

Internal Audit and Hillingdon Homes Transfer Back to the Council

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REASON FOR ITEM

This report provides the Audit Committee with details of the internal audit arrangements for the return of Hillingdon Homes to the Council.

OPTIONS AVAILABLE TO THE COMMITTEE

To note the information provided.

1. INFORMATION

1.1. Following a positive outcome to a tenant and leaseholder test of opinion, Hillingdon Homes (HH) was set up in 2003 to manage the Council's housing stock and to secure additional resources to deliver the Decent Homes target.

1.2. In September 2009, the Cabinet considered a comprehensive report entitled "Future of Hillingdon Homes" setting out the background and rationale for returning Housing Management Services to the Council. In February 2010, following consultation with tenants and leaseholders, the Council agreed to the return of Housing Management to the Council with effect from 1 October 2010.

1.3. When the decision was made for the return of HH to the Council, a Housing Management Project Team was set up and Internal Audit was included in the team. This allowed us to keep up to date with progress and to discuss any control or governance issues that might arise during the course of the transfer.

2. INTERNAL AUDIT OF HILLINGDON HOMES

2.1. Internal audit services were provided to Hillingdon Homes by Mazars, under a 3 year contract that started in October 2007. Although, HH was set up to manage and improve housing services, the Council has always continued to be accountable for strategic housing activity and we have been required to gain assurance on the control environment within HH by relying upon Mazars' internal audit work. This assurance was assessed by reviewing the final reports issued by Mazars.

2.2. As the contract with Mazars was ending in October 2010, which coincided with the return of housing management to the council, we discussed directly with HH senior management and Mazars' Lead Manager how they would ensure that they delivered an acceptable level of audit coverage. Initial discussions indicated that the audit plan that had been agreed for 2010/11 would be completed by Mazars prior to their contract terminating. However, subsequent to those discussions, HH's Senior Management Team agreed with Mazars to defer five audits on the understanding that once the services were merged into the Council these audits may either no longer apply or require a different focus.

2.3. The 5 audits deferred were:

- Resident Involvement
- Estate Services Contracts
- Business Planning
- Payroll and Expenses
- Budgetary Control

2.4. HH used the Council's systems for payroll and payment of expenses. These systems have been audited recently as part of the annual audit plan for LB Hillingdon and therefore this audit can be cancelled. For the remaining 4 audits, we are currently determining whether these audits will need to be carried out in the 4th quarter. If so, they will need to come from the contingency allocation within the Annual Audit Plan.

2.5. In accordance with the contract terms and conditions, we requested all correspondence and documents obtained or produced by Mazars during the course of their audits. As at 2 December 2010, 9 audit files had been received from Mazars. We are chasing Mazars for the remaining 36 audit files.

3. INTERNAL AUDIT OF HILLINGDON HOUSING SERVICES FROM 1 OCTOBER 2010

3.1. Upon return to the Council, the services provided by HH were renamed Hillingdon Housing Services (HHS). For 2011/12, we need to integrate HHS into the Internal Audit Annual Plan for the LB Hillingdon.

3.2. We have started to identify the audit universe that will include all the systems, functions, operations and activities currently undertaken by HHS. This will be followed by an assessment of the risk levels for each of the auditable areas, based on information obtained from:-

- Hillingdon Homes' Risk Register
- Reviews of Mazars' internal audit reports, including follow up audits, from 2007/08 to date

- Review of the last External Auditor's Management Letter
- Discussions with key managers to ascertain risk levels against various criteria

3.1. The plan for 20011-12 will therefore incorporate any relevant issue from our risk assessment of HHS.