

## **Internal Audit Progress Report to Audit Committee:**

### **2022/23 Quarter 3**

**(including the Internal Audit Plan for 2023/24  
Quarter 1)**

**31st January 2023**



# Contents

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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 3 (1<sup>st</sup> October to 31<sup>st</sup> December 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 3.
- 1.2.2 A key feature of this report is the inclusion of the IA plan for 2023/24 Quarter 1 (Q1) (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 Q1 period (1<sup>st</sup> April to 30<sup>th</sup> March 2023).

## 2. Executive Summary

- 2.1 Since the 2022/23 Q2 IA Progress Report to CMT and the Audit Committee dated 15<sup>th</sup> November 2022, **eight assurance** reviews relating to the 2021/22 and 2022/23 IA plans have concluded, and in addition **four grant claims** have been checked and certified.
- 2.2 IA's work on the 2022/23 Q3 IA Plan commenced in October 2022, with the planning stage of all audits now complete and testing well underway on almost all Q3 pieces of IA work. Despite further challenges caused by staff vacancies within the IA team, the IA work in Q3 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 3

- 3.1.1 During this quarter, **eight** 2021/22 and 22/23 assurance reviews were completed to final report stage with another **five** assurance reviews at draft report stage.
- 3.1.2 In Q3, there was one assurance review that received **NO** or **LIMITED** assurance opinions.
- 3.1.3 Assurance reviews finalised this quarter include: **one** which was awarded a **SUBSTANTIAL** assurance opinion and **six** which received **REASONABLE** assurance. The **Crematorium** audit resulted in a **LIMITED** assurance opinion. In that report, one high priority recommendation was raised regarding financial controls over the invoicing and debt

collection of crematorium fees and two medium priority recommendations were raised over record keeping and management information respectively.

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 3

3.2.1 There was no new consultancy work carried out in Q3.

### 3.3 Grant Claim Verification Work in Quarter 3

3.3.1 During this quarter, IA has assisted the Council in certifying **four** 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 3

3.5.1 During Q3 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 Q1 of 2022/23 (refer to **Appendix C**) has been produced in consultation with management.

3.5.3 The IA plan for Q1 2023/24 includes **seven** audit reviews; **four** of which are assurance reviews, **one** is consultancy, one is a dedicated follow up programme, and **one** is a grant claim. In addition, there is some time for supporting the Council's Transformation Programme. The reduced plan is reflective of the reduced capacity of the team and the need to complete projects that have been delayed, however, it enables time for the team to prioritise the completion of current audits.

## 4. Current Internal Audit staffing position and resourcing challenges

4.1 From mid 2021/22 and through 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 but has been covered on an interim basis. A second recruitment campaign has been successfully concluded with the appointment of a new permanent HoIA taking up post on 23rd January 2023.
- **Other team members** – Of the eight posts that work with the HoIA, five are vacant. We have advertised for a Principal Auditor post and that process is in train. A further team member recently returned after a prolonged period of absence.
- **External Partner (Mazars)** – Hillingdon Council have accessed a framework for the provision of internal audit services by Mazars and several audits were allocated in 2022/23, starting in May 2022. A secondee was also employed from Mazars from 20<sup>th</sup> September 2022 until 25<sup>th</sup> November 2022. While this additional resource has been helpful in completing elements of the Internal Audit plan, there have been difficulties with the resource availability as well as a prolonged bedding-in period to allow contracted staff to meet the expectations of the Council with regard to protocols, timeliness and quality.

## 5. Forward Look

- 5.1 The newly appointed Head of Audit will consider what the best structure and mix of resources will be best placed to deliver a high-quality assurance service.
- 5.2 Given the various challenges that COVID presented to the Council, it was agreed that internal audit would effectively 'pause' its programme of audit follow up work. 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. This has now started (in January 2023).
- 5.3 Officers from the tri-borough Internal Audit team will undertake an independent External Quality Assessment on the Internal Audit team in January 2023. A detailed self-assessment has already been completed and passed to the inspecting officers along with a pack of evidence. The outcome of this work will be reported to the Committee.
- 5.4 IA would like to take this opportunity to formally thank all staff throughout the Council with whom IA had contact during Q3. 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

18/1/2023

**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 Q3 2022/23	Assurance Level	Risk Rating			
				H	M	L	NP
21-A25	Hatton Grove	Final report issued 20 <sup>th</sup> December 2022	<b>REASONABLE</b>	0	2	1	0
21-A27	Service Tenancies & Payroll Rent Payments	Draft report issued 7 <sup>th</sup> October 2022	TBC once final report issued				
21-A11	Crematorium	Final report issued 22 <sup>nd</sup> November 2022	<b>LIMITED</b>	1	2	5	0
21-A12	Absence Management	Final report issued 15 <sup>th</sup> November 2022	<b>REASONABLE</b>	0	5	1	0
21-A21	IT Application Review: ContrOCC	Testing in progress	TBC once final report issued				
21-A24	Transport Funded Projects	Final report issued 20 <sup>th</sup> September 2022	<b>REASONABLE</b>	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 <sup>th</sup> July 2022	<b>REASONABLE</b>	0	1	1	0
<b>Total number of IA Assurance Recommendations raised</b>				<b>1</b>	<b>12</b>	<b>11</b>	<b>0</b>

