



HILLINGDON
LONDON



Audit Committee

Members of the Committee

John Chesshire (Chairman)
Councillor Richard Lewis
Councillor Naser Abby
Councillor Tony Burles
Councillor Reeta Chamdal
Councillor Nick Denys

Date: TUESDAY 31 JANUARY
2023

Time: 5.10 PM

Venue: COMMITTEE ROOM 5
CIVIC CENTRE, HIGH
STREET, UXBRIDGE

Meeting Details: Members of the Public and
Media are welcome to attend
this meeting

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Published: Monday 23 January 2023

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Putting our residents first

Lloyd White
Head of Democratic Services
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Terms of Reference

The Constitution defines the terms of reference for the Audit Committee as:

Introduction

The Audit Committee's role will be to:

- Review and monitor the Council's audit, governance, risk management framework and the associated control environment, as an independent assurance mechanism;
- Review and monitor the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment;
- Oversee the financial reporting process of the Statement of Accounts.

Decisions in respect of strategy, policy and service delivery or improvement are reserved to the Cabinet or delegated to Officers.

Internal Audit

1. Review and approve (but not direct) the Internal Audit Strategy to ensure that it meets the Council's overall strategic direction.
2. Review, approve and monitor (but not direct) Internal Audit's planned programme of work, paying particular attention to whether there is sufficient and appropriate coverage.
3. Through quarterly Internal Audit summary reports of work done, monitor progress against the Internal Audit Plan and assess whether adequate skills and resources are available to provide an effective Internal Audit function. Monitor the main Internal Audit recommendations and consider whether management responses to the recommendations raised are appropriate, with due regard to risk, materiality and coverage.
4. Make recommendations to the Leader of the Council or Cabinet Member for Finance, Property and Business Services on any changes to the Council's Internal Audit Strategy and Internal Audit Plans.
5. Review the Annual Internal Audit Report and Opinion Statement and the level of assurance this provides over the Council's corporate governance arrangements, risk management framework and system of internal controls.
6. Consider reports dealing with the activity, management and performance of Internal Audit.
7. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to request work from Internal Audit.

External Audit

8. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
9. Monitor management action in response to issues raised by External Audit.
10. Receive and consider specific reports as agreed with the External Auditor.
11. Comment on the scope and depth of External Audit work and ensure that it gives value for money, making any recommendations to the Corporate Director of Finance.
12. Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
13. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.
14. Monitor arrangements for ensuring effective liaison between Internal Audit and External Audit, in consultation with the Corporate Director of Finance.

Governance Framework

15. Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations and where necessary bring proposals to the Leader of the Council or the Cabinet for their development.
16. Review any issue referred to it by the Chief Executive, Deputy Chief Executive, Corporate Director, any Council body or external assurance providers including Inspection agencies.
17. Monitor and review, but not direct, the authority's risk management arrangements, including regularly reviewing the Corporate Risk Register and seeking assurances that appropriate action is being taken on managing risks.
18. Review and monitor Council strategy and policies on anti-fraud and anti-corruption including the 'Raising Concerns at Work' policy, making any recommendations on changes to the relevant Corporate Director in consultation with the Leader of the Council.
19. Oversee the production of the authority's Annual Governance Statement and recommend its adoption.
20. Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on suggested actions to improve alignment with best practice.
21. Where requested by the Leader of the Council or Cabinet Member for Finance, Property and Business Services or Corporate Director of Finance, provide recommendations on the Council's compliance with its own and other published standards and controls.

Accounts

22. Review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council.
23. Consider the External Auditor's report to those charged with governance on issues arising from the external audit of the accounts.

Review and reporting

24. Undertake an annual independent review of the Audit Committee's effectiveness and submit an annual report to Council on the activity of the Audit Committee.

Agenda

PART I

- 1** Apologies for absence
- 2** Declarations of interest
- 3** To confirm that all items marked Part I will be considered in Public and that any items marked Part II will be considered in Private
- 4** Minutes of the Meeting held on 15 November 2022 1 - 4
- 5** External Audit Update of the 2021/22 Statement Of Accounts 5 - 6
- 6** Internal Audit Progress Report Quarter 3 2022/23 (incl. the Quarter 1 2023/24 Internal Audit Plan) 7 - 22
- 7** CIPFA Position Statement on Audit Committees 23 - 30
- 8** 2022/23 Quarters 2 and 3 Corporate Risk Register 31 - 50
- 9** 2022/23 Quarter 3 Counter Fraud Progress Report 51 - 66
- 10** Audit Committee Forward Programme 67 - 68

Minutes

AUDIT COMMITTEE

15 November 2022

Meeting held at Committee Room 6 - Civic Centre,
High Street, Uxbridge UB8 1UW



| | |
|-----|---|
| | <p>Committee Members Present: John Chesshire (Chairman), Councillors Richard Lewis, Naser Abby, Tony Burles, Reeta Chamdal and Nick Denys</p> <p>Officers Present: Andy Evans – Corporate Director of Finance, James Lake - Head of Pensions, Treasury, Investments & Statutory Accounts, Michael Bradley – Interim Head of Internal Audit, Stephanie Rao - Internal Audit Manager, Alex Brown - Head of Counter Fraud and Anisha Teji - Democratic Services Officer</p> <p>Also Present: Helen Thompson, Ernst & Young and Larisa Midoni, Ernst & Young</p> |
| 23. | <p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p> |
| 24. | <p>DECLARATIONS OF INTEREST (<i>Agenda Item 2</i>)</p> <p>None.</p> |
| 25. | <p>TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 3</i>)</p> <p>It was confirmed that all items would be heard in Part I.</p> |
| 26. | <p>MINUTES OF THE MEETING HELD ON 29 SEPTEMBER 2022 (<i>Agenda Item 4</i>)</p> <p>RESOLVED: That the minutes of the meeting held on 29 September 2022 be approved as a correct record.</p> |
| 27. | <p>EXTERNAL AUDIT UPDATE OF THE 2021/22 STATEMENT OF ACCOUNTS (<i>Agenda Item 5</i>)</p> <p>Councillor Richard Lewis joined the meeting during this item.</p> <p>The Committee considered the progress of the 2021/22 annual external audit against the audit plans set out by the Council's external auditors EY.</p> <p>It was reported that there had been good progress since the last meeting and the audit</p> |

