INTERNAL AUDIT PROGRESS REPORT

2023/24 QUARTER 1

July 2023

HILLINGDON

LONDON

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Contents

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1. INTRODUCTION

The Role of Internal Audit

Internal Audit (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.

The Purpose of the Internal Audit Progress Report

This progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all IA work for Quarter 1 2023/24. 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.

2. SUMMARY OF INTERNAL AUDIT ACTIVITY

Assurance Work in Quarter 1

Following the agreement of the 2023/24 Annual Plan at the April Audit Committee meeting, Internal Audit have made good progress agreeing the scope of the reviews and commencing the 2023/24 Audits.

During this quarter, **eight** assurance reviews were completed to final report stage, including **two** awarded a **SUBSTANTIAL** assurance opinion and **four** **REASONABLE** assurance. There were also **two** **LIMITED** assurance reports relating to IR35 and Care Leavers Allowances:

22.56: IR35	This audit focused on the internal governance arrangements rather than legislative compliance, to avoid duplicating a recent review undertaken by HMRC. One high, two medium and one low risk findings were identified. These related to weaknesses in the evidence available to demonstrate compliance with the internal control processes and did not directly highlight non-compliance with HRMC requirements.
	The root cause of the findings could be attributed to uncertainty over the ownership of key processes which cross multiple services and directorates. The E-Procurement Team previously undertook compliance monitoring however they were disbanded and the functions split between Procurement, Transactional Finance and HR. The Director of Procurement has now taken ownership for the actions in the report, which will improve co-ordination, collaborative working, and efficiency.
22.59: Care Leavers Allowances	This review sought assurance that Care Leavers were being supported by the Council for a sample of recent care leavers. Through an analysis of case notes, pathway plans and service request forms we confirmed the individuals reviewed received 1:1's with their Personal Advisors and financial support delivered through timely and appropriate service requests.
	One high, one medium and one low findings were raised in the report. The high finding related to the financial oversight of service request forms as there were insufficient receipts for three out of five cases (leading to un-receipted expenditure totalling £1,252), and the two receipts provided were inconsistent with the approved expenditure in the service request form (a variance of £185). An action plan has been agreed with the service to address all findings raised.

A further **three** assurance reviews were at a draft report stage. For details of the reviews and assurance levels achieved please see *Appendix A.*

The Parking Income review has been delayed slightly in agreement with the Review Sponsor to allow for ongoing changes within the service to be undertaken. This has been

replaced by the Mortuary review, which has been brought forward at the request of the Service to assist them prepare for an upcoming inspection.

Consultancy and Grant Claim Verification Work in Quarter 1

During this quarter, IA has completed three grant claim memos and one ad hoc consultancy review into section 106 funding at the request of the Chief Executive. Two further ad hoc consultancy reviews into Purchase card payments and debtors are ongoing. Further details can be found at *Appendix B.*

Other Internal Audit Work in Quarter 1

Since the last Audit Committee meeting the Internal Audit team have continued to follow up Internal Audit management actions raised in prior years to confirm whether they have been implemented effectively. A summary of the status of management actions has been presented below and included in the 2022/23 Annual Report.

The final report following the independent External Quality Assessment on the Internal Audit team was shared with the Audit Committee after the last meeting. The actions arising from the assessment have been listed in *Appendix C.* At the time of the final report three actions had not been completed, relating to the Internal Audit Manual and team capacity. These actions will also be completed by the date of the Audit Committee.

Finally, work has also been undertaken to complete the Internal Audit Annual Report and Risk Management Annual Report, which are presented separately to this Committee meeting, and the Annual Governance Statement which has been presented to the Corporate Management Team.

Current Internal Audit staffing position and resourcing challenges

Since the last Audit Committee meeting the Internal Audit Team has expanded from four to nine employees. These new starters include one Principle Internal Auditor, two Internal Auditors, and two level 4 Apprentices.

Although this will increase the team capacity in the long-term, it will take time to get the new starters appropriately trained before they are able to undertake a portfolio of Internal Audit reviews independently. The HIA has developed training materials, guidance and updated the Internal Audit Manual to support their training.

3. FOLLOW UP OF MANAGEMENT ACTIONS

The table below outlines the agreed management actions followed up since the last Audit Committee meeting. Actions are marked as verified once Internal Audit have received evidence to demonstrate the action has been fully implemented. Actions marked complete have been highlighted as complete by the responsible officer however Internal Audit are waiting for evidence to verify their status.