**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 Q3 2022/23	Assurance Level	Risk Rating			
				H	M	L	NP
21-A32	IT Governance	Final report issued 15 <sup>th</sup> November 2022	REASONABLE	0	2	0	0
21-A34	Licensing – Animal Welfare	Final report issued 16 <sup>th</sup> September 2022	REASONABLE	0	1	0	0
22-A36	Capital Programmes	Testing completed	TBC once final report issued				
22-A37	Direct Payments	Final report issued 20 <sup>th</sup> October 2022	SUBSTANTIAL	0	0	1	0
22 A38	Domestic Violence Homelessness Process	Testing completed	TBC once final report issued				
22-A39	Stronger Families	Final report issued 16 <sup>th</sup> November 2022	REASONABLE	1	1	3	0
22-A40	Information Security	Draft report issued 9 <sup>th</sup> August 2022	TBC once final report issued				
22-A41	Making Tax Digital	Final report issued 18 <sup>th</sup> 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	Final report issued 16 <sup>th</sup> November 2022	REASONABLE	0	1	2	0
22-A44	Members' Gifts & Hospitality and Declarations of Interest	Draft report issued 16 <sup>th</sup> December 2022	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	Draft report issued 16 <sup>th</sup> December 2022	TBC once final report issued				
22-A50	Purchasing Cards	Draft report to be issued in January 2023	TBC once final report issued				
22-A51	Voids Management and Housing Repairs	Testing in progress	TBC once final report issued				
22-A52	Trading Standards POCA	Testing in progress	TBC once final report issued				
22-A53	Local Land Charges	Final report issued 19 <sup>th</sup> December 2022	REASONABLE	0	0	2	0
22-A54	Rent Collection and Arrears Recovery	Testing in progress	TBC once final report issued				
22-A56	IR35	Testing in progress	TBC once final report issued				
22-A57	Brokerage Outputs	ToR drafted, deferred to Q4	TBC once final report issued				
22-A58	Merrimans Respite Care Unit	Testing in progress	TBC once final report issued				
22-A59	Care Leavers Allowances	ToR issued	TBC once final report issued				
22-A60	No Recourse to Public Funds	ToR issued	TBC once final report issued				
22-A61	Thematic Review of Pupil Premium Funding in Schools	ToR drafted, deferred to Q4	TBC once final report issued				
22-A62	Revenues Council Tax and NNDR	Testing in progress	TBC once final report issued				
22-A63	Robotic Process Automation	ToR drafted, deferred to Q4	TBC once final report issued				
<b>Total Number of IA Recommendations Raised</b>				<b>1</b>	<b>5</b>	<b>9</b>	<b>0</b>

**2022/23 IA Consultancy Reviews:**

IA Ref.	IA Review Area	Status at end of Q2 2022/23
22-C9	Transformation	Removed at management request



22-C11	A Domiciliary Care provider	Testing
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**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 <sup>th</sup> May and 22 <sup>nd</sup> June 2022
22-G2	Contain Outbreak Management Fund	Memo issued 30 <sup>th</sup> June 2022
22-G3	Rough Sleepers Initiative	Memo issued 27 <sup>th</sup> June 2022
22-G4	Test and Trace	Memo issued 30 <sup>th</sup> June 2022
22-G5	Supporting Families Grant – Quarter 2	Memos issued 1 <sup>st</sup> August 31 <sup>st</sup> August and 28 <sup>th</sup> September 2022
22-G6	Universal Drug Treatment (Crime and Harm Reduction)	Memo issued 15 <sup>th</sup> July 2022
22-G7	Trading Standards Grant	Memo issued 15 <sup>th</sup> September 2022
22-G9	Housing Benefit Subsidy Grant	Memo issued 9 <sup>th</sup> November 2022
22-Gxx	Supporting Families Grant – Quarter 3	Memos issued 28 <sup>th</sup> October 24 <sup>th</sup> November and 23 <sup>rd</sup> December 2022