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| | <p>of the Pension Funds Accounts was near to conclusion and close to being signed off by EY. The accounts in relation to the London Borough of Hillingdon was also progressing well with many outstanding queries being answered. On the national infrastructure matter, the Committee heard that a consultation paper had been issued on statutory override instruments and EY had commented on this. The paper was due to be laid before parliament and following this CIPFA would need to incorporate into the Code.</p> <p>It was noted that there were challenges around the audit in terms of the valuation of plant, property and equipment (PPE). There were however resources in place to take this forward and progress had been made in this area. EY had commenced its value for money queries with the Council and this was also progressing forward.</p> <p>RESOLVED: That the Committee noted the progress of 2021/22 external annual audit.</p> |
| 28. | <p>INTERNAL AUDIT PROGRESS REPORT QUARTER 2 2022/22 (INCLUDING QUARTER 4 2022/23 IA PLAN) <i>(Agenda Item 6)</i></p> <p>The Committee received the Internal Audit (IA) Progress Report for 2022/23 Quarter 2 and IA Plan for Quarter 4 which provided summary information on all IA work covered in relation to 2022/23, together with assurance levels in this respect.</p> <p>The report outlined that five assurances reviews had been issued with another seven assurance reviews at draft report stage. There were no assurance reviews that had received no or limited assurance opinions and IA had assisted the Council in certifying three grant claims. Resourcing remained a challenge however a new Head of Internal Audit and Risk Assurance had been appointed and would start in January 2023. There was a recruitment campaign for other posts in the team including the Principal Internal Auditor role. There was also a contract in place with Mazars to undertake the work indicated in the Annual Audit Plan and cover the team vacancies.</p> <p>In response to Member questions regarding the completion of audit work and staffing challenges, it was explained that the Audit Plan had been put together taking into consideration factors such as resource, budgets and work. Although there had been resource challenges, the contract with Mazars enabled work to be carried out by providing additional resource on a flexible basis. Further information would be provided on the level of completion of planned audit work once an assessment of the Internal Audit Plan versus work progress had been made.</p> <p>The Committee was assured that Internal Audit was a statutory role and the audit roles that were vacant would be safeguarded. It was anticipated that once the Head of Internal Audit and Risk Assurance started in January 2023, this would bring stability to the team. An advantage of having a large Counter Fraud team meant that resources could also be used to support the Internal Audit team during the staffing challenges.</p> <p>The Committee welcomed the Internal Audit Plan 2022/23 – Quarter 4 and were keen to see the outcomes of planned audit areas including Mental Health Pathway, Risk Management and Parking Income.</p> <p>An update was requested on the External Quality Assessment of Audit team. It was noted that although the Absence Management draft report was issued in April 2022, there had been a delay due to improvement programmes being made within HR including reviewing the recommendations and incorporating recommendations into</p> |

| | |
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| | <p>systems and work going forward.</p> <p>RESOLVED:</p> <ol style="list-style-type: none"> 1. That the Audit Committee noted the IA Progress Report for 2022/23 Quarter 2 and approval be given to the Quarter 4 Internal Audit Plan. 2. That the Committee noted the coverage, performance and results of Business Assurance Internal Audit activity within this quarter. |
| 29. | <p>COUNTER FRAUD PROGRESS REPORT QUARTER 2 2022/23 (<i>Agenda Item 7</i>)</p> <p>The Committee considered the report detailing the work undertaken by the Counter Fraud Team (CFT) in relation to 2022/23 Quarter 2 (Q2) and assurances in this respect.</p> <p>It was reported that the CFT had achieved a loss prevention saving of £4.6m, making Q2 the most successful quarter recorded. This had resulted in financial savings of £6.9m to date, meaning that the team had already surpassed its £3.5m target.</p> <p>It was highlighted that the CFT had recovered 22 properties in Q2 and there had been a 57% increase in workload compared to pre-covid levels. There were currently 131 open investigations surrounding suspected cases of tenancy fraud including non-occupation, subletting, wrongful succession claims and abandonment of properties. Revenue maximisations work had continued in Q2 and the CFT's collaboration with external suppliers had led to billings issues to business in excess of £2.6m.</p> <p>Looking forward into Quarter 3 of 2022/23, the CFT would undertake a proactive project with housing emergency accommodation and the Cabinet Office NFI Bi-Annual exercise was due to be released in Quarter 4. The CFT was also reviewing the team's scope and capacity and a new case management system was due to go live.</p> <p>The Committee commended the CFT on their work and achievements of key performance indicators.</p> <p>RESOLVED: That the Audit Committee noted the Counter Fraud Progress Report for 2022/23 Quarter 2.</p> |
| 30. | <p>AUDIT COMMITTEE FORWARD PROGRAMME (<i>Agenda Item 8</i>)</p> <p>Consideration was given to the forward work programme for the Committee.</p> <p>RESOLVED: That the Audit Committee noted the Forward Work Programme for 2022/23.</p> |
| | <p>The meeting, which commenced at 5.10 pm, closed at 5.48 pm.</p> |

These are the minutes of the above meeting. For more information on any of the resolutions please contact Anisha Teji on 01895 277655 or ateji@hillingdon.gov.uk. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

The public part of this meeting was filmed live on the Council's YouTube

Channel to increase transparency in decision-making, however these minutes remain the official and definitive record of proceedings.

EXTERNAL AUDIT UPDATE OF THE 2021/22 STATEMENT OF ACCOUNTS

| | |
|---------------------------|--|
| Committee name | Audit Committee |
| Officer reporting | James Lake, Head of Pensions, Treasury & Statutory Accounts |
| Papers with report | TO FOLLOW - EY audit update for London Borough of Hillingdon & London Borough of Hillingdon Pension Fund |
| Ward | All |

HEADLINES

The report to follow, summarises EY's current progress on the audit of the 2021/22 Statement of Accounts, including the Pension Fund Accounts.

RECOMMENDATIONS:

That the Audit Committee note the position regarding the 2021/22 Statement of Accounts and Audit Results report and delegate authority to the Corporate Director of Finance (in consultation with the Chairman and incorporating any views from other Members of the Audit Committee) to approve these on behalf of the Committee and to report back to the next Audit Committee meeting on these matters for ratification.

Information

Audit of the 2021/22 Statement of Accounts has progressed since the Audit Committee meeting in November 2022. EY will comment on their paper, provide a verbal update, and suggest next steps.

It is expected that the full audit will be finalised by the end of February or beginning of March 2023. As the next Audit Committee is 27 Apr 2023, and should the audit complete as expected, officers request that the final 2021/22 Statement of Accounts and Audit Results Report be distributed for consideration, questions, and approval by email, which will in turn, authorise the Chair and S151 Officer to sign relevant documentation as required. The outcome would then be reported at the next Committee meeting.

FINANCIAL IMPLICATIONS

Proposed scale fees detailed in the original audit plan for the London Borough of Hillingdon include the PSAA agreed scale fee of £121,096 plus an extra scale fee of £82,728 which is currently being discussed with the PSAA. Variation fees may also be incurred.

For the London Borough Pension Fund agreed scale fees are £16,170 with an additional scale fee of £28,290. Variation fees may also be incurred.

These additional scale fees are being considered by the PSAA as part of the national consideration of EY's fee proposals. The Corporate Director of Finance will also consider these fees in line with benchmarking information and in consultation with EY.