Ref	Audit	Total Actions	Verified	Complete	Overdue
16-A27	Semi Independent Living	2	1	1	0
17-A28	Corporate Payments	1	0	0	1
17-A34	Community Safety including Domestic Abuse	1	0	0	1
17-A37	Food and Safety Regulation	3	3	0	0

19-A01	Schools Payroll Arrangements	8	4	0	4
19-A13	Pupil Premium Funding in Schools	10	1	0	9
19-A20	Payment Process in New Year's Green Lane	4	0	4	0
19-A30	Playground Inspections	1	1	0	0
20-A11	Music Service - Invoicing and Debt Collection	3	0	0	3
20-A12	Educational Care Plans and Local Offer	1	0	0	1
20-A15	Purchasing and Payments in Schools	1	0	0	1
20-A16	Treasury Management	1	0	0	1
20-A02	Tree Inspections	4	0	1	3
20-A28	Governance & Financial Management in Schools	1	0	0	1
20-A03	Cemeteries: Bereavement Service & Ground Maintenance	8	1	0	7
20-A31	Exclusions or Education Cases for Vulnerable Young People	4	0	0	4
20-A06	Estates - Lease Management	1	0	0	1
21-A13	Allotments	7	7	0	0
21-A14	Birth Registration Service	3	0	0	3
21-A16	Procurement: Contract Compliance Mgt	2	0	0	2
21-A20	Thematic Review of Safeguarding in Schools	1	0	0	1
21-A26	Planning Enforcement	9	0	0	9
21-A29	Music Service - Overseas Trip	4	0	0	4
21-A03	ICT Service Desk	2	0	0	2
21-A35	Pension Fund Data Mapping	1	1	0	0
21-A05	Expenditure Approval Process	2	0	2	0
21-A06	Transport Contract Management	1	0	0	1
21-A07	Fostering Service	3	0	0	3
21-A09	Business Continuity Planning	3	3	0	0
		92	**22**	**8**	**62**

Actions are marked as overdue once they pass their implementation date if IA have not received confirmation they have been completed. These may include actions that have been completed in practice however IA have not received an update at the time of this report. In particular there are many actions where the responsible officer has changed, and IA are working with the new responsible officer to confirm if the action was completed or superseded by new processes.

All actions marked as overdue will continue to be followed up before the next Audit Committee meeting until IA receive evidence they have been implemented. Any actions due to have been completed from the 2022/23 internal Audit reports will also be added to the table above.

The Corporate Payments management action from 2017/18 has now been superseded by the Oracle transformation project, due to be implemented in April 2024, and will be followed up again once this is completed.

The responsible officer for the Community Safety management action has changed and Internal Audit were unable to obtain an update in time for this report. This will be followed up with the new responsible officer to confirm if it has been completed.

4. FORWARD LOOK

As noted above, Internal Audit are currently focusing on training the new starters within the team to ensure they are able to deliver high-quality reviews going forward. This will include

embedding the new Internal Audit Protocol and key performance indicators to improve the performance before the next Audit Committee meeting.

Although there was a delayed start to the 2023/24 plan, the improved team capacity will help increase the number of audits completed during Quarter 2 and the HIA expects the reports to be finalised for the next Audit Committee meeting.

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 CMT and Audit Committee at this time.

