

A stack of several books with white pages and dark covers, positioned in the upper left corner of the page. The books are slightly out of focus, creating a sense of depth.

INTERNAL AUDIT ANNUAL REPORT & OPINION STATEMENT

2023/24

15 April 2024



HILLINGDON
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Contents

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1. INTRODUCTION

- 1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance. IA gives an objective opinion on whether the control environment is operating as expected to help the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon (LBH). 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 public sector internal auditing standards or guidance.
- 1.2 The UK Public Sector IA Standards (PSIAS) promote further improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. They stress the importance of robust, independent and objective IA arrangements to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement (AGS).
- 1.3 This annual report summarises the main findings arising from all of the 2023/24 IA work and the annual Head of Internal Audit opinion as required by the PSIAS. The report also provides IA key stakeholders including the Council's Corporate Management Team (CMT) and the Audit Committee, with an opportunity to review the performance of the IA service on the delivery of the 2023/24 IA Plan and on the effectiveness of the IA service.

2. SUMMARY OF 2023/24 INTERNAL AUDIT WORK

- 2.1 In total **47** pieces of IA work were fully delivered as part of the 2024/25 IA plan as at the beginning of April 2024. This included **33** assurance reviews, **7** consultancy reviews and **7** grant claim audits.
- 2.2 A further **6** planned reports are currently issued in draft and will be reflected in the ongoing 2024/25 IA workplan. Any significant findings from these draft reports have been taken into consideration as part of the Annual Head of Internal Audit Opinion reported below.
- 2.3 An analysis of IA work over the past five years shows an **increase** in completed IA work in 2023/24 despite the significant staff vacancies at the beginning of the year.

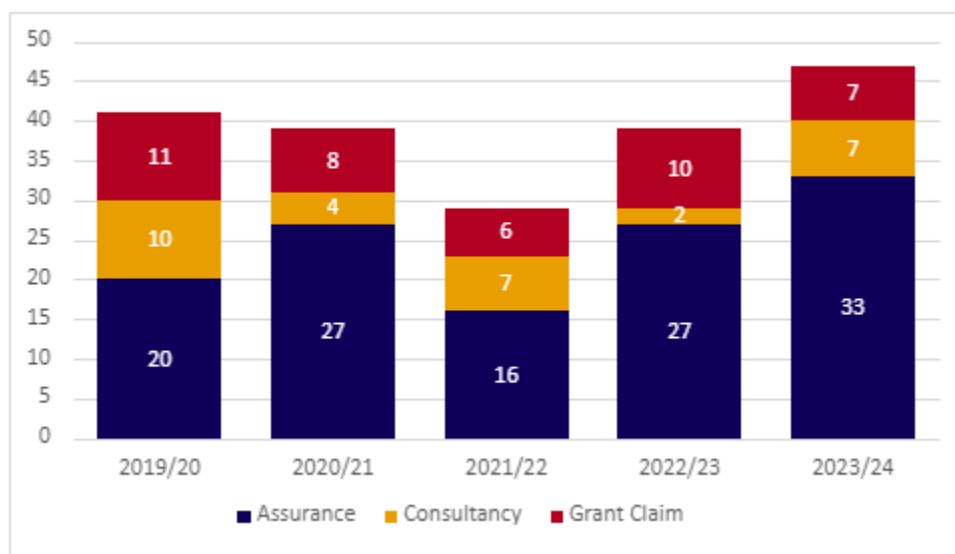


FIGURE 1: IA WORK COMPLETED BY REVIEW TYPE

- 2.4 Based on the 33 assurance reviews finalised within the year, **64%** resulted in a **SUBSTANTIAL** or **REASONABLE** assurance opinion. This is a significant decrease from 89% in 2022/23. There were no **NO** assurance reviews, however **36%** of the assurance reviews resulted in **LIMITED** opinions (definitions of the IA assurance levels are included at Appendix B).