An allowance for increased fees has been made within the Council's statement of accounts.

LEGAL IMPLICATIONS

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis under powers contained in the Local Audit and Accountability Act 2014. In Hillingdon, EY have been appointed by the PSAA to carry out this function. Other legal implications are included in the body of the report.

The Accounts and Audit (Amendment) Regulations 2022:

4B Paragraph (1) applies in relation to the publication of documents relating to the financial year beginning in 2021 as if for "31st July" there were substituted "30th November"

6A Paragraph (2)(b) applies in relation to the audit of accounts relating to the financial year beginning in 2021 as if for "but not later than 31st July" there were substituted "but not later than 30th November".

BACKGROUND PAPERS

None.

AUDIT COMMITTEE - Internal Audit Progress Report for 22/23 Quarter 3 (including the 23/24 Quarter 1 Internal Audit Plan)

| | |
|---------------------------|--|
| Committee name | Audit Committee |
| Officer reporting | Michael Bradley, Interim Head of Internal Audit |
| Papers with report | Internal Audit Progress Report for 2022/23 Quarter 3 (including the Internal Audit Plan for 2023/24 Quarter 1) |
| Ward | All |

HEADLINES

The attached report presents the Audit Committee with summary information on all Internal Audit (IA) work covered in 2022/23 Quarter 3, and assurance in this respect. 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 Plan and facilitates holding management to account for managing risk and control weaknesses identified during the course of IA activity. Appended to this report is the risk-based IA Plan for 2023/24 Quarter 1 which has been produced in consultation with senior managers and outlines the planned programme of IA work due to commence in the 1st April to 30th June 2023 period.

RECOMMENDATIONS:

That the Audit Committee:

- 1. Notes the IA Progress Report for 2022/23 Quarter 3 and considers the IA Plan for 2023/24 Quarter 1 and, subject to any further minor amendments, approves it; and**
- 2. Ensures that the coverage, performance and results of the IA activity in quarter 3 is considered and any additional assurance requirements are communicated to the Head of Internal Audit.**

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

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Internal Audit Progress Report to Audit Committee:

2022/23 Quarter 3

**(including the Internal Audit Plan for 2023/24
Quarter 1)**

31st January 2023



HILLINGDON
LONDON

www.hillingdon.gov.uk

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The Internal Audit key contact in connection with this report is:

Michael Bradley

Interim Head of Internal Audit

e: mbradley@hillingdon.gov.uk

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1. Introduction

1.1 The Role of Internal Audit (IA)

- 1.1.1 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 or guidance.
- 1.1.2 The UK Public Sector IA Standards (PSIAS) define the nature of IA and set out basic principles for carrying out IA within the public sector. The PSIAS help the Council to establish a framework for providing IA services, which adds value to the organisation, leading to improved organisational processes and operations.

1.2 The Purpose of the Internal Audit Progress Report to Audit Committee

- 1.2.1 This progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all IA work for Quarter 3 (1st October to 31st December 2022). 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 in Quarter 3.
- 1.2.2 A key feature of this report is the inclusion of the IA plan for 2023/24 Quarter 1 (Q1) (refer to **Appendix C**). This has been produced following our assessment of the key risks in consultation with senior managers. It sets out the planned programme of IA coverage due to commence in the Q1 period (1st April to 30th March 2023).

2. Executive Summary

- 2.1 Since the 2022/23 Q2 IA Progress Report to CMT and the Audit Committee dated 15th November 2022, **eight assurance** reviews relating to the 2021/22 and 2022/23 IA plans have concluded, and in addition **four grant claims** have been checked and certified.
- 2.2 IA's work on the 2022/23 Q3 IA Plan commenced in October 2022, with the planning stage of all audits now complete and testing well underway on almost all Q3 pieces of IA work. Despite further challenges caused by staff vacancies within the IA team, the IA work in Q3 has progressed with support from our external partner, Mazars.
- 2.3 Further details of all IA activity carried out in this period are summarised in section 3 below.

3. Analysis of Internal Audit Activity

3.1 Assurance Work in Quarter 3

- 3.1.1 During this quarter, **eight** 2021/22 and 22/23 assurance reviews were completed to final report stage with another **five** assurance reviews at draft report stage.
- 3.1.2 In Q3, there was one assurance review that received **NO** or **LIMITED** assurance opinions.
- 3.1.3 Assurance reviews finalised this quarter include: **one** which was awarded a **SUBSTANTIAL** assurance opinion and **six** which received **REASONABLE** assurance. The **Crematorium** audit resulted in a **LIMITED** assurance opinion. In that report, one high priority recommendation was raised regarding financial controls over the invoicing and debt

collection of crematorium fees and two medium priority recommendations were raised over record keeping and management information respectively.

- 3.1.4 All IA assurance reviews being carried out from the outstanding 2021/22 plan are individually listed at **Appendix A**. Those relating to 2022/23 are individually listed at **Appendix B**. Where these are completed, this will provide details of the assurance levels achieved as well as providing an analysis of recommendations made (in accordance with the assurance level definitions and recommendations risk categories outlined at **Appendix D**).

3.2 Consultancy Work in Quarter 3

- 3.2.1 There was no new consultancy work carried out in Q3.

3.3 Grant Claim Verification Work in Quarter 3

- 3.3.1 During this quarter, IA has assisted the Council in certifying **four** grant claims and in addition has supported the external auditor with a significant amount of verification work on the Housing Benefit Subsidy Claim. Further details can be found at **Appendix B**.

3.4 Other Internal Audit Work in Quarter 3

- 3.5.1 During Q3 we continued to undertake risk-based planning meetings alongside risk register reviews due to the synergies between these two functions.
- 3.5.2 The detailed operational IA plan for Q1 of 2022/23 (refer to **Appendix C**) has been produced in consultation with management.
- 3.5.3 The IA plan for Q1 2023/24 includes **seven** audit reviews; **four** of which are assurance reviews, **one** is consultancy, one is a dedicated follow up programme, and **one** is a grant claim. In addition, there is some time for supporting the Council's Transformation Programme. The reduced plan is reflective of the reduced capacity of the team and the need to complete projects that have been delayed, however, it enables time for the team to prioritise the completion of current audits.

4. Current Internal Audit staffing position and resourcing challenges

- 4.1 From mid 2021/22 and through 2022/23, the IA team has seen significant resourcing changes and challenges, which have been report to the Audit Committee at previous meetings:
- **Head of Internal Audit and Risk Assurance** – Vacant since February 2022 but has been covered on an interim basis. A second recruitment campaign has been successfully concluded with the appointment of a new permanent HoIA taking up post on 23rd January 2023.
 - **Other team members** – Of the eight posts that work with the HoIA, five are vacant. We have advertised for a Principal Auditor post and that process is in train. A further team member recently returned after a prolonged period of absence.
 - **External Partner (Mazars)** – Hillingdon Council have accessed a framework for the provision of internal audit services by Mazars and several audits were allocated in 2022/23, starting in May 2022. A secondee was also employed from Mazars from 20th September 2022 until 25th November 2022. While this additional resource has been helpful in completing elements of the Internal Audit plan, there have been difficulties with the resource availability as well as a prolonged bedding-in period to allow contracted staff to meet the expectations of the Council with regard to protocols, timeliness and quality.