APPENDIX A: IA REVIEWS

IA Ref.	IA Review Area	Current Status at end of Q1 2023/24	Assurance Level	Actions & Risk Rating			
				H	M	L	O
22.36	Capital Programmes	Final report issued 30 June 2023	REASONABLE	0	1	1	0
22.38	Domestic Violence Homelessness Process	Final report issued 26 April 2023	REASONABLE	0	2	2	0
22.47	High Cost panel and Risk profile	Final report issued 2 June 2023	SUBSTANTIAL	0	0	3	0
22.52	Trading Standards POCA	Draft report issued 3 April 2023	*TBC once final report issued*				
22.56	IR35	Final report issued 6 July 2023	LIMITED	1	2	1	0
22.59	Care Leavers Allowances	Final report issued 11 July 2023	LIMITED	1	1	1	0
22.61	Thematic Review: Pupil Premium Funding in Schools	Final report issued 5 July 2023	REASONABLE	0	4	2	0
22.63	Robotic Process Automation	Final report issued 14 July 2023	REASONABLE	0	1	0	0
22.64	Mental Health Pathway	Final report issued 2 June 2023	SUBSTANTIAL	0	0	2	0
23.P02	Capital Programme	Draft report issued 13 July 2023	*TBC once final report issued*				
23.A01	Brokerage Outputs	Fieldwork	*TBC once final report issued*				
23.S01	IT Application Review	Report Drafting & Review Stage	*TBC once final report issued*				
23.F01	Risk Management	Draft report issued 13 July 2023	*TBC once final report issued*				
23.C02	Safety Valve Plan	Planning	*TBC once final report issued*				
23.P01	Private Sector Housing	Planning	*TBC once final report issued*				
23.C01	No Recourse to Public Funds	Fieldwork	*TBC once final report issued*				
23.S02	Workforce Planning, Establishment & Recruitment	Fieldwork	*TBC once final report issued*				
23.S06	Mortuary	Fieldwork	*TBC once final report issued*				
23.P04	DFG & Adaptations	Fieldwork	*TBC once final report issued*				
23.P03	Parking Income	Planning	*TBC once final report issued*				
23.A04	Contract Management	Planning	*TBC once final report issued*				
23.A02	Payments to Early Years Providers	Fieldwork	*TBC once final report issued*				

IA = Internal Audit	**H** = High Risk	**M** = Medium Risk	**L** = Low Risk	**O** = Observation

IA Ref.	IA Review Area	Current Status at end of Q1 2023/24	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.F03	Effectiveness of the Pension Committee	Planning	*TBC once final report issued*				
23.P05	Climate Action	Planning	*TBC once final report issued*				
23.A03	Merrifields, Goshawk Gardens & Chapel Lane	Planning	*TBC once final report issued*				
23.F02	Payment Card Data Security Standard (PCI DSS)	Planning	*TBC once final report issued*				
23.P06	Facilities Management	*Planned for August 2023*	*TBC once final report issued*				
23.C03	SEND Data Quality	*Planned for September 2023*	*TBC once final report issued*				
23.P07	Social Housing applications	*Planned for September 2023*	*TBC once final report issued*				
23.A05	Partnership Working (Health)	*Planned for October 2023*	*TBC once final report issued*				
23.A06	Neglect (Adults)	*Planned for October 2023*	*TBC once final report issued*				
23.F06	Savings Programme	*Planned for October 2023*	*TBC once final report issued*				
23.P11	Building Control	*Planned for October 2023*	*TBC once final report issued*				
23.C05	Safety Valve Plan (2)	*Planned for October 2023*	*TBC once final report issued*				
23.P08	Homeless Housing applications	*Planned for October 2023*	*TBC once final report issued*				
23.C04	Neglect (Childrens)	*Planned for October 2023*	*TBC once final report issued*				
23.S04	Organisation Culture	*Planned for October 2023*	*TBC once final report issued*				
23.C06	Thematic Schools Audit	*Planned for November 2023*	*TBC once final report issued*				
23.F04	Oracle Programme	*Planned for November 2023*	*TBC once final report issued*				
23.A07	Telecare	*Planned for November 2023*	*TBC once final report issued*				
23.F05	Fraud Risk Assessment - Procurement	*Planned for November 2023*	*TBC once final report issued*				
23.P10	Maintenance and Replacement Service Contracts	*Planned for November 2023*	*TBC once final report issued*				
23.S03	Contact Centre	*Planned for November 2023*	*TBC once final report issued*				
23.S08	Performance Information	*Planned for November 2023*	*TBC once final report issued*				
23.P09	Uninspected B&Bs	*Planned for December 2023*	*TBC once final report issued*				
23.S09	Personal Appraisals	*Planned for December 2023*	*TBC once final report issued*				

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IA Ref.	IA Review Area	Current Status at end of Q1 2023/24	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.A08	ARCH Social Work Outputs	*Planned for January 2024*	*TBC once final report issued*				
23.S05	Overtime Payments	*Planned for January 2024*	*TBC once final report issued*				
23.S07	Legal	*Planned for February 2024*	*TBC once final report issued*				
23.A09	Supported Living: Void Management	*Planned for February 2024*	*TBC once final report issued*				
23.P12	Building Safety Standards	*Planned for February 2024*	*TBC once final report issued*				
			Total Number of IA Management Actions Raised	**2**	**11**	**12**	**0**

