



DRAFT INTERNAL AUDIT STRATEGY

2025 to 2028



HILLINGDON
LONDON

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1. INTRODUCTION

- 1.1 This document sets out the approach we have taken to develop the Internal Audit Strategy for the next three years. This is a high-level document, which sets out how the Internal Audit (IA) service will be delivered and developed over the next three year period. The Internal Audit Charter underpins this Strategy and describes the purpose, authority, responsibility and position of the IA Service within the London Borough of Hillingdon (LBH).
- 1.2 The IA Operational Plan provides detail of how this Strategy translates into a detailed workplan, and is continuously updated and presented to the Audit Committee quarterly for review.

1.3 Our Vision / Mission Statement

- 1.3.1 We aspire to be recognised as an efficient and valued service that helps the Council to achieve its strategic objectives by consistently providing a professional, robust and independent service, adding value and building strong relationships with key stakeholders.
- 1.3.2 During this period of significant change we aim to undertake a range of risk based assurance and advisory services to deliver key improvements to the way the council works and help improve services to our residents.
- 1.3.3 In delivering this mission, we will:
 - Produce and deliver a risk-based IA plan which complies with the Institute of Internal Auditors' Global Internal Audit Standards and Public Sector Application Note.
 - Provide the statutory Head of IA's annual opinion statement on the Council's internal control, risk management and corporate governance arrangements
 - Provide progress reports to the Corporate Management Team (CMT) and the Audit Committee on a quarterly basis which highlight any identified significant deficiencies or potential areas for improvement in the Council's internal control, risk management and corporate governance arrangements
 - Support and suitably challenge the key assumptions and judgements taken by management, through IA's assurance and advisory services, to ensure they are appropriate and in accordance with the relevant policies, guidelines and professional standards.

1.4 Developing the Internal Audit Strategy

- 1.4.1 To develop this Strategy, we have considered the following:
 - The core objectives of LBH and the specific risks that can impact on the achievement of those objectives
 - The IA requirements under the Global Internal Audit Standards and Public Sector Application Note.
 - The Corporate Management Team's transformation priorities and ongoing changes across the Council.
 - The content of Council's risk register and assurance framework to understand the risks faced and the controls in place to manage those risks
 - An analysis of the risks, strengths, weaknesses, opportunities and threats to the IA Service.
- 1.4.2 The IA Strategy will be reviewed every three years, and also adjusted whenever significant changes occur. Factors that may prompt a more frequent review of this strategy include significant changes to the Council's strategy, policies or legal requirements, significant stakeholder changes, or any significant findings from an assessment of the IA service.

2. KEY ROLES OF INTERNAL AUDIT

2.1 Assurance

- 2.1.1 Internal Audit provides independent assurance that an organisation's risk management, governance, and internal control processes are operating effectively.
- 2.1.2 As LBH is a large, complex organisation IA undertake a risk-based approach to identifying potential areas for review. By focusing on providing assurance in the highest risk areas, it ensures the service provides the best value for money with their available resources.
- 2.1.3 Each area reviewed is allocated an assurance rating based on the effectiveness of the risk management, governance and internal controls processes in place in relation to the potential risks under review. Where areas of improvement are identified IA work with the relevant officers to develop an action plan to address the findings raised.

2.2 Advisory

- 2.2.1 IA coverage will include a range of advisory work to provide independent advice to management where there are known areas of improvement. Advisory work will usually involve problem solving, and informing process design or internal control issues, to help management enhance services. This may also include certification of grant claims and training to improve the implementation of new controls.
- 2.2.2 Although the responsibility for managing change and maintaining internal control lies with management, early audit advice can help prevent subsequent costly and inconvenient amendments to new or revised systems and developments. Appropriate controls will ensure that the provision of advice does not lead to a loss of audit independence.

2.3 Risk Assurance

- 2.3.1 Whilst the responsibility for identifying and managing risks belongs to management, IA monitors these processes to provide assurance that risks are being managed effectively. An annual report is presented to CMT and the Audit Committee which includes the HIA's statutory opinion statement on the Council's risk management arrangements. This role is further defined within the Internal Audit Charter.
- 2.3.2 Our assessment of the Council's risk maturity at the time of this Strategy is **RISK AWARE**. As such, limited assurance can be placed on the risk management framework to drive the IA workplan. Therefore, IA will take into consideration their wider audit knowledge and experience of the Council to undertake their own risk assessment process.

2.4 Corporate Governance

- 2.4.1 Similar to risk management, the responsibility for corporate governance rests with management. However, IA has a role to play in evaluating and helping to improve governance processes. This includes communicating risk and control information, promoting appropriate ethics and values within the organisation, and supporting effective performance management and accountability.
- 2.4.2 The Annual IA report presented to the CMT and the Audit Committee includes the HIA's statutory opinion statement on the Council's corporate governance arrangements. This role is further defined within the Internal Audit Charter.

3. INTERNAL AUDIT KEY PRIORITIES

3.1 Global Internal Audit Standards

- 3.1.1 In January 2024 the Institute of Internal Auditors (IIA) published new Professional Standards for Internal Auditors. These replaced the International Professional Practice

Framework, which was the foundation of the UK Public Sector Internal Auditing Standards (the PSIAS).