5. Forward Look

- 5.1 The newly appointed Head of Audit will consider what the best structure and mix of resources will be best placed to deliver a high-quality assurance service.
- 5.2 Given the various challenges that COVID presented to the Council, it was agreed that internal audit would effectively 'pause' its programme of audit follow up work. Given the resourcing challenges within the IA team this has continued through the first half of this year. Arrangements have now been made to ensure that follow-up work can recommence. This has now started (in January 2023).
- 5.3 Officers from the tri-borough Internal Audit team will undertake an independent External Quality Assessment on the Internal Audit team in January 2023. A detailed self-assessment has already been completed and passed to the inspecting officers along with a pack of evidence. The outcome of this work will be reported to the Committee.
- 5.4 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 Council's Audit Committee at this time.

Michael Bradley
Interim Head of Internal Audit

18/1/2023

APPENDIX A**OUTSTANDING INTERNAL AUDIT WORK FROM 2021/22****2021/22 IA Assurance Reviews (Outstanding at year end):**

| IA Ref. | IA Review Area | Status at end of Q3 2022/23 | Assurance Level | Risk Rating | | | |
|---|---|--|------------------------------|-------------|----|----|----|
| | | | | H | M | L | NP |
| 21-A25 | Hatton Grove | Final report issued 20 th December 2022 | REASONABLE | 0 | 2 | 1 | 0 |
| 21-A27 | Service Tenancies & Payroll Rent Payments | Draft report issued 7 th October 2022 | TBC once final report issued | | | | |
| 21-A11 | Crematorium | Final report issued 22 nd November 2022 | LIMITED | 1 | 2 | 5 | 0 |
| 21-A12 | Absence Management | Final report issued 15 th November 2022 | REASONABLE | 0 | 5 | 1 | 0 |
| 21-A21 | IT Application Review: ContrOCC | Testing in progress | TBC once final report issued | | | | |
| 21-A24 | Transport Funded Projects | Final report issued 20 th September 2022 | REASONABLE | 0 | 2 | 3 | 0 |
| 21-A1 | Disabled Facilities Grant | Testing in progress | TBC once final report issued | | | | |
| 21-A31 | Tenancy Management – Fixed Term Tenancies | Testing in progress | TBC once final report issued | | | | |
| 21-A35 | Pension Fund Data Mapping | Final report issued 26 th July 2022 | REASONABLE | 0 | 1 | 1 | 0 |
| Total number of IA Assurance Recommendations raised | | | | 1 | 12 | 11 | 0 |

APPENDIX B**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2022/23****Key:**

| | | | |
|------------------------------|--|---------------------------------|---------------------|
| IA = Internal Audit | H = High Risk | M = Medium Risk | L = Low Risk |
| NP = Notable Practice | CFQ = Client Feedback Questionnaire | ToR = Terms of Reference | |

2022/23 IA Assurance Reviews:

| IA Ref. | IA Review Area | Status at end of Q3 2022/23 | Assurance Level | Risk Rating | | | |
|---------|---|--|------------------------------|-------------|---|---|----|
| | | | | H | M | L | NP |
| 21-A32 | IT Governance | Final report issued 15 th November 2022 | REASONABLE | 0 | 2 | 0 | 0 |
| 21-A34 | Licensing – Animal Welfare | Final report issued 16 th September 2022 | REASONABLE | 0 | 1 | 0 | 0 |
| 22-A36 | Capital Programmes | Testing completed | TBC once final report issued | | | | |
| 22-A37 | Direct Payments | Final report issued 20 th October 2022 | SUBSTANTIAL | 0 | 0 | 1 | 0 |
| 22 A38 | Domestic Violence Homelessness Process | Testing completed | TBC once final report issued | | | | |
| 22-A39 | Stronger Families | Final report issued 16 th November 2022 | REASONABLE | 1 | 1 | 3 | 0 |
| 22-A40 | Information Security | Draft report issued 9 th August 2022 | TBC once final report issued | | | | |
| 22-A41 | Making Tax Digital | Final report issued 18 th July 2022 | SUBSTANTIAL | 0 | 0 | 1 | 0 |
| 22-A42 | Fraud prevention Controls in Contracts | Testing in progress | TBC once final report issued | | | | |
| 22-A43 | Registrars Cash Handling | Final report issued 16 th November 2022 | REASONABLE | 0 | 1 | 2 | 0 |
| 22-A44 | Members' Gifts & Hospitality and Declarations of Interest | Draft report issued 16 th December 2022 | TBC once final report issued | | | | |

| | | | | | | | |
|---|---|--|------------------------------|---|---|---|---|
| 22-A45 | Adult Social Care Referrals and assessments | Testing completed | TBC once final report issued | | | | |
| 22-A46 | Colham Road Care Home | Testing completed | TBC once final report issued | | | | |
| 22-A47 | High Cost panel and Risk profile | Testing completed | TBC once final report issued | | | | |
| 22-A48 | Quality of Practice | Testing completed | TBC once final report issued | | | | |
| 22-A49 | Housing Benefits - Council Tax Reduction Scheme | Draft report issued 16 th December 2022 | TBC once final report issued | | | | |
| 22-A50 | Purchasing Cards | Draft report to be issued in January 2023 | TBC once final report issued | | | | |
| 22-A51 | Void Management and Housing Repairs | Testing in progress | TBC once final report issued | | | | |
| 22-A52 | Trading Standards POCA | Testing in progress | TBC once final report issued | | | | |
| 22-A53 | Local Land Charges | Final report issued 19 th December 2022 | REASONABLE | 0 | 0 | 2 | 0 |
| 22-A54 | Rent Collection and Arrears Recovery | Testing in progress | TBC once final report issued | | | | |
| 22-A56 | IR35 | Testing in progress | TBC once final report issued | | | | |
| 22-A57 | Brokerage Outputs | ToR drafted, deferred to Q4 | TBC once final report issued | | | | |
| 22-A58 | Merrimans Respite Care Unit | Testing in progress | TBC once final report issued | | | | |
| 22-A59 | Care Leavers Allowances | ToR issued | TBC once final report issued | | | | |
| 22-A60 | No Recourse to Public Funds | ToR issued | TBC once final report issued | | | | |
| 22-A61 | Thematic Review of Pupil Premium Funding in Schools | ToR drafted, deferred to Q4 | TBC once final report issued | | | | |
| 22-A62 | Revenues Council Tax and NNDR | Testing in progress | TBC once final report issued | | | | |
| 22-A63 | Robotic Process Automation | ToR drafted, deferred to Q4 | TBC once final report issued | | | | |
| Total Number of IA Recommendations Raised | | | | 1 | 5 | 9 | 0 |