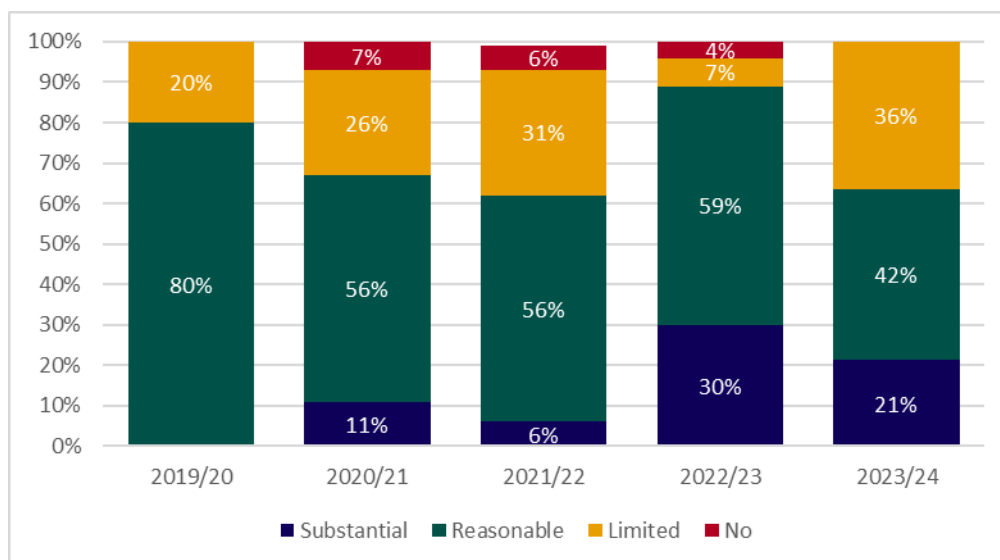


FIGURE 2 IA ASSURANCE RATINGS AS A PERCENTAGE OF ASSURANCE REVIEWS COMPLETED

2.5 Within the 33 IA assurance reviews completed in 2023/24, we raised **124** IA assurance recommendations in total. This is an **increase** compared to prior years and reflects the higher number of limited assurance reports. All 2023/24 recommendations raised by IA were accepted by the relevant manager’s/risk owner.

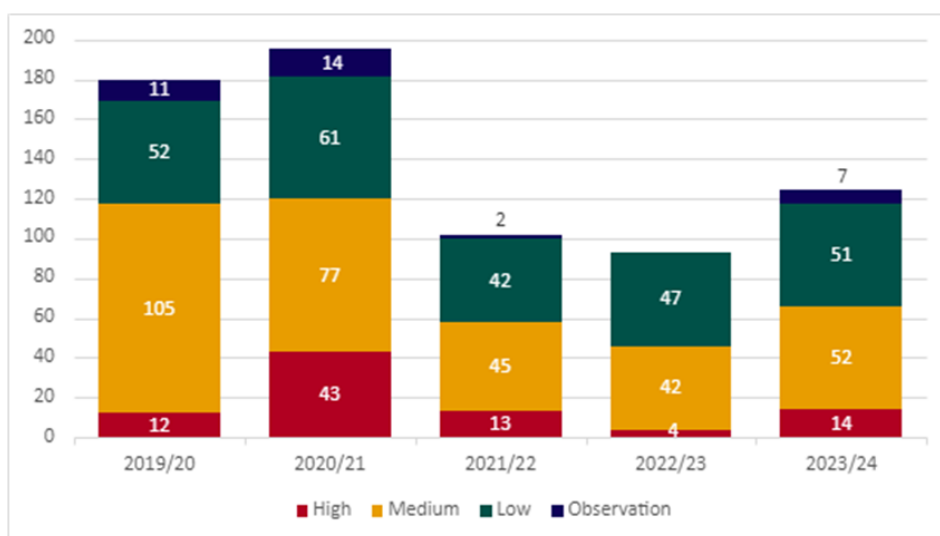


FIGURE 3 IA ASSURANCE RECOMMENDATIONS BY SIGNIFICANCE RATING

2.6 In the last three years there has been an overall decrease in the number of recommendations when compared to earlier years. This is likely due to the reduction in compliance based reviews and more focus on identifying the root cause of any findings. This means more findings to be consolidated where the root cause is the same.

2.7 The individual assurance reviews carried out during 2023/24 are listed in Appendix A, including the assurance levels achieved and the number of IA recommendations made (as outlined at Appendix B).

2.8 The three planned and four ad-hoc consultancy reviews were also completed during the year, and five grant claim audits. These are also detailed in Appendix A. Consultancy work continues to provide advice and guidance across the Council, enhancing the role of IA in helping Council services improve, achieving the collaborative approach that IA strives to deliver.

