

INTERNAL AUDIT PROGRESS REPORT

Committee name	Audit Committee
Officer reporting	Claire Baker, Head of Internal Audit & Risk Assurance
Papers with report	Internal Audit Progress Report: January 2024
Ward	All

HEADLINES

The attached Progress Report presents the Audit Committee with a summary of the Internal Audit (IA) work covered since the last Committee meeting. It also provides an opportunity for the Head of Internal Audit to highlight to the Audit Committee any significant issues that they need be aware of that have arisen since the last IA Progress Report.

Further, it enables the Audit Committee to hold the Head of Internal Audit to account on delivery of the IA work plan and facilitates holding management to account for managing risk and control weaknesses identified during the course of IA activity.

RECOMMENDATION:

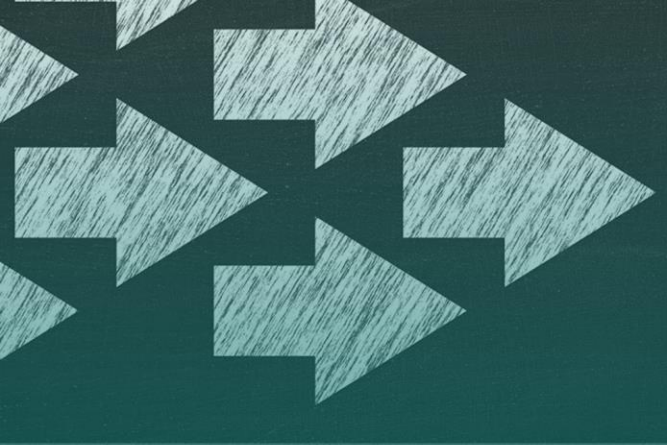
That the Audit Committee notes the IA Progress since the last Committee meeting

SUPPORTING INFORMATION

IA provides an independent appraisal and consultancy service that underpins good governance, which is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon.

BACKGROUND PAPERS

None.



INTERNAL AUDIT PROGRESS REPORT

31 January 2024



HILLINGDON
LONDON

www.hillingdon.gov.uk

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The key contacts in connection with this document are:

Claire Baker
Head of Internal Audit
cbaker@hillingdon.gov.uk

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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 completed since the August Audit Committee meeting. 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

Internal Audit have continued to make reasonable progress with the 2023/24 Audits. Since the last Audit Committee meeting, **nine** reviews were completed to final report stage, including **one SUBSTANTIAL** assurance, **two REASONABLE** assurance, **two ADVISORY** review, and **four LIMITED** assurance reports relating to the Climate Action Plan, Facilities Management, Homeless Housing Applications and Goshawk Gardens & Chapel Lane:

Facilities Management	<p>Facilities Management (FM) helps provide a safe and efficient working environment for all those who use the Council's properties. As part of this review Internal Audit examined the wider governance arrangements in relation to FM across the organisation. This highlighted a number of findings in relation to the overarching strategic direction and governance arrangements to ensure the Council is maximising the value of the FM Service. For example, there was no Asset Management Strategy in place which hindered the FM Service's ability to produce a robust programme of planned works aligned to the strategic objectives and financial forecast.</p> <p>Other governance issues identified within the service include the lack of a directory for building compliance certification as well as the asset register not being updated when corporate buildings are repaired or surveyed. However, the Planned Works Manager had already started the process of enhancing governance within the FM service at the time of this review.</p>
Homeless Housing Applications	<p>To avoid duplicating the wider housing transformation project this review focused on the operational management of homeless housing applications.</p> <p>Testing identified weaknesses with the completion of documentation, including insufficient evidence of any segregation of duties with regards to approving decisions. We found no evidence to suggest the applications tested were not eligible for the support they received, however the gaps in the controls may have allowed other fraudulent applications.</p> <p>Demand pressures and ongoing changes within the service also contributed to our findings in relation to the wider governance arrangements within the Service. However, these are being addressed as part of the wider housing transformation project.</p> <p>Internal Audit was also able to see evidence of proactive preventative action being taken to reduce demand on the service. Key performance indicators in relation to these preventative measures are in place to help ensure appropriate action is taken.</p>
Goshawk Gardens & Chapel Lane	<p>Goshawk Gardens and Chapel Lane are Council owned supported living accommodation, offering residents with learning disabilities the opportunity to maximise their independence and learn new skills in a staffed, supported setting.</p> <p>This review considered the financial governance, quality assurance, and risk management arrangements in place at each site. Clients utilise their own funds to undertake activities, however one high finding was raised in relation to improving the</p>