2022/23 IA Consultancy Reviews:

| IA Ref. | IA Review Area | Status at end of Q2 2022/23 |
|---------|----------------|-------------------------------|
| 22-C9 | Transformation | Removed at management request |

| | | |
|--------|-----------------------------|---------|
| 22-C11 | A Domiciliary Care provider | Testing |
|--------|-----------------------------|---------|

2022/23 IA Grant Claim Verification Reviews:

| IA Ref. | IA Review Area | Status at end of Q2 2022/23 |
|---------|---|--|
| 22-G1 | Supporting Families Grant – Quarter 1 | Memos issued 30 th May and 22 nd June 2022 |
| 22-G2 | Contain Outbreak Management Fund | Memo issued 30 th June 2022 |
| 22-G3 | Rough Sleepers Initiative | Memo issued 27 th June 2022 |
| 22-G4 | Test and Trace | Memo issued 30 th June 2022 |
| 22-G5 | Supporting Families Grant – Quarter 2 | Memos issued 1 st August 31 st August and 28 th September 2022 |
| 22-G6 | Universal Drug Treatment (Crime and Harm Reduction) | Memo issued 15 th July 2022 |
| 22-G7 | Trading Standards Grant | Memo issued 15 th September 2022 |
| 22-G9 | Housing Benefit Subsidy Grant | Memo issued 9 th November 2022 |
| 22-Gxx | Supporting Families Grant – Quarter 3 | Memos issued 28 th October 24 th November and 23 rd December 2022 |

APPENDIX C**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2023/24 ~ QUARTER 1****IA work scheduled to commence in the 1st April – 30th June 2023 period:**

| IA Ref. | Planned Audit Area | Audit Type | Risk Rating | Review Sponsor | Rationale |
|---------|---|------------|-------------|---|---|
| 22-A71 | Payments to Early Years Providers (Administration of Dedicated Schools Grant in Nurseries) | Assurance | HIGH | Sandra Taylor Executive Director of Adults | All 3 and 4 year olds, and eligible 2 year olds, have access to 15 to 30 hours per week of Free Early Years Childcare Entitlement through a range of early years providers, which include pre-schools, SEN, nursery schools/classes, day nurseries and eligible childminders. The funds identified are then administered by the Council who then distribute to the relevant early years providers. This review will provide assurance over the management, application and administration of this process, and in turn support the programme of work to meet the requirements of the wider Dedicated Schools Grant Recovery Plan. |
| 22-A72 | Private Sector Housing | Assurance | HIGH | Perry Scott Corporate Director of Place | This review will provide assurance over the management of private sector housing to ensure properties are safe, are maintained to the required standards, hold the relevant licences and are compliant with legislation. This audit will include the review of processes and procedures for managing and responding to complaints and enquiries concerning private sector housing in the Borough (inc Houses in Multiple Occupation, Applications and Licensing). Failure to process applications for HMO licences and subsequent renewals in accordance with relevant legislation, including the Housing Act 2004, the Licensing of and Management of Houses in Multiple Occupation Regulation 207 and the Licensing of Houses in Multiple Occupation Regulation 2018, which could result in issuing licences for unsafe HMOs. |
| 22-A73 | Leasehold Management & Service Charges | Assurance | HIGH | Perry Scott Corporate Director of Place | Leaseholders in Council owned buildings have a responsibility to pay a share of the cost of managing and maintaining the building. Paying these service charges is one of the conditions of the lease. Service charges usually cover things like repairs and services to communal areas, for example providing lighting in the lobby or maintaining shared gardens and lifts. This review will provide assurance over the leasehold management and service charge processes. This audit will include the review of roles and responsibilities, interpretation and compliance with obligations, practices in risk (including the management of high rise properties). Utilisation of systems and accounting practices, application, calculation and collection of service charges will be reviewed to ensure the service is running efficiently. |

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2023/24 ~ QUARTER 1****IA work scheduled to commence in the 1st April – 30th June 2023 period:**





| IA Ref. | Planned Audit Area | Audit Type | Risk Rating | Review Sponsor | Rationale |
|---------|---------------------------------------|-------------|-------------|---|--|
| 22-A74 | Sheltered Housing | Assurance | HIGH | Perry Scott Corporate Director of Place | This review will provide assurance over the management of sheltered housing to ensure residents who meet the criteria are processed efficiently. Will be reviewing age-restricted properties and supply of these properties to meet needs, with reference to the Social Housing Allocation Policy. |
| 22-C9 | Oracle Programme | Consultancy | N/A | Andy Evans Corporate Director of Finance | This review will provide assurance over the governance of the Oracle programme. This will be a high-level review as some assurance has been gained from early audit involvement at key meetings. (Internal Audit will provide ongoing input in future quarters focussing on risk/control advice on the design of new processes and control. |
| 22-F1 | Dedicated Follow ups | Follow Up | HIGH | Andy Evans Corporate Director of Finance | Following the pausing of follow up work since Q4 2021/22 due to significantly depleted audit resource, a focused piece of work will be undertaken to review all recommendations to ensure those that have due or overdue recommendation implementation dates, that the relevant service has addressed these risks and implemented sufficient mitigating activities. |
| 22-G11 | Supporting Families Grant – Quarter 1 | Grant Claim | N/A | Julie Kelly Executive Director, Children and Young People Services | Supporting Families Grant continues to be a Central Government scheme under the MHCLG, with the stated objective of helping vulnerable families turn their lives around. The Council receives a payment by results from the MHCLG for each family they support under the scheme. As per the grant conditions, IA will undertake verification work to confirm compliance. |

APPENDIX D**INTERNAL AUDIT ASSURANCE LEVELS AND 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. |

1. **Control Environment:** The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
 - establishing and monitoring the achievement of the authority's objectives;
 - the facilitation of policy and decision-making;
 - ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
 - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
 - the financial management of the authority and the reporting of financial management; and
 - the performance management of the authority and the reporting of performance management.
2. **Risk Appetite:** The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.
3. **Residual Risk:** The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

APPENDIX D (cont'd)**INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

| 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. |
| NOTABLE PRACTICE  | The activity reflects current best management practice or is an innovative response to the management of risk within the Council. The practice should be shared with others. |

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AUDIT COMMITTEE – CIPFA Position Statement on Audit Committees

| | |
|--------------------|---|
| Committee name | Audit Committee |
| Officer reporting | Michael Bradley, Interim Head of Internal Audit |
| Papers with report | CIPFA Position Statement on Audit Committees |
| Ward | All |

HEADLINES

CIPFA's recent position statement: Audit Committees in Local Authorities and Police 2022 sets out the purpose, model, core functions and membership of the audit committee.