- 3.1.2 From the 1 April 2025 Auditors working in the UK public sector must follow the requirements of the new Global Internal Audit Standards, subject to the interpretations and additional requirements set out in a CIPFA Application Note. The IA team have an ongoing Quality Improvement Action Plan to ensure these standards are embedded throughout their work, any areas of non-compliance with the standards will be escalated through the Audit Committee.

3.2 Key Financial Controls

- 3.2.1 In line with other local authorities the Council has experienced significant financial pressures over the last decade. Providing assurance over key financial controls, and how the Council maximises the best value for money, is a key priority area for IA. This includes increased focus on overarching financial governance, as well as providing assurance in relation to savings projects and the operation of day-to-day financial controls.

3.3 Governance & Transformation

- 3.3.1 Given the significant transformation projects planned across the Council there are potential risks in relation to the delivery and monitoring of these projects. Many authorities have projects which struggle to deliver the benefits that are expected of them, often having major knock-on effects with other areas. IA can provide assurance on projects through the entire life cycle of change, from project feasibility through to benefits realisation reviews.

3.4 Digital & Technology Audits

- 3.4.1 These reviews of the ICT infrastructure and associated systems, software applications, and hardware that underpin the Council's operations. The IA team does not currently hold the professional IT Audit Qualification (CISA) but with the ongoing increase in the automation of processes and controls, this is an area of growth in assurance requirements. As a result, we will ensure that these skills are a key area of development for IA staff over the next three years.

3.5 Data Quality and Data Analytics

- 3.5.1 The council's focus on digitisation will also increase the access to operational data for Internal Audit, allowing greater data analytics and automated controls testing. This will improve the efficiency and timeliness of reviews, as there is less reliance on services to provide manual information, and improve the effectiveness of sample testing by identifying anomalies through data analytics.
- 3.5.2 However, the council's increased reliance on data and automated reporting also creates new areas of review for IA. These include providing assurance over the accuracy of any performance reports by testing the quality of the data in the source system and recalculating performance indicators to ensure they have been calculated correctly.

3.6 Contracts and Procurement

- 3.6.1 With the large number of contracts in operation across the Council, IA will continue to have an increased focus on contract related assurance audits. This will include reviews of the procurement process, as well as contract management arrangements for the significant/high value contracts.

3.7 Counter Fraud and Corruption

- 3.7.1 Whilst IA has a responsibility to give due regard to the possibility of fraud and corruption as part of its work, the Council's Counter Fraud Team (CFT) is the lead assurance provider for the Council in this area. The IA Service will continue to work closely with the CFT and any issues relating to potential fraud or irregularity identified by IA will be referred for investigation.

- 3.7.2 This approach over the last two years has been proven to be more effective in the management of fraud risks and collaboration. It also provides an efficient use of resources in both teams and a greater opportunity to minimise the Council's fraud losses.

4. MEASURES OF SUCCESS

- 4.1 At a time when all areas of the Council are being urged to deliver better and more efficient services, it is absolutely right that IA can itself demonstrate improvements in its services and is seen to be adding value to the Council. This will be achieved through the delivery of the IA Strategy and ongoing Quality Improvement Programme monitored by the Audit Committee.
- 4.2 IA set performance measures annually, which will be approved by the Corporate Management Team (CMT) and the Audit Committee. A summary of actual IA performance against the targeted performance are reported to CMT and the Audit Committee and included in the quarterly IA progress reports. This performance reporting cycle will allow all stakeholders to measure the ongoing performance, robustness and value of the IA Service at Hillingdon and evidence achievement of our aim /mission statement.

5. PROVISION OF THE IA SERVICE

5.1 Internal Audit Reporting

- 5.1.1 In agreement with those charged with governance (CMT and the Audit Committee), the Head of Internal Audit (HIA) will determine the way in which IA reviews are conducted and how any findings identified are reported. Reports will be balanced, clear, concise and constructive and will be approved by the HIA before they are issued.
- 5.1.2 The HIA will provide a written annual report to those charged with governance to support the Council's Annual Governance Statement. The annual report will provide the statutory opinion on the overall adequacy and effectiveness of the Council's system of internal control, risk management and corporate governance arrangements.
- 5.1.3 The next three years are expected to be significant period of change, challenge and risk within Local Government and many local authorities are facing exceptional financial, health and social care pressures. The IA team will support the Council in any way it can, including working flexibly with services, and providing proactive assurance over any areas of emerging high risk.

5.2 Internal Audit Staffing

- 5.2.1 The IA Team's greatest asset are its staff, and the resourcing structure focuses on robust business continuity and succession planning by 'growing our own'. We will continue to professionally train and develop all our staff. It is our intention that over the life of this strategy we will only need to recruit Trainee Internal Auditors into the service. As such, when a member of staff decides to leave the employment of the Council, an existing member of staff should be in a strong position to obtain promotion.
- 5.2.2 We also recognise that in order to continually add value to the Council we will need to diversify our skill base to ensure that emerging assurance needs are met through the IA Service. As such the IA Team will look to increase training in data analytics, and digital and technology audits.

5.3 Digital Innovation

- 5.3.1 Finally, over the next three years the IA Service will also use the Council's increased digital resources to improve the efficiency and effectiveness of the service. This includes automated monitoring of key systems, data analytics and dashboards, and computer-assisted audit tools & techniques.