandra Taylor Executive Director, Adult Services & Health	This review will provide assurance that financial and risk management arrangements are efficient, staffing and utilisation of beds are operating effectively.
22-A47	High Cost panel and Risk profile	Assurance	Julie Kelly Executive Director, Children and Young People Services	This review will provide assurance over the adequacy and application of the control and governance framework in place in relation to the High Cost Panel and Risk Profile. This audit will include review of assessment and monitoring of High Cost Panel meetings, Risk profile, agreed interventions and that services are timely and proportionate to the child's needs.
22-A48	Quality of Practice	Assurance	Julie Kelly Executive Director, Children and Young People Services	This review will seek to provide assurance in relation to the quality of Social Work practice and availability of evidence in advance of Ofsted inspection. This audit will include the review of policies, procedures, quality of documented evidence in relation to social care case, escalation and decision making.

APPENDIX B (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2022/23 ~ QUARTER 2****IA work scheduled to commence in the 1st July to 30th September 2022 period:**

IA Ref.	Planned Audit Area	Audit Type	Review Sponsor	Rationale
22-A49	Housing Benefits - Council Tax Reduction Scheme	Assurance	Andy Evans Corporate Director, Finance	This review will seek to provide assurance that Housing Benefit is paid accurately and promptly to eligible applicants and changes in circumstances are actioned correctly.
22-A50	Purchasing Cards	Assurance	Andy Evans Corporate Director, Finance	This review will provide assurance over the adequacy and application of the control and governance framework in place in relation to Purchasing Cards (PCards), further that these processes are robust, secure and working effectively. This review will include the allocation of PCards and whether all those currently allocated are appropriate, access, card limits, change management (when Pcard holders leave), management oversight (monthly checks to verify that evidence supports expenditure) and that PCards have been used in the correct circumstances or should have engaged with other payment methods.
22-C9	Transformation	Consultancy	Andy Evans Corporate Director, Finance	Discussions to be held to establish the exact nature of the support that IA will provide.
22-G5	Supporting Families Grant – Quarter 2	Grant Claim	Julie Kelly Executive Director, Children and Young People Services	Supporting Families Grant continues to be a Central Government scheme, with the stated objective of helping vulnerable families turn their lives around. The Council receives a payment by results for each family they support under the scheme. As per the grant conditions, IA will undertake verification work to confirm compliance.
22-G6	Universal Drug Treatment (Crime and Harm Reduction)	Grant Claim	Andy Evans Corporate Director, Finance	The grant has been made available to assist Local Authorities and partners to strengthen arrangements that support substance-misusing offenders, and arrangements that address drug related deaths. Expenditure must be incurred within one year of receipt of the grant. As per the grant conditions, IA will undertake verification work to confirm compliance.
22-G7	Trading Standards Grant	Grant Claim	Perry Scott Corporate Director, Place	The grant from the Office for Product Safety and Standards (OPSS) as part of the National Safety at Borders Programme to carry out product safety work at Heathrow Airport. As per the grant conditions, IA will undertake verification work to confirm compliance.

APPENDIX C**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2022/23 ~ QUARTER 3****IA work scheduled to commence in the 1st October to 31st December 2022 period:**

IA Ref.	Planned Audit Area	Audit Type	Review Sponsor	Rationale
22-A51	Voids Management and Housing Repairs	Assurance	Perry Scott Corporate Director, Place	This audit will provide assurance over the over the adequacy and effectiveness of the voids management, repairs and maintenance process. This review will include the new online platform for residents to submit repairs prior to the review to assess how the new processes have embedded in practice
22-A52	Trading Standards POCA	Assurance	Perry Scott Corporate Director, Place	This audit will provide assurance over the adequacy and application of the control and governance framework in place in relation to Proceeds of Crime work In Trading Standards. This review will include how Trading Standards will approach financial investigations, referrals under Proceeds of Crime Act (POCA), are fully investigated and where appropriate, confiscation or forfeiture of assets is applied for.
22-A53	Land Charges	Assurance	Perry Scott Corporate Director, Place	In 2019 some local land charge functions transferred to the Land Registry Office. This review will provide assurance over the adequacy and application of the control and governance framework in place to deliver the local land charges function.
22-A54	Rent Collection & Arrears recovery	Assurance	Perry Scott Corporate Director, Place	During the pandemic, Government introduced a raft of measures to postpone a landlord from taking formal action and evictions. There continues to be a significant impact due to the pandemic, inflation and cost of living on the rent income collection. This review will provide assurance over the adequacy and application of the control and governance framework in place in relation to Rent Collection and Arrears recovery and will include the efficiency, effectiveness, robustness of monitoring and collection of rent and escalation process regarding rent arrears in accordance with guidance and legislation.
22-A55	IT Application Audit	Assurance	Dan Kennedy Corporate Director, Central Services	This audit will review the efficiency, effectiveness and robustness of controls surrounding the application and business processes, user access, administration and business continuity measures.
22-A56	IR35	Assurance	Dan Kennedy Corporate Director, Central Services	This review would look at compliance with the IR35 checking process, including the recent IR35 changes brought by central government. This audit will assess the co-ordination between Council services involved in this. E.g.: <ul style="list-style-type: none"> • Procurement for tender exercises/embedding of contracts; • Finance for accounting purposes (e.g. payroll spend) and supplier creation; and • HR for compliance purposes.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2022/23 ~ QUARTER 3****IA work scheduled to commence in the 1st October to 31st December 2022 period:**

