

Internal Audit Progress Report to Audit Committee:

2022/23 Quarter 2

**(including the Internal Audit Plan for 2022/23
Quarter 4)**

15th November 2022



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The Internal Audit key contact in connection with this report is:

Michael Bradley

Interim Head of Internal Audit

e: mbradley@hillingdon.gov.uk

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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 2 (1st July to 30th September 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 2.
- 1.2.2 A key feature of this report is the inclusion of the IA plan for 2022/23 Quarter 4 (Q4) (refer to **Appendix C**). This has been produced 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 Q4 period (1st January to 31st March 2023).

2. Executive Summary

- 2.1 Since the 2022/23 Q1 IA Progress Report to CMT and the Audit Committee dated 14th July 2022, **5 assurance** reviews relating to the 2021/22 and 2022/23 IA plans have concluded, and in addition **3 grant claims** have been checked and certified.
- 2.2 IA's work on the 2022/23 Q2 IA Plan commenced in July 2022, with the planning stage of all audits now complete and testing well underway on almost all Q2 pieces of IA work. Despite further challenges caused by staff vacancies within the IA team, the IA work in Q2 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 2

- 3.1.1 During this quarter, **5** 2021/22 and 22/23 assurance reviews were completed to final report stage with another **7** assurance reviews at draft report stage.
- 3.1.2 In Q2, there were no assurance reviews that received **NO** or **LIMITED** assurance opinions
- 3.1.3 Assurance reviews finalised this quarter include: **Making Tax Digital**, which was awarded a **SUBSTANTIAL** assurance opinion, **Direct Payments** **SUBSTANTIAL** assurance, **Transport Funded projects** **REASONABLE** assurance, **Pension Fund Data Mapping**

REASONABLE assurance and **Licensing – Animal Welfare** was also given a **REASONABLE** assurance opinion.

3.1.4 All IA assurance reviews being carried out from the outstanding 2021/22 plan are individually listed at **Appendix A**. Those relating to 2022/23 are individually listed at **Appendix B**. 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 2

3.2.1 There was no new Consultancy work carried out in Q2

3.3 Grant Claim Verification Work in Quarter 2

3.3.1 During this quarter IA has assisted the Council in certifying **3** grant claims and in addition has supported the external auditor with a significant amount of verification work on the Housing Benefit Subsidy Claim. Further details can be found at **Appendix B**.

3.4 Other Internal Audit Work in Quarter 2

3.5.1 During Q2 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 Q4 of 2022/23 (refer to **Appendix C**) has been produced in consultation with management.

3.5.3 The IA plan for Q4 2022/23 includes **10** audit reviews; **7** of which are assurance reviews, **2** are consultancy and **1** is a grant claim. 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 the first half of 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 second recruitment campaign has been successfully concluded with the appointment of a new permanent HoIA. They will take up their post in late January 2023.
- **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 the first half of this year. Arrangements have now been made to ensure that follow-up work can recommence and this has now started. By the next meeting of this committee the update report will include details of that work.
- 5.4 IA would like to take this opportunity to formally thank all staff throughout the Council with whom IA had contact during Q2. There are no other matters that the HIA needs to bring to the attention of the Council's Audit Committee at this time.

Michael Bradley
Interim Head of Internal Audit

1st November 2022

APPENDIX A**OUTSTANDING INTERNAL AUDIT WORK FROM 2021/22****2021/22 IA Assurance Reviews (Outstanding at year end):**

IA Ref.	IA Review Area	Status at end of Q2 2022/23	Assurance Level	Risk Rating			
				H	M	L	NP
21-A25	Hatton Grove	Draft report issued 14 th September 2022	TBC once final report issued				
21-A27	Service Tenancies & Payroll Rent Payments	Draft report issued 7 th October 2022	TBC once final report issued				
21-A11	Crematorium	Draft report issued 5 th September 2022	TBC once final report issued				
21-A12	Absence Management	Draft report issued 27 th April 2022	TBC once final report issued				
21-A21	IT Application Review: ContrOCC	Testing in progress	TBC once final report issued				
21-A24	Transport Funded Projects	Final report issued 20 th September 2022	REASONABLE	0	2	3	0
21-A1	Disabled Facilities Grant	Testing in progress	TBC once final report issued				
21-A31	Tenancy Management – Fixed Term Tenancies	Testing in progress	TBC once final report issued				
21-A35	Pension Fund Data Mapping	Final report issued 26 th July 2022	REASONABLE	0	1	1	0
Total <u>number</u> of IA Assurance Recommendations raised							
Total <u>percentage</u> of IA Assurance Recommendations raised							

APPENDIX B**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 at end of Q2 2022/23	Assurance Level	Risk Rating			
				H	M	L	NP
21-A32	IT Governance	Draft report issued 14 th October 2022	TBC once final report issued				
21-A34	Licensing – Animal Welfare	Final report issued 16 th September 2022	REASONABLE	0	1	0	0
22-A36	Capital Programme	Testing completed	TBC once final report issued				
22-A37	Direct Payments	Final report issued 20 th October 2022	SUBSTANTIAL	0	0	1	0
22 A38	Domestic Violence Homelessness Process	Testing completed	TBC once final report issued				
22-A39	Stronger Families	Draft report issued 20 th October 2022	TBC once final report issued				
22-A40	Information Security	Draft report issued 9 th August 2022	TBC once final report issued				
22-A41	Making Tax Digital	Final report issued 18 th July 2022	SUBSTANTIAL	0	0	1	0
22-A42	Fraud prevention Controls in Contracts	Testing in progress	TBC once final report issued				
22-A43	Registrars Cash Handling	Testing completed	TBC once final report issued				
22-A44	Members' Gifts & Hospitality and Declarations of Interest	TOR issued	TBC once final report issued				