The Position Statement covers six key areas, which are as follows:

- The Purpose of the Audit Committee;
- The Independent and Effective Model;
- Core functions, highlighting three core functions:
 - Maintenance of governance, risk and control arrangements;
 - Financial and governance reporting;
 - Establishing appropriate and effective arrangements for audit and assurance
- Audit Committee membership;
- Engagement and outputs, and
- Impact.

This paper highlights areas in the statement where current arrangements are not fully in compliance for the Committee's consideration as to whether full compliance may be beneficial.

RECOMMENDATIONS:

That the Audit Committee:

1. Notes the contents of this report, and
2. Considers whether any amendments to existing arrangements are necessary.

SUPPORTING INFORMATION

The full document from CIPFA is attached to this report. The Audit Committee already meets most of the principles outlined in the CIPFA Position Statement, however, there are two areas where it does not fully comply as follows:

- Page 3 indicates that “where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise”. (Hillingdon’s Audit Committee currently has one independent member acting as Chair.) In addition, page 4 states that “the appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members”, and
- Page 5 suggests that the committee should ‘include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor’. This is in place except for the chief executive who does not attend as a matter of course. However, the chief executive will be sighted on all audit committee papers when they are discussed at CMT in advance of the committee.

BACKGROUND PAPERS

CIPFA Audit Committee Position Statement 2022 (attached below)

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest.

There are many personal skills needed to be an effective chair, but key to these are:

- promoting apolitical open discussion;
- managing meetings to cover all business and encouraging a candid approach from all participants, and
- maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance. The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

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AUDIT COMMITTEE - 2022/23 Quarters 2 and 3 Corporate Risk Register

| | |
|--------------------------|---|
| Committee name | Audit Committee |
| Officer reporting | Stephanie Rao, Internal Audit Manager |
| Items with report | Summary CRR 2022/21 Quarters 2 and 3 Detailed CRR 2022/23 Quarters 2 and 3 Appendix A - Risk Management Scoring Methodology |
| Ward | All |

HEADLINES

This report presents to the Audit Committee the Corporate Risk Register (CRR) the cumulative update for Quarters 2 and 3 (July - December 2022), updated as at the 9th January 2023. The report provides evidence to the Audit Committee about how identified corporate risks are being managed and the mitigating actions in place. This report follows a review of the CRR by the Corporate Risk Management Group (CRMG) on 9th January 2023.

RECOMMENDATIONS:

That the Audit Committee:

1. Review the CRR for Quarters 2 and 3 (1st July to 31st December 2022) as part of its role to independently assure the Council's corporate risk management arrangements; and
2. Suggest any comments/amendments.

SUPPORTING INFORMATION

Internal Audit continues to attend senior management team meetings and meet with individual Officer Leads to discuss the status of current risks and any new risks which may have been identified since the last review. Any risks which need to be escalated to the CRR will be discussed with the relevant corporate director and reported to CRMG on a quarterly basis.

The key movements in the CRR since 2022/23 Quarter 1 are as follows:

- Risk 4 - Litigation Claims - The risk of litigation claims against the Council that are handled by Insurers.

This risk has been retired, deescalated to the Finance Directorate Risk Register and risk rating reducing from 'B3' to 'D3' due to the projected reserve of litigated claims expected to materialise in the medium term.

- Risk 7 - School Places – The risk of not meeting the demands for school places.

The title of this risk has been changed to School Places to reflect the statutory duty and risk of sufficiency.

The risk rating has changed from 'D2' to 'C1' due to demand for places for the complex SEN cohort.

- Risk 8 - The General Data Protection Regulations - The risk of loss or mishandling of any personal data (including that of residents or staff) held by the Council.

The Cabinet Lead has changed from 'Cllr Edwards' to 'Cllr Mills '.

- Risk 11 - Coronavirus

The Risk, Cause and Consequence has been updated to reflect the evolving risk to residents.

The identification and spread of a variant of the virus for which the Covid vaccination affords no or limited immunological protection creates a risk to human health for residents. That this risk at a national level meets the threshold for central government intervention and results in impact on the borough comparable to pre-vaccination pandemic time periods.

BACKGROUND ITEMS

Summary CRR 2022/23 Quarters 2 and 3 (attached)

Detailed CRR 2022/23 Quarters 2 and 3 (attached)

Appendix A - Risk Management Scoring Methodology (attached)

CORPORATE RISK REGISTER

SUMMARY OF CORPORATE RISKS - 2022/23 QUARTERS 2 AND 3

| Risk No. | Summary Risk Description | (Group) | DoT | Rating |
|----------|---|--------------------|---------|--------|
| (1) | Heathrow Airport Expansion | (Place) | | E1 |
| (2) | Meeting Housing Needs | (Place) | | A1 |
| (3) | Asylum/Trafficked Children & Young People | (People) | | B3 |
| (4) | Litigation Claims | (Finance) | Retired | B3 |
| (5) | Ability to Deliver a Balanced Budget in the Medium Term | (Finance) | | C1 |
| (6) | Financial Resilience of Contracts | (Finance) | | C2 |
| (7) | Early Years and School Places | (People) | | C1 |
| (8) | The General Data Protection Regulations | (Central Services) | | D1 |
| (9) | Cyber Security | (Central Services) | | C1 |
| (10) | Dedicated Schools Grant (DSG) | (Finance) | | E1 |
| (11) | Coronavirus | (Central Services) | | C2 |
| (12) | Inflation | (Finance) | | C1 |

DoT = Direction of Travel (Risk Movement over the last 6 months)

RISK MATRIX SCORING OF CORPORATE RISKS - 2022/23 QUARTERS 2 AND 3

| | | | | | |
|------------|-----------------|--------------|---------------|--------------|---------------------|
| LIKELIHOOD | Very High (A) | | | | (2) |
| | High (B) | | (3) (4) | | |
| | Significant (C) | | | (6) (11) | (5) (7) (9) (12) |
| | Medium (D) | | | | (8) |
| | Low (E) | | | | (1) (10) |
| | Very Low (F) | | | | |
| | | Small (4) | Medium (3) | Large (2) | Very Large (1) |
| | | IMPACT | | | |

Refer to **Appendix A** for Risk Scoring Methodology

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DETAILED CORPORATE RISK REGISTER

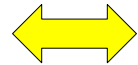
Item 3

Corporate Risk Register for:

2022/23 - Quarters 2 and 3 (1st July to 31st December 2022)


Previous Review:

12th September 2022

| Risk No. | Risk Description (including Cause & Consequence) | | Risk Mitigation | | |
|----------|---|---|---|---|---|
| | | | Actions Taken to Date | Further Action Required | |
| 1 | <p><u>Risk:</u> Heathrow Airport Expansion - The risk of Heathrow Airport (HA) being granted permission to expand.</p> <p><u>Cause:</u> The Government has now indicated their preference for aviation expansion in the south east to be delivered by a Northwest Runway at Heathrow. This preference has been taken forward via the publication of a National Policy Statement (NPS). The NPS has now been adopted and puts in place the principle to expand Heathrow.</p> <p><u>Consequence:</u> 1. Deterioration of environmental quality around Heathrow Airport (HA). 2. Negative impact on the quality of life for Hillingdon residents, including the demolition of a substantial number of housing and community facilities. 3. Potential negative impact on the value of Hillingdon residents' homes. 4. Potential impact on businesses in the surrounding area.</p> | <p>Officer Lead Perry Scott</p> | <p>Cabinet Lead Cllr. I. Edwards (Leader)</p> | <p>1. LBH continues to monitor air quality in the vicinity of Heathrow Airport.</p> <p>2. Outcome of Judicial Review received 1st May 2019. LBH subsequently applied for Permission to Appeal which was granted permission by the Court of Appeal.</p> <p>3. The legal case was submitted on the grounds of Noise, Strategic Environment Assessment (SEA) and Climate Change.</p> <p>4. Current activity undertaken in relation to any ongoing or potential legal challenges will not be included in this risk entry.</p> | <p>1. Any further action required in relation to any ongoing or potential legal challenges will not be included in this risk entry.</p> |
| | | <p>Risk Rating E1</p> | <p>Direction of Travel Static </p> | | |
| | | <p>Risk Appetite Statement</p> <p>The Council vehemently opposes the Heathrow Airport expansion and is committed to supporting the needs of our residents and the protection of our borough. Any initiatives to expand Heathrow will be challenged.</p> | | | |


DETAILED CORPORATE RISK REGISTER

Item 3

| Risk No. | Risk Description (including Cause & Consequence) | | | Risk Mitigation | |
|---|--|--|-----------------|--|---|
| | | | | Actions Taken to Date | Further Action Required |
| 2 | Risk: Meeting Housing Needs - The risk of not meeting housing needs in LBH. | Officer Lead | Cabinet Lead | <div>1. Delivery of affordable housing using LBH resources continues to be considered.</div> <div>2. The Council is implementing a programme of buying back former 'Right to Buy' (RTB) properties and new developments.</div> <div>3. Housing Association stock is used where possible to generate housing options.</div> <div>4. Management scrutiny for prevention cases, providing a tenancy for high needs places.</div> <div>5. Successful bids for grant funding to tackle rough sleeping achieved.</div> <div>6. Working with Procurement to implement a dynamic purchasing framework for Temporary Accommodation properties which requires landlords to comply with required standards. Cabinet approved (Oct'2021).</div> <div>7. Households in temporary accommodation prioritised for move on reviewed.</div> <div>8. As part of the Council's transformation programme we are implementing additional measures to help reduce demand on services. This includes providing more intensive advice and signposting at an earlier stage.</div> <div>9. Homelessness Strategy with refreshed Delivery Plan for 2022/23 approved.</div> <div>10. An Audit regarding the domestic violence homelessness process commenced in May 2022.</div> <div>11. A commissioning plan was approved and published in May 2022.</div> | <div>The risk rating has changed from 'B1' to 'A12' due to the significant increase in demand, homeless applications and associated needs for provide emergency accommodation. This is also linked to a reduction of Move On accommodation in the Private Rented Sector due to increase in Private Sector rents that are unaffordable for homeless households. The cause has been updated to reflect the increase in asylum placements in Hillingdon which includes Home Office hotel use, Afghan resettlement and Ukrainian households.</div> <div>1. Ongoing development of a range of options for procurement of temporary accommodation and private sector lettings to prevent or discharge homelessness.</div> <div>2. To minimise the loss of properties for use to prevent homelessness, landlords are being contacted to secure their property for use under new temporary accommodation schemes or for conversion to an assured short hold tenancy.</div> <div>3. Continue to proactively identify homelessness cases to identify alternative housing options for households.</div> <div>4. Options to move on rough sleepers to settled accommodation are being progressed.</div> <div>5. Scoping emerging risk of the requirement to accommodate asylum, Ukraine and Afghan rehousing.</div> |
| | Cause: This risk arises from the challenging, buoyant housing market and a decreased supply of affordable housing (temporary/permanent) in the borough. This is coupled with the Welfare Reforms (including Benefits caps, Universal Credit and Homelessness Prevention) along with the need to ensure private sector housing meet requirements, increasing demand. There has been a significant increase in asylum placements in Hillingdon which includes Home Office hotel use, Afghan resettlement and Ukrainian households. | Mark Billings | Cllr. E. Lavery | | |
| | Risk Rating | Direction of Travel | | | |
| | A1 | Deteriorating  | | | |
| | Risk Appetite Statement | | | | |
| The Council is committed to being fully compliant with Housing regulations and local Policies. The Council has a zero-tolerance risk appetite towards deliberate or accidental violations of regulatory requirements. | | | | | |