	<p>centralised records maintained to monitor spend, payment cards and petty cash, as key evidence was not available at the time of this review.</p> <p>Three medium findings were also raised in relation to compliance with mandatory training, recording the dates of risk assessments, and providing guidance to staff around the processes for managing clients’ budgets and expenditure.</p>
<p>Climate Action Plan</p>	<p>This review was conducted to provide assurance whether the Council has sufficient oversight and scrutiny to meet it’s 2030 strategic climate objectives and Climate Action Plan.</p> <p>Overall, Internal Audit confirmed individual projects had been initiated to support the Council to achieve their plan. However, further work is required in relation to the governance arrangements, to ensure there is ongoing assurance these projects will lead to the expected outcomes.</p> <p>Two different proposals for a formal governance structure had been developed at the time of this review and were both assessed to be reasonable. However, the final structure had not been formally agreed as ownership of the function changed during the audit leading to uncertainty over the final proposed structure. A follow up review has been agreed once the governance arrangements are implemented to provide assurance they are embedded effectively in practice.</p>

Five further reviews are at a draft report stage and should be finalised before the Audit Committee. For details of the reviews and assurance levels achieved please see *Appendix A*.

During this quarter, IA has also completed three grant claim memos for the Supporting Families Grant, an ad-hoc consultancy review into the Music Service Invoicing and Credit Notes, and the verification work in relation to the Housing Benefit Subsidy Grant claim. For details of the grant claims and ad hoc consultancy reviews please see *Appendix B*.

Changes to the Internal Audit Workplan

Since the November Audit Committee meeting two changes have been made to the plan:

The Budget Setting audit added to the plan in November has now been delayed until the beginning of 2024/25 due to the Zero-Based Budgeting (ZBB) exercise initiated in January 2024. This review will engage with Directors and Heads of Service following the ZBB exercise to obtain their feedback and confirm whether they are confident in achieving their agreed budget for 2024/25.

A review of Pool Cars was added to the plan at the request of the Head of Business Administration following concerns in relation to pool car usage. This review has been completed and the report is currently out in draft.

3. FOLLOW UP OF MANAGEMENT ACTIONS

The table in *Appendix C* outlines the agreed management actions followed up since the last Audit Committee meeting. Actions are marked as verified once IA have received evidence to demonstrate the action has been fully implemented. Once all actions from an individual report are verified the report is marked closed and will be removed from the tracker.

In total 29/63 (46%) management actions due to have been implemented were marked as verified or complete. Twenty-two were marked as not complete and new implementation dates have been set when these actions will be followed up again.

At the time of this report 12 were marked as unknown as we have not received any confirmation from the responsible officer. Meetings have been arranged with the relevant services for these actions and they will be followed up before the Audit Committee.

4. FORWARD LOOK

Over the next quarter the IA team will focus on finalising the remaining reviews from the 2023/24 Internal Audit workplan and prepare the Annual Internal Audit Report.

If the 2024/25 proposed workplan presented separately to the Audit Committee is approved, we will also start scoping the quarter one audits with the relevant services to prevent any delay at the beginning of the year.

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 CMT and Audit Committee at this time.

APPENDIX A: IA REVIEWS

IA Ref.	IA Review Area	Current Status January 2024	Assurance Level	Actions & Risk Rating			
				H	M	L	O
22.P36	Capital Programmes	Final report issued 30 June 2023	REASONABLE	0	1	1	0
22.P38	Domestic Violence Homelessness Process	Final report issued 26 April 2023	REASONABLE	0	2	2	0
22.A47	High Cost panel and Risk profile	Final report issued 02 June 2023	SUBSTANTIAL	0	0	3	0
22.P52	Trading Standards POCA	Final report issued 13 September 2023	LIMITED	1	2	5	0
22.F56	IR35	Final report issued 06 July 2023	LIMITED	1	2	1	0
22.C59	Care Leavers Allowances	Final report issued 11 July 2023	LIMITED	1	1	1	0
22.C61	Thematic Review: Pupil Premium Funding in Schools	Final report issued 05 July 2023	REASONABLE	0	4	2	0
22.F63	Robotic Process Automation	Final report issued 14 July 2023	REASONABLE	0	1	0	0
22.A64	Mental Health Pathway	Final report issued 02 June 2023	SUBSTANTIAL	0	0	2	0
23.P02	Capital Programme	Final report issued 09 August 2023	REASONABLE	1	2	1	1
23.A01	Brokerage Outputs	Final report issued 13 September 2023	REASONABLE	0	0	5	0
23.S01	IT Application Review - ContrOCC	Final report issued 26 September 2023	REASONABLE	0	2	0	0
23.F01	Risk Management	Final report issued 01 September 2023	LIMITED	1	5	0	0
23.C02	Safety Valve Plan	Final report issued 22 November 2023	N/A: ADVISORY	-	-	-	-
23.P01	Private Sector Housing	Draft report issued 18 January 2024	<i>TBC once final report issued</i>				
23.C01	No Recourse to Public Funds	Final report issued 29 January 2024	N/A: ADVISORY	-	-	-	-
23.S02	Workforce Planning, Establishment & Recruitment	Final report issued 09 November 2023	LIMITED	2	2	0	0
23.S06	Mortuary	Final report issued 15 August 2023	SUBSTANTIAL	0	0	1	0
23.P04	DFG & Adaptations	Final report issued 21 September 2023	SUBSTANTIAL	0	0	1	0
23.P03	Parking Income	Final report issued 11 January 2024	REASONABLE	0	3	3	0
23.A04	Contract Management	Final report issued 24 January 2024	REASONABLE	0	3	0	0