2.9 The IA team has also developed significantly over the 2023/24 year. Five new starters joined in May 2023 to fill the vacancies which impacted on capacity in the prior year. This has allowed the team to reduce the reliance on external partner, Mazars, and complete more reviews in-house during

2023/24. The team have also taken the opportunity to refresh their IA Manual and working practices, including moving away from compliance-based audits to tailor audits to individual risk areas. There is an ongoing quality improvement plan in place which will be taken forward throughout 2024/25.

3. HEAD OF INTERNAL AUDIT OPINION STATEMENT 2023/24

*It is the HIA's opinion that overall IA can provide **LIMITED** assurance that the system of internal control in place at Hillingdon Council for the year ended 31st March 2024 accords with proper practice, except for the significant internal control issues listed below.*

3.1 Background & Scope

- 3.1.1 Our role as internal auditors is to provide the Audit Committee and CMT with an opinion on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The opinion statement is a source of assurance for the Chief Executive and Leader of the Council in completing the Annual Governance Statement (AGS), which forms part of the statutory Statement of Accounts for the 2023/24 year.
- 3.1.2 Our internal audit work for the 12-month period from 1 April 2023 to 31 March 2024 was carried out in accordance with the internal audit work plan approved by CMT and the Audit Committee. This opinion and report is calculated in relation to the service areas and risks reviewed in the year, and does not relate to any of the other operations of the Council. Our approach complies with best professional practice, in particular Public Sector Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.
- 3.1.3 In assessing the level of assurance to be given we have taken into account the internal audits undertaken during 2023/24, the management responses and actions taken in relation to significant findings identified, the effects of any significant changes in the Council's objectives or systems, and any matters arising from previous internal audit reports.
- 3.1.4 During 2023/24 the Council's IA service had unrestricted access to all areas and systems across the authority, received appropriate co-operation from officers and members and had sufficient resources to enable it to provide adequate coverage of the authority's control environment. Therefore, there are no qualifications to the 2023/24 HIA opinion statement.

3.2 Annual Opinion Statement on the Effectiveness of the System of Internal Control

- 3.2.1 The HIA opinion is based primarily on the work carried out by the Council's IA service during 2023/24. Although 42% of the reports finalised in the period were given a Reasonable assurance opinion, and 21% were given Substantial assurance, there was a significant increase in the number of limited assurance reviews (36%). These include some key areas of governance, for example Risk Management, Workforce Planning, and Facilities Management. IA also raised findings through the advisory reviews that are not allocated an assurance rating, and these have been taken into consideration in the overall opinion.
- 3.2.2 Common themes arising from the IA findings raised in 2023/24 include inconsistent governance arrangements, which are further impacted by the significant transformation work ongoing across the Council. Poor data quality, reliance on manual records and reliance on outdated systems that are no longer fit for purpose also impacted on the quality of documentation and performance data available. These are all elements the council is already looking to address in 2024/25.
- 3.2.3 The increase in limited assurance reports also demonstrates the Council's commitment to engaging with Internal audit to continuously improve, rather than focusing on traditional compliance-based audits. Internal Audit were specifically directed to areas of concern by management and this has been taken into consideration where work is already ongoing to strengthen the Council's control environment in relation to any significant weaknesses identified.

3.2.4 The HIA has also taken into consideration the work of other assurance providers including External Audit and the Counter Fraud Team (CFT), as well as the council’s performance against budget and key objectives.

3.3 Risk Management

3.3.1 Risk Management is the process by which risks are identified and evaluated so that appropriate actions can be taken to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Council from achieving its objectives and fulfilling its strategic priorities.