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APPENDIX B: IA AD HOC CONSULTANCY & GRANT CLAIM VERIFICATION REVIEWS

IA Ref.	IA Review Area	Current Status at end of Q1 2023/24
23.G1	Supporting Families Grant – Quarter 1	Memos issued 5 May 2023 and 28 June 2023
23.G2	Supporting Families Grant – Quarter 2	*Planned for September 2023*
23.G3	Supporting Families Grant – Quarter 3	*Planned for January 2024*
23.G4	Supporting Families Grant – Quarter 4	*Planned for April 2024*
23.G5	BNG Grant Allocation	Memo issued 6 April 2023
23.X1	Purchase Cards Data Analytics	Fieldwork Ongoing
23.X2	Debtors Data Analytics	Fieldwork Ongoing
23.X3	Section 106 Funding	Memo issued 12 June 2023

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APPENDIX C: EQA MANAGEMENT ACTION PLAN

Recommendation	Management Comments and Timeline
1. Similar to the Risk Management element of the Charter, the appropriate officer should ensure there are established roles and responsibilities in respect of Internal Audit for the statutory officers (S151, Monitoring Officer and Head of Paid Service). This should include governance arrangements, engagement with Internal audit and establish accountability.	The Internal Audit Manual is currently being updated and will include roles and responsibilities of statutory officers. Action Owner: Head of Internal Audit Implementation Date: 30 June 2023
2. As part of our interview process, we reviewed the audit plan for 2022/23 and the proposed audit plan was not clearly aligned to the Council's strategic objectives.	COMPLETE: This has been addressed in the 2023/24 plan which was submitted after the EQA was completed.
3. LBH should review all relevant DoI and ensure that they have been signed off by the relevant senior officers. For the HoIA, the DoI should be signed off by the S151 Officer and/or Chair or the Audit Committee. LBH should consider updating their DoI to include names of signatories.	COMPLETE: A new DoI form has been developed by the HIA and will be completed and signed off appropriately by all members of the IA team.
4. LBH should consider updating their terms of reference to include further detail within their audit scope. This will ensure that the audit coverage is clear and understood by the auditor and the auditee. Rather than having a detailed Internal Audit process within the ToR, LBH should consider referencing a link to the Internal Audit SharePoint site where further detail can be found.	COMPLETE: HIA has updated the ToR template which is now in place
5. Whilst the service is undergoing a review, management should consider their process to ensure that there is a consistent approach for recording evidence when undertaking audits and consultancy engagements.	The HIA is currently updating the IA Manual, and this will include more formal processes to ensure there is a consistent approach to recording evidence. Action Owner: Head of Internal Audit Implementation Date: 31 July 2023
6. Once the service has been fully established, the HoIA should create a new QAIP. This should be completed as soon as reasonably possible with a follow up with 6 months. Survey results should also be incorporated into the QAIP and used to inform change within the service.	COMPLETE: The new HIA has developed a QAIP taking into consideration a number of sources of feedback on the current service. This includes improved KPIs, new templates, recruitment and improving documentation.
7. Management should ensure that the audit management system's reporting functionality is fit for purpose and provides reporting that is useful for the service. If the service is unable to adjust the reporting from the current case management system, the service should consider whether the data and reporting could be presented better by using other technology available.	COMPLETE: Due to the vacancies in the team the TeamMate system is not currently in use. The HIA has developed new KPIs which are documented in the 2023/24 annual plan and IA protocol. They have also developed new reporting tools using excel to monitor performance against these KPIs throughout 2023/24. As the team grows alternative systems will be considered where necessary.
8. LBH should consider updating their SharePoint site to create a collaborative space which also provides support to its auditees, Heads of Services and Senior Management. The site should include a document which defines their key objectives, responsibilities, accountabilities, and their internal audit process.	COMPLETE: The new HIA has drafted new documentation for the SharePoint site, including a more accessible guide to IA. This will be added to the SharePoint site along with the IA Plan and IA Charter once they are approved at the April AC meeting.