**APPENDIX C****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2023/24 ~ QUARTER 1****IA work scheduled to commence in the 1<sup>st</sup> April – 30<sup>th</sup> June 2023 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Rating	Review Sponsor	Rationale
22-A71	Payments to Early Years Providers (Administration of Dedicated Schools Grant in Nurseries)	Assurance	<b>HIGH</b>	<b>Sandra Taylor Executive Director of Adults</b>	All 3 and 4 year olds, and eligible 2 year olds, have access to 15 to 30 hours per week of Free Early Years Childcare Entitlement through a range of early years providers, which include pre-schools, SEN, nursery schools/classes, day nurseries and eligible childminders. The funds identified are then administered by the Council who then distribute to the relevant early years providers.  This review will provide assurance over the management, application and administration of this process, and in turn support the programme of work to meet the requirements of the wider Dedicated Schools Grant Recovery Plan.
22-A72	Private Sector Housing	Assurance	<b>HIGH</b>	<b>Perry Scott Corporate Director of Place</b>	This review will provide assurance over the management of private sector housing to ensure properties are safe, are maintained to the required standards, hold the relevant licences and are compliant with legislation. This audit will include the review of processes and procedures for managing and responding to complaints and enquiries concerning private sector housing in the Borough (inc Houses in Multiple Occupation, Applications and Licensing).  Failure to process applications for HMO licences and subsequent renewals in accordance with relevant legislation, including the Housing Act 2004, the Licensing of and Management of Houses in Multiple Occupation Regulation 207 and the Licensing of Houses in Multiple Occupation Regulation 2018, which could result in issuing licences for unsafe HMOs.
22-A73	Leasehold Management & Service Charges	Assurance	<b>HIGH</b>	<b>Perry Scott Corporate Director of Place</b>	Leaseholders in Council owned buildings have a responsibility to pay a share of the cost of managing and maintaining the building. Paying these service charges is one of the conditions of the lease. Service charges usually cover things like repairs and services to communal areas, for example providing lighting in the lobby or maintaining shared gardens and lifts. This review will provide assurance over the leasehold management and service charge processes. This audit will include the review of roles and responsibilities, interpretation and compliance with obligations, practices in risk (including the management of high rise properties). Utilisation of systems and accounting practices, application, calculation and collection of service charges will be reviewed to ensure the service is running efficiently.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2023/24 ~ QUARTER 1****IA work scheduled to commence in the 1<sup>st</sup> April – 30<sup>th</sup> June 2023 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Rating	Review Sponsor	Rationale
22-A74	Sheltered Housing	Assurance	<b>HIGH</b>	<b>Perry Scott Corporate Director of Place</b>	This review will provide assurance over the management of sheltered housing to ensure residents who meet the criteria are processed efficiently. Will be reviewing age-restricted properties and supply of these properties to meet needs, with reference to the Social Housing Allocation Policy.
22-C9	Oracle Programme	Consultancy	N/A	<b>Andy Evans Corporate Director of Finance</b>	This review will provide assurance over the governance of the Oracle programme. This will be a high-level review as some assurance has been gained from early audit involvement at key meetings. (Internal Audit will provide ongoing input in future quarters focussing on risk/control advice on the design of new processes and control.
22-F1	Dedicated Follow ups	Follow Up	<b>HIGH</b>	<b>Andy Evans Corporate Director of Finance</b>	Following the pausing of follow up work since Q4 2021/22 due to significantly depleted audit resource, a focused piece of work will be undertaken to review all recommendations to ensure those that have due or overdue recommendation implementation dates, that the relevant service has addressed these risks and implemented sufficient mitigating activities.
22-G11	Supporting Families Grant – Quarter 1	Grant Claim	N/A	<b>Julie Kelly Executive Director, Children and Young People Services</b>	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
<b>SUBSTANTIAL</b>	There is a <b>good level of assurance</b> 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 <b>positive assurance</b> that objectives will be achieved.
<b>REASONABLE</b>	There is a <b>reasonable level of assurance</b> 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 <b>some risk</b> that objectives will not be achieved.
<b>LIMITED</b>	There is a <b>limited level of assurance</b> 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 <b>significant risk</b> that objectives will not be achieved.
<b>NO</b>	There is <b>no assurance</b> 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 <b>high risk</b> 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 style="text-align: center;"><b>HIGH</b> ●</p>	<p>The recommendation relates to a <b>significant threat</b> 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. <b>The risk requires senior management attention.</b></p>
<p style="text-align: center;"><b>MEDIUM</b> ●</p>	<p>The recommendation relates to a <b>potentially significant threat</b> 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. <b>The risk requires management attention.</b></p>
<p style="text-align: center;"><b>LOW</b> ●</p>	<p>The recommendation relates to a <b>minor threat or opportunity</b> 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. <b>The risk may be tolerable in the medium term.</b></p>
<p style="text-align: center;"><b>NOTABLE PRACTICE</b> ●</p>	<p>The activity <b>reflects current best management practice</b> or is an innovative response to the management of risk within the Council. <b>The practice should be shared with others.</b></p>