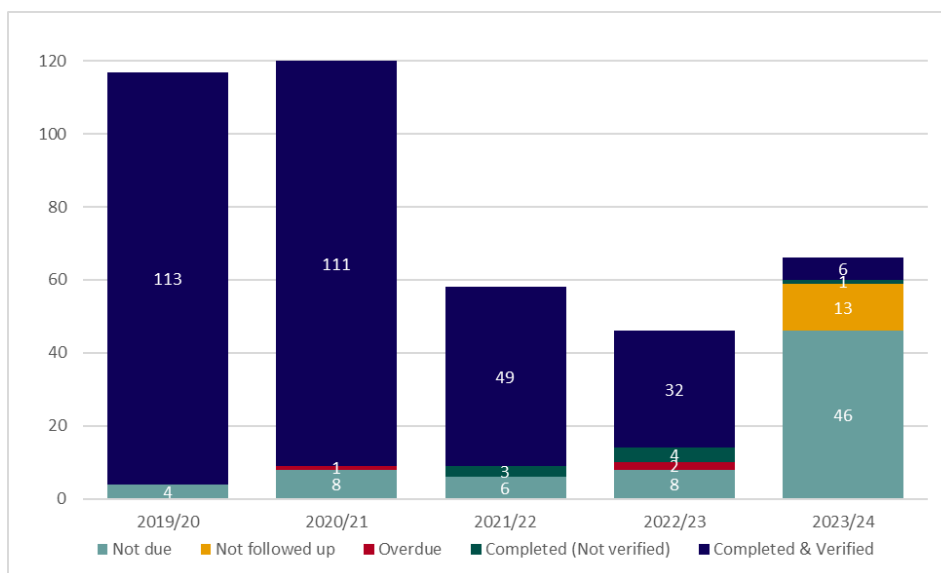
3.3.2 The IA opinion on the effectiveness of the Council’s Risk Management arrangements is based on the Chartered Institute of Internal Auditors’ Risk Maturity Model. The IA assessment of the Council’s Risk Management maturity is that the Council was **RISK AWARE** as at the end of April 2024, the second of the five maturity levels and consistent with the prior year.

3.3.3 Although there has been an improved focus on reviewing risk registers throughout 2023/24, leading to a significant increase in the number of risks documented and reviewed. There are still a number of ongoing actions to embed risk management as a proactive process, with clear action plans in place to address the risks identified. This includes implementing the new Risk Management system across each service, which is a key priority for the HIA in 2024/25.

4. INTERNAL AUDIT FOLLOW-UP 2023/24

4.1 Implementation of recommended actions is a key determinant of our annual opinion. If actions are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management’s commitment to the maintenance of a robust control environment.

4.2 The graph below shows the status of recommended actions at the year end:



4.3 Updates on all outstanding IA management actions are reported in the quarterly IA progress reports for CMT and Audit Committee. Due to the transformational changes ongoing across the council, many of the actions have been delayed as they are incorporated into wider changes or if the responsible officer has left the organisation. These recommendations are allocated new responsible officers and implementation dates and will continue to be followed up until they are completed and verified.

5. REVIEW OF INTERNAL AUDIT PERFORMANCE 2023/24

- 5.1 IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. Performance against the IA KPIs is reported to the Audit Committee quarterly through the IA Progress Report.
- 5.2 At the year-end IA fully achieved **seven** of the ten agreed KPIs, and partially met **two** further KPIs. The one red rated KPI at the year-end relates to the number of high and medium management actions completed by the responsible officer within the agreed timescale. The IA team has limited control over this KPI however it is used to monitor the final outcome of the IA work. Increasing engagement with services to follow up recommendations before they become due will hopefully improve this KPI during 2024/25.
- 5.3 In total **36** planned reviews were finalised as at the time of this report, equating to **78%** of the planned work for the year. **Six** further reports had been issued in draft, increasing the total to **91%** of the plan issued in draft, and an additional seven grant claims and four ad-hoc consultancy reviews were completed in the year. This is a fantastic result given the new team and increase in planned work.