SharePoint site can also be referenced in their TOR to further streamline their report	
9. As the service has a new HoIA in place and the Internal Audit function is currently going through a review, the service should consider engaging in 'Lessons Learned' to interpret survey results and feedback received from the organisation. Where progress or change has been made, the service should consider including this on their SharePoint site. Better collaboration and insight into what the Internal Audit function does can create a better view of the service and possibly improve survey results. This should also form part of their QAIP.	COMPLETE: The survey was only one source of feedback received by the IA team. The HIA has done a wider review of feedback and used this to develop their improvement programme. As part of this programme the SharePoint site will be updated.
10. The Service should continue to review whether it is adequately resourced with an effective structure to be able to fulfil its objectives to the appropriate standard.	A full capacity and structure review has been undertaken by the new HIA as part of the annual planning process. In the last three months they have also recruited three new members of the team and are looking to appoint one further position. Audit tracker containing Gannt chart of auditable days implemented, identifying ongoing utilisation and resource requirements. The capacity plan will be reviewed quarterly in line with the review of the internal audit plan. This will include considering if there are any further training needs for the new appointees. Action Owner: Head of Internal Audit Implementation Date: 30 June 2023

APPENDIX D: INTERNAL AUDIT KEY PERFORMANCE INDICATORS

The Key Performance Indicators (KPIs) for IA quarterly reporting to CMT and the Audit Committee in 2023/24 are set out below:

KPI	Performance Measure	2023/24 Target	Current Status
KPI 1	Planning to be initiated at least six weeks before the planned fieldwork start date to allow the relevant service to prepare documents and ensure staff availability.	80%	55%
KPI 2	Draft Reports to be issued three weeks after the end of fieldwork meeting with the key contact	80%	100%
KPI 3	Final Reports to be issued one week after the final approval received from the Audit Sponsor.	80%	TBC
KPI 4	Annual IA Plan delivered to draft report stage by 31st March	90%	TBC
KPI 5	Annual IA Plan delivered to final report stage by 31st March	80%	TBC
KPI 6	Initial documentation requests outlined at the planning meeting to be received by the audit fieldwork start date.	80%	25%
KPI 7	Final approval of the management responses to be received two weeks after the updated report is issued	80%	TBC
KPI 8	HIGH and MEDIUM risk IA Management Actions completed within the original agreed timescale	80%	TBC
KPI 9	HIGH and MEDIUM risk IA Management Action where positive management action is proposed	95%	TBC
KPI 10	Client Satisfaction Rating from Feedback Questionnaires	85%	100%

Key for future reporting on actual KPI performance:

- **RED** = currently this performance target is not being met (significantly [>5%] short of target performance).
- **AMBER** = currently not meeting this performance target (just short [<5%] of target performance).
- **GREEN** = currently meeting or exceeding this performance target

This is the first time these KPIs have been presented and the results reflect the slight delay starting the 2023/24 Internal Audit plan due to the later Audit Committee meeting, ongoing 2022/23 audits, and the implementation of the new Internal Audit protocols and new members of the team.

However, the HIA is confident the timeliness of the reviews will improve now the team has significantly increased capacity, and the new protocols and KPIs are becoming more embedded. These KPIs will be updated as more reports are finalised before the next Audit Committee meeting.

APPENDIX E: ASSURANCE LEVELS AND ACTION RISK RATINGS

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 is in need of 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.

FINDING RATING	DEFINITION
HIGH	The finding relates to **a significant threat** that impacts the Council's corporate objectives. i.e. a high number of key business risks remain unidentified and/or unmanaged as control systems do not exist and/or do not operate effectively. **The risk requires senior management attention as soon as possible** as it may result in the breakdown of part/whole of the service.
MEDIUM	The finding relates to **a potentially significant threat** that impacts on either corporate or operational objectives. This includes weaknesses in the control systems that are not considered serious but may have some impact on the service. **The risk requires management attention** and should be addressed within six months to ensure full compliance with expected controls.
LOW	The finding relates to **a minor threat** that impacts on operational objectives, this includes non-compliance with best practice or local procedures, and minimal impacts on the Service's reputation or budget. **The risk may be tolerable in the medium term** but management should take action within the next year to improve the control framework to ensure full compliance with expected controls.
OBSERVATION	This includes any items Internal Audit would like to highlight that may not directly relate to a finding. This includes notable performance and innovative controls that **should be shared with others,** potential concerns raised during the audit that are **outside the scope of the review** and will be considered separately, and any areas of improvement that had already been addressed by management at the time of the review.