22-A45	Adult Social Care Referrals and assessments	Testing completed	TBC once final report issued				
22-A46	Colham Road Care Home	Testing completed	TBC once final report issued				
22-A47	High Cost panel and Risk profile	Testing completed	TBC once final report issued				
22-A48	Quality of Practice	Testing completed	TBC once final report issued				
22-A49	Housing Benefits - Council Tax Reduction Scheme	Testing completed	TBC once final report issued				
22-A50	Purchasing Cards	Testing in progress	TBC once final report issued				
Total Number of IA Recommendations Raised							
Total % of IA Recommendations Raised							

2022/23 IA Consultancy Reviews:

IA Ref.	IA Review Area	Status at end of Q2 2022/23
22-C9	Transformation	Planning
22-C11	A Domiciliary Care provider	ToR issued

2022/23 IA Grant Claim Verification Reviews:

IA Ref.	IA Review Area	Status at end of Q2 2022/23
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
22-G5	Supporting Families Grant – Quarter 2	Memos issued 1 st August 31 st August and 28 th September 2022
22-G6	Universal Drug Treatment (Crime and Harm Reduction)	Memo issued 15 th July 2022
22-G7	Trading Standards Grant	Memo issued 15 th September 2022
22-G9	Housing Benefit Subsidy Grant	A significant amount of testing has been done

APPENDIX C**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2022/23 ~ QUARTER 4****IA work scheduled to commence in the 1st January to 31st March 2023 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Rating	Review Sponsor	Rationale
22-A64	Mental Health Pathway	Assurance	HIGH	Sandra Taylor Executive Director Adult Social Care & Health	This review will assess the end-to-end case management arrangements of the mental health pathway to ensure that appropriate support is provided for residents in a timely manner, whilst ensuring that records are accurately kept. In addition, will provide assurance regarding the quality of mental health assessments (undertaken by an Approved Mental Health Practitioner and two doctors), that there is appropriate documentation held in support of all individuals assessed, the decision making and escalation (ie application of orders under the Mental Health Act).
22-A65	Neglect	Assurance	HIGH	Julie Kelly Executive Director Children and Young Peoples Services	Following the implementation of the new Neglect Strategy, this review will provide assurance that the strategy has embedded in practice. This will be assessed through the review of Child Protection plans following allegations of neglect, ensuring there is clear evidence and an audit trail of actions throughout the case, and also include the utilisation of Graded Care Profile 2.
22-A66	Parking Income	Assurance	HIGH	Andy Evans Corporate Director of Finance	This service is responsible for all parking maintenance, income collection and enforcement across the borough. A specialist enforcement contractor processes PCNs that are issued and any outstanding PCN debts, considering and responding to any challenges, representations or appeals submitted by motorists against PCNs. The service also processes and issues all on-street and car park parking permits, resident visitor vouchers, manages the public car parks and on-street Pay & Display parking facilities. This review will provide assurance over the adequacy and application of the control and governance framework in place in relation to parking income collection and processing payments, further that these processes are robust, secure and working effectively.
22-A67	Uninspected B&Bs	Assurance	HIGH	Perry Scott Corporate Director of Place	A Dynamic Purchasing System was introduced, with providers of Bed and Breakfast provision encouraged to sign up to. This review will provide assurance over the adequacy, governance, processes and control framework of this procurement vehicle for Housing Services to source and procure Bed and Breakfast provision and the quality assurance, inspection and reinspection programme and controls.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2022/23 ~ QUARTER 4**

IA work scheduled to commence in the 1st January to 31st March 2023 period:

IA Ref.	Planned Audit Area	Audit Type	Risk Rating	Review Sponsor	Rationale
22-A69	Capital Projects	Assurance	HIGH	Perry Scott Corporate Director of Place	This review will provide assurance over the adequacy and application of the control and governance framework and risk management arrangements in place for individual Capital Projects. In addition this review will assess the recently automated forms to ensure they are embedded in practice, further that these processes are robust, secure and working effectively.
22-A70	Risk Management	Assurance	MEDIUM	Andy Evans Corporate Director of Finance	The management of risk is a key process which underpins successful achievement of the Council's objectives and priorities. As part of the Public Sector Internal Audit Standards (PSIAS 2120), Internal Audit is required to evaluate the effectiveness, and contribute to the improvement, of the risk management process and statutory programme of work.
22-C12	Covid Additional Measures	Consultancy	MEDIUM	Sandra Taylor Executive Director Adult Social Care & Health	This consultancy piece of work is to identify the extra measures put in place and alternative ways of working during the Covid-19 pandemic and to ensure that they have been removed or there is justification for those measures still in place. Some responsibilities in residential homes remain in place, with the Government continuing to provide PPE and tests via a portal. This will also support the Council's response (which is currently being prepared) for the public enquiry where Local Authorities have to detail what they did to support residents and how they responded to needs, risk and demands resulting from the pandemic.
22-C13	Mayor's Charity Accounts	Consultancy	LOW	Andy Evans Corporate Director of Finance	The Mayor's Charity was registered as a charitable trust in November 2015 and therefore is required to comply and operate within Charity Commission guidelines. The Council is currently preparing the accounts for the Mayor's Charity and IA has been asked to assist as part of this process. These accounts do not form part of the Council's finances so there would be no conflict in undertaking this review.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2022/23 ~ QUARTER 4****IA work scheduled to commence in the 1st January to 31st March 2023 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Rating	Review Sponsor	Rationale
22-G10	Supporting Families Grant – Quarter 4	Grant Claim	N/A	Julie Kelly Executive Director, Children and Young People Services	Supporting Families Grant continues to be a Central Government scheme under the MHCLG, with the stated objective of helping vulnerable families turn their lives around. The Council receives a payment by results from the MHCLG 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>