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O = Observation

IA Ref.	IA Review Area	Current Status January 2024	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.A02	Payments to Early Years Providers	Final report issued 07 November 2023	SUBSTANTIAL	0	0	1	0
23.F03	Effectiveness of the Pension Committee	Final report issued 19 October 2023	REASONABLE	0	2	0	1
23.P05	Climate Action	Final report issued 29 January 2024	LIMITED	1	1	2	1
23.A03	Goshawk Gardens & Chapel Lane	Final report issued 24 January 2024	LIMITED	1	3	2	0
23.F02	Payment Card Data Security Standard (PCI DSS)	Draft report issued 16 January 2024	<i>TBC once final report issued</i>				
23.P06	Facilities Management	Final report issued 08 December 2023	LIMITED	0	3	2	1
23.C03	SEND Data Quality	Draft report issued 22 January 2024	<i>TBC once final report issued</i>				
23.P07	Social Housing applications	Fieldwork	<i>TBC once final report issued</i>				
23.A06	Neglect (Adults)	Fieldwork	<i>TBC once final report issued</i>				
23.P11	Building Control Action Plan	Fieldwork	<i>TBC once final report issued</i>				
23.F07	Fleet Damage	Report drafting	<i>TBC once final report issued</i>				
23.P08	Homeless Housing applications	Final report issued 11 January 2024	LIMITED	1	1	4	0
23.C04	Neglect (Childrens)	Report drafting	<i>TBC once final report issued</i>				
23.S04	Organisation Culture	Fieldwork	<i>TBC once final report issued</i>				
23.C06	Thematic Schools Audit (SEND Funding)	Report drafting	<i>TBC once final report issued</i>				
23.F04	Oracle Programme	Report drafting	<i>TBC once final report issued</i>				
23.F05	Fraud Risk Assessment - Procurement	Draft report issued 26 January 2024	<i>TBC once final report issued</i>				
23.F08	Budget Monitoring	Report drafting	<i>TBC once final report issued</i>				
23.P10	Maintenance and Replacement Contracts	Planning	<i>TBC once final report issued</i>				
23.S03	Contact Centre	Final report issued 25 January 2024	SUBSTANTIAL	0	0	3	0
23.P12	Building Safety Standards	Planning	<i>TBC once final report issued</i>				
23.S08	Performance Information	Fieldwork	<i>TBC once final report issued</i>				

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IA Ref.	IA Review Area	Current Status January 2024	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.P09	Uninspected B&Bs	Fieldwork	<i>TBC once final report issued</i>				
23.S13	Pool Cars	Draft report issued 22 January 2024	<i>TBC once final report issued</i>				
23.S09	Personal Appraisals	Planning	<i>TBC once final report issued</i>				
23.A08	ARCH Social Work Outputs	Fieldwork	<i>TBC once final report issued</i>				
23.S05	Overtime Payments	Planning	<i>TBC once final report issued</i>				
23.A05	Partnership Working (Health)	Fieldwork	<i>TBC once final report issued</i>				
23.A09	Supported Living: Void Management	Planning	<i>TBC once final report issued</i>				
Total Number of IA Management Actions Raised				10	40	42	4

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

IA Ref.	IA Review Area	Current Status at end of Q3 2023/24
23.G1.1	Supporting Families Grant – Quarter 1	Complete
23.G1.2	Supporting Families Grant – Quarter 2	Complete
23.G1.3	Supporting Families Grant – Quarter 3	Complete
23.G2	BNG Grant Allocation	Complete
23.G3	Housing Benefit Subsidy	Complete
23.G4	Mayors Charity Account	Report drafting
23.X1	Purchase Cards Data Analytics	Complete
23.X2	Section 106 Funding	Complete
23.X3	Care Provider	Complete
23.X4	Music Service Invoicing & Credit Notes	Complete