DETAILED CORPORATE RISK REGISTER

Item 3

| Risk No. | Risk Description (including Cause & Consequence) | | | Risk Mitigation | |
|----------|---|--------------|--|---|--|
| | | | | Actions Taken to Date | Further Action Required |
| 3 | <p>Risk: <i>Asylum / Unaccompanied Minors / Trafficked Children & Young People</i> Meeting the increasing demands in the borough of Asylum / Trafficked Children & Young People on Council services due to financial pressures coupled with changes to primary legislation which places a duty on the Local Authority to support Care leavers until the age of 25.</p> <p>Cause: The risk arises because as a port authority we are responsible for UASC arriving in the country via Heathrow. This is coupled with the impact of the National Dispersal Scheme that was for a long time not mandatory for the Local Authorities and Government action to accommodate asylum seekers arriving on the South Coast in Hillingdon Hotels due to the lack of housing and provisions created by the Covid-19 pandemic and the detention centre in Borough to disperse asylum seekers (pending the commission of flights) to Rwanda.</p> <p>Consequence: 1. Negative financial impact on the Council's budget due to shortfall in grant funding received. 2. Increased challenge with regard to capacity to meet needs of this cohort. 3. Increased risk of reputational damage when trying to balance the need to provide statutory services vs. Delivery within a finite budget.</p> | Officer Lead | Cabinet Lead | 1. Ongoing monitoring of trends which have been modelled over the MTFF cycle. 2. Budget monitoring has oversight of additional placements and looks at the application of appropriate grant funding. 3. Revised NTS went live in July 2021 and became mandatory in December 2021. 4. Escalation to Home Office re impact on services across Hillingdon and request to prevent placements in Hillingdon hotels. 5. Temporary Asylum team in place since Jan'2022 to manage demand. 6. Bid for exceptional funding from Home Office (£1.9m) was not approved and met with the Home Office in June'22 to discuss. 7. Grant 2 Age Assessors (from the Home Office to complete 8 age assessments). 8. Establishment of an exceptional Hillingdon Access to Resources Panel (HARP) panel to review UASC weekly utilised in Jan'22. 9. Allocation of a dedicated legal resource. 10. Discussion with Home Office regarding the way in which the NTS referrals are submitted and received to ensure all LBH's new arrivals are referred to NTS promptly was held. 11. Revised proforma re dispersals agreed. 12. Developed a tool to engage with new arrivals regarding the NTS to outline guidance, parameters and managing expectations. 13. Age disputed asylum seekers are accommodated prior and during assessment. 14. One of the contingency hotels has been transformed into an assessment and intake hotel. | 1. Ongoing work with UK Border Agency (UKBA) on issues of safeguarding S20 legislation re Periodical Payment Orders, out of hours social work and contributing to induction programmes for UKBA staff. 2. Ongoing lobbying by DCSs, CEOs for additional funding and resource to support the necessity to undertake age assessments. 3. Continued engagement with NTS to ensure early dispersal. 5. Draft proposal regarding PAN London mandated Asylum dispersal for CEOs consideration and review. |
| | | Julie Kelly | Cllr. J. Palmer | | |
| | | Risk Rating | Direction of Travel | | |
| | | B3 | Static  | | |
| | Risk Appetite Statement | | | | |
| | The Council is committed to helping vulnerable young people, within the confines of our statutory duties and budget responsibilities. | | | | |

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| Risk No. | Risk Description (including Cause & Consequence) | | | Risk Mitigation | |
|---|--|-------------------------|---------------------|--|---|
| | | | | Actions Taken to Date | Further Action Required |
| 4 | <p><u>Risk:</u></p> <p>Litigation Claims - The risk of litigation claims against the Council that are handled by Insurers.</p> <p><u>Cause:</u></p> <p>This risk arises from the high number and large value of a broad type of insurance claims.</p> <p><u>Consequence:</u></p> <p>1. Potentially there are significant financial implications, including costs of defending claims and of meeting any awards made against the Council.</p> <p>2. Potential reputational damage arising from negative media/press reports.</p> <p>3. Potential negative impact on Council service delivery.</p> | Officer Lead | Cabinet Lead | <p>1. Strong relationships and agreements are in place with Solicitors to ensure they advise us of sensitive and relevant issues. Where the Council is unable to defend claims the Solicitors will seek to settle claims without an admission of liability.</p> <p>2. Upon receipt of high profile/ high value claims Corporate Directors/ senior managers are notified to immediately. Incidents which have potential to become claims are being raised with the Insurance Team by managers.</p> <p>3. Equal Pay Employment Tribunal claims are monitored by the Head of HR.</p> <p>4. The Insurance Team are in the process of improving the management info reports from the LACH system and case throughput information from our claims handler.</p> <p>5. Trend analysis has been undertaken and incorporated into the monthly insurance position to strengthen and aid strategic decision making.</p> <p>6. The Insurance Team deals with all complex claims, liaising with relevant services, insurers, and solicitors to provide a robust defence where possible in order to minimise financial loss to the Council.</p> <p>7. Insurance dashboards for Corporate Directors, are produced on a quarterly basis.</p> <p>8. Monthly updates regarding litigated, high cost and high-profile claims are provided to Corporate Directors on a monthly basis.</p> | <p><i>This risk has been retired, deescalated to the Finance Directorate Risk Register and risk rating reducing from 'B3' to 'D3' due to the projected reserve of litigated claims expected to materialise in the medium term.</i></p> <p>1. Ongoing monitoring by the Insurance Team of the number of claims and their value, to identify and assess any emerging patterns to help prompt appropriate action i.e. preventative action, raise awareness across the Council, etc. The likelihood of historical abuse claims continues to increase slightly in light of the continued publicity of such claims. Continued monitoring of this position by the Insurance team is required.</p> <p>2. The Insurance Team will continue to try and raise awareness with service managers of the importance of adhering to the Council's relevant insurance policies, particularly in relation to Health & Safety.</p> <p>3. Continued development and refinement of the management info reports. This will help inform operational and strategic decision making in relation to the Council's insurance coverage and appetite to risk in this area.</p> <p>4. The Insurance Team to continue to create Dashboards for Corporate Directors, providing details of current litigation claims.</p> |
| | | Stephanie Rao | Cllr. M. Goddard | | |
| | | Risk Rating | Direction of Travel | | |
| | | D3 | Retired | | |
| | | Risk Appetite Statement | | | |
| The Council is committed to keeping litigation claims at a minimum, where it is able to. The regular monitoring, trend analysis reports, training and building relationships across Council services help reduce and manage claims more effectively. This helps minimise the burden of litigation to the Council. | | | | | |

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|----------|--|---|---------------------|---|--|
| | | | | Actions Taken to Date | Further Action Required |
| 5 | <p><u>Risk:</u></p> <p><i>Ability to Deliver a Balanced Budget in the Medium Term</i> - The risk of the Council being unable to deliver a balanced budget in the medium term.</p> <p><u>Cause:</u></p> <p>This risk arises from the significant reductions in funding from Central Government whilst at the same time increasing the burden on LAs. This is against a backdrop of increasing expectations from Residents of the Council and its services and more recently the impact of Covid-19, the high inflation rate and the war in Ukraine.</p> <p><u>Consequence:</u></p> <p>1. Potential that the Council will be unable to meet its statutory obligation to set and operate within a balanced budget.</p> <p>2. Moving forward more increased transformation savings targets will need to be achieved.</p> <p>3. Further drawdowns from the Council's financial balances/reserves may need to be considered as one offs.</p> | Officer Lead | Cabinet Lead | <p>1. Governance arrangements for the Council's Business Transformation Programme have been agreed by the Leader of the Council. Business Transformation projects are now captured in one place to help ensure they are all closely aligned to the MTFF.</p> <p>2. The 21/22 outturn position shows a net in-year underspend of £618k and is reported against General Fund revenue budget normal activities as of March 2022 (Month 12). As a result, unallocated reserves total £26,719k at 31 March 2022. COVID-19 pressures for the 2021/22 financial year total £19,675k at Month 12, COVID-19 pressures have been funded through Government grants with capacity remaining to fund pressures.</p> <p>3. Total savings for 2021/22 were £10.416. At outturn £7,717 had successfully been banked, with the balance expected to be delivered in full in future years and therefore not adversely impact upon future iterations of the Council's MTFF.</p> <p>4. The financial risk in relation to the impacts of Covid-