APPENDIX A: DETAILED INTERNAL AUDIT ACTIVITY

PLANNED ASSURANCE & CONSULTANCY REVIEWS

IA Ref.	IA Review Area	Current Status as at end of April 2024	Assurance Level	Management Actions			
				H	M	L	O
22.P36	Capital Programmes	Final report issued 30 June 2023	Reasonable	-	1	1	-
22.P38	Domestic Violence Homelessness Process	Final report issued 26 April	Reasonable	-	2	2	-
22.A47	High Cost panel and Risk profile	Final report issued 02 June 2023	Substantial	-	-	3	-
22.P52	Trading Standards POCA	Final report issued 13 September 2023	Limited	1	2	5	-
22.F56	IR35	Final report issued 06 July 2023	Limited	1	2	1	-
22.C59	Care Leavers Allowances	Final report issued 11 July 2023	Limited	1	1	1	-
22.C61	Thematic Review: Pupil Premium Funding in Schools	Final report issued 05 July 2023	Reasonable	-	4	2	-
22.F63	Robotic Process Automation	Final report issued 14 July 2023	Reasonable	-	1	-	-
22.A64	Mental Health Pathway	Final report issued 02 June 2023	Substantial	-	-	2	-
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	-	-	5	-
23.S01	IT Application Review – ContrOCC	Final report issued 26 September 2023	Reasonable	-	2	-	-
23.F01	Risk Management	Final report issued 01 September	Limited	1	5	-	-
23.C02	Safety Valve Plan	Final report issued 22 November 2023	N/A: ADVISORY	-	-	-	-
23.P01	Private Sector Housing	Final report issued 01 February 2024	Reasonable	-	1	4	-
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	-	-
23.S06	Mortuary	Final report issued 15 August 2023	Substantial	-	-	1	-
23.P04	DFG & Adaptations	Final report issued 21 September 2023	Substantial	-	-	1	-

Key:

IA = Internal Audit	H = High Risk	M = Medium Risk	L = Low Risk	O = Observation
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IA Ref.	IA Review Area	Current Status as at end of April 2024	Assurance Level	Management Actions			
				H	M	L	O
23.P03	Parking Income	Final report issued 11 January 2024	Reasonable	-	3	3	-
23.A04	Contract Management	Final report issued 24 January 2024	Reasonable	-	3	-	-
23.A02	Payments to Early Years Providers	Final report issued 07 November 2023	Substantial	-	-	1	-
23.F03	Effectiveness of the Pension Committee	Final report issued 19 October 2023	Reasonable	-	2	-	1
23.P05	Climate Action	Final report issued 29 January 2024	Limited	1	1	2	1
23.A03	Goshawk Gardens & Chapel Lane	Final report 24 January 2024	Limited	1	3	2	-
23.F02	Payment Card Data Security Standard (PCI DSS)	Final report issued 15 April 2024	Reasonable	1	-	1	-
23.P06	Facilities Management	Final report issued 08 December 2023	Limited	-	3	2	1
23.S12	Social Housing Applications	Final report issued 25 March 2024	Limited	1	1	-	1
23.P11	Building Control Action Plan	Final report issued 25 March 2024	Reasonable	-	1	3	-
23.F07	Fleet Damage	Final report issued 15 April 2024	Limited	-	4	-	-
23.P08	Homeless Housing Applications	Final report issued 11 January 2024	Limited	1	1	4	-
23.C04	Neglect (Children's)	Final report issued 05 March 2024	Reasonable	-	2	-	-
23.F05	Fraud Risk Assessment - Procurement	Final report issued 29 February 2024	N/A: ADVISORY	-	-	-	-
23.S03	Contact Centre	Final report issued 25 January 2024	Substantial	-	-	3	-
23.P12	Building Safety Standards	Final report issued 13 March 2024	Substantial	-	-	-	-
23.S13	Pool Cars	Final report issued 29 February 2024	Limited	2	3	1	2
Total Number of IA Recommendations Raised				14	47	51	7

Key:

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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	Memos issued 8 May and 28 June 2023
23.G1.2	Supporting Families Grant – Quarter 2	Memos issued 28 July, 30 August and 27 September 2023
23.G1.3	Supporting Families Grant – Quarter 3	Memos issued 3 November, 11 December and 19 December 2023
23.G2	BNG Grant Allocation	Memo issued 6 April 2023
23.G3	Housing Benefit Subsidy	Memo issued 29 November 2023
23.G4	Mayors Charity Account	Memo issued 9 February 2024
23.G5	Bus Service Operators Grant	Memo issues 8 March 2024
23.X1	Purchase Cards Data Analytics	Memo issued June 2023
23.X2	Section 106 Funding	Memo issued 14 June 2023
23.X3	Care Provider	Complete November 2023
23.X4	Music Service Invoicing & Credit Notes	Memo issued 29 February 2024

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APPENDIX B: INTERNAL AUDIT 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.

RISK	DEFINITION
HIGH	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.
MEDIUM	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.
LOW	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.
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.