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APPENDIX C: IA FOLLOW UP OF MANAGEMENT ACTIONS

Ref	Review	Number of Actions		Current Status:										Comments
				Verified		Completed		Overdue		Unknown		Not Due		
				H	M	H	M	H	M	H	M	H	M	
17.A28	Corporate Payments	-	1	-	-	-	-	-	-	-	-	-	1	Due April 2024
19.A01	Schools Payroll Arrangements	-	8	-	4	-	-	-	-	-	-	-	4	Due April 2024
19.A13	Pupil Premium Funding in Schools	-	9	-	9	-	-	-	-	-	-	-	-	CLOSED
20.A31	Exclusions or Education Cases for Vulnerable Young People	-	4	-	3	-	1	-	-	-	-	-	-	
20.A06	Estates - Lease Management	1	1	-	-	-	-	-	-	-	-	1	1	Due March 2024
20.A12	Educational Care Plans and Local Offer	-	1	-	-	-	-	-	-	-	1	-	-	Change of Officer
20.A03	Cemeteries: Bereavement Service and Ground Maintenance	2	4	-	-	-	-	2	4	-	-	-	-	New Date: June 2024
21.A14	Birth Registration Service	-	3	-	-	-	-	-	-	-	-	-	3	Due November 2024
21.A16	Procurement – Contract Compliance Management	1	1	-	-	-	-	-	-	-	-	1	1	Due June 2024
21.A03	ICT Service Desk	-	2	-	1	-	-	-	-	-	-	-	1	Due June 2024
21.A06	Transport Contract Management	-	1	-	-	-	1	-	-	-	-	-	-	
21.A07	Fostering Service	-	3	-	-	-	-	-	3	-	-	-	-	
22.A36	Capital Projects	-	1	-	1	-	-	-	-	-	-	-	-	CLOSED
22.A39	Stronger families HUB	1	1	-	-	1	1	-	-	-	-	-	-	
22.A40	Information Security	-	4	-	4	-	-	-	-	-	-	-	-	CLOSED
22.A42	Fraud prevention controls in tendering & contacts	-	4	-	-	-	-	-	-	-	-	-	4	Due April 2024
22.A43	Registrars cash handling	-	1	-	-	-	-	-	1	-	-	-	-	Change of Officer
22.A46	Colham road	-	2	-	1	-	-	-	1	-	-	-	-	
22.A45	Adult social care referrals and assessment	-	2	-	1	-	-	-	1	-	-	-	-	
22.A48	Quality of practice	-	3	-	1	-	-	-	-	-	2	-	-	
22.A50	Purchase cards	-	4	-	-	-	-	-	4	-	-	-	-	New Date: April 2024
22.A56	IR35	1	2	-	-	-	-	-	-	1	2	-	-	
22.A58	Merrimans Respite Care Unit	-	1	-	-	-	-	-	-	-	-	-	1	

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Ref	Review	Number of Actions		Current Status:										Comments	
				Verified		Completed		Overdue		Unknown		Not Due			
		H	M	H	M	H	M	H	M	H	M	H	M		
23.P02	Capital Programme	1	2	-	-	-	-	-	-	-	-	-	1	2	Due January 2024
23.F01	Risk Management	1	5	-	-	-	-	1	5	-	-	-	-	-	New Date: March 2024
23.F03	Effectiveness of the Pension Committee	-	2	-	-	-	-	-	-	-	-	-	-	2	Due June 2024
22.P52	Trading Standards POCA	1	2	-	-	-	-	-	-	-	-	-	1	2	Due April 2024
22.C59	Care Leavers Allowances	1	1	-	-	-	-	-	-	1	1	-	-	-	
22.C61	Thematic Review: Pupil Premium	-	4	-	-	-	-	-	-	-	4	-	-	-	
22.F63	Robotic Process Automation	-	1	-	-	-	-	-	-	-	-	-	-	1	Due April 2024
23.S01	IT Application - ContrOCC	-	2	-	-	-	-	-	-	-	-	-	-	2	Due April 2024
23.S02	Workforce Planning, Establishment & Recruitment	2	2										2	2	Due June 2024
SUBTOTAL		12	84	0	25	1	3	3	19	2	10	6	27		
TOTAL		96		25		4		22		12		33			

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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%	82%
KPI 2	Draft Reports to be issued three weeks after the end of fieldwork meeting with the key contact	80%	83%
KPI 3	Final Reports to be issued one week after the final approval received from the Audit Sponsor.	80%	100%
KPI 4	Annual IA Plan delivered to draft report stage by 31st March	90%	64%
KPI 5	Annual IA Plan delivered to final report stage by 31st March	80%	54%
KPI 6	Initial documentation requests outlined at the planning meeting to be received by the audit fieldwork start date.	80%	80%
KPI 7	Final approval of the management responses to be received two weeks after the updated report is issued	80%	77%
KPI 8	HIGH and MEDIUM risk IA Management Actions completed within the agreed timescale	80%	46%
KPI 9	HIGH and MEDIUM risk IA Management Action where positive management action is proposed	95%	100%
KPI 10	Client Satisfaction Rating from Feedback Questionnaires	85%	90%

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

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.