IA Ref.	Planned Audit Area	Audit Type	Review Sponsor	Rationale
22-A57	Brokerage Outputs	Assurance	Sandra Taylor Executive Director, Adult Services & Health	Hillingdon Council use a Dynamic Purchasing System to broker and commission care packages for children and adults services users which include all care home placements (residential or nursing), supported living placements and rapid response. This review will provide assurance regarding the overall management of the scheme such as arranging, monitoring or reviewing contracts, or any other associated actions that may be required. Further the reconciliation of systems used (Protocol, e-brokerage and Controc) and how they interface to ensure accuracy of data, expenditure, modelling and forecasting.
22-A58	Merrimans Respite Care Unit	Assurance	Sandra Taylor Executive Director, Adult Services and Health	This review will provide assurance that financial and risk management arrangements are efficient, staffing and utilisation of beds are operating effectively.
22-A59	Allowances – Care leavers	Assurance	Julie Kelly Executive Director, Children and Young People Services	The Care Leavers Allowances policy has recently been refreshed and updated. This review will seek to provide assurance that allowances to care leavers are paid accurately and promptly to eligible applicants in accordance with the updated policy, and governance around this process is embedded and robust.
22-A60	NRPF	Assurance	Julie Kelly Executive Director, Children and Young People Services	This is a joint review between Social Care (People) and Housing (Place). Both services support those who present with No Recourse to Public Funds (NRPF) and have interlinking processes, as those who present to the Council usually have both Social Care and Housing needs. This review will look at the governance and management arrangements, that processes are efficient, operating effectively and promotion of joint working between the two services.
22-A61	Thematic review of Pupil Premium Funding in Schools	Assurance	Vikram Hansrani Executive Director of Education and SEND	The Pupil Premium Grant was introduced to provide additional funding for publicly funded schools. This review will provide assurance that adequate control and arrangements are in place to ensure Pupil Premium funding is allocated correctly.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2022/23 ~ QUARTER 3****IA work scheduled to commence in the 1st October to 31st December 2022 period:**

IA Ref.	Planned Audit Area	Audit Type	Review Sponsor	Rationale
22-A62	Revenues – Council Tax and NNDR	Assurance	Andy Evans Corporate Director, Finance	<p>This review will provide assurance over the adequacy and application of the control and governance framework in place in relation to Council Tax and National Non-Domestic Rates (NNDR), further that these processes are robust and working effectively. This review will include:</p> <p>The issuing and calculation of council tax, bills, and demand notices in a timely manner and apply legitimate discounts, exemptions, disregards and reliefs;</p> <ul style="list-style-type: none"> • Council tax income is correctly accounted for and income is correctly recorded; • Arrears are promptly and effectively pursued; • Refunds and write-offs are legitimate, correctly processed and authorised; and • Data is accurately recorded, maintained and there is overarching management oversight of Benefits KPIs.
22-A63	Robotic Process Automation	Assurance	Andy Evans Corporate Director, Finance	<p>Robotic automation has been introduced in Transactional Finance to support Oracle Requisition and Accounts Payable functions.</p> <p>This audit will provide assurance over the adequacy and efficiency of the bots, to ensure they are operating as expected, and that their margin of error is reducing (as they self-learn). Further, IA will assess the benefits of the automations against the resource required to maintain (as reset each time there is a system update).</p>
22-C10	Transformation	Consultancy	Andy Evans Corporate Director, Finance	Discussions to be held to establish the exact nature of the support that IA will provide.
22-G8	Supporting Families Grant – Quarter 3	Grant Claim	Julie Kelly Executive Director, Children and Young People Services	Supporting Families Grant continues to be a Central Government scheme, with the stated objective of helping vulnerable families turn their lives around. The Council receives a payment by results for each family they support under the scheme. As per the grant conditions, IA will undertake verification work to confirm compliance.

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

ASSURANCE LEVEL	DEFINITION
SUBSTANTIAL	There is a good level of assurance over the management of the key risks to the Council objectives. The control environment is robust with no major weaknesses in design or operation. There is positive assurance that objectives will be achieved.
REASONABLE	There is a reasonable level of assurance over the management of the key risks to the Council objectives. The control environment 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.

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

RISK	DEFINITION
<p>HIGH</p> <p>●</p>	<p>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.</p>
<p>MEDIUM</p> <p>●</p>	<p>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.</p>
<p>LOW</p> <p>●</p>	<p>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.</p>
<p>NOTABLE PRACTICE</p> <p>●</p>	<p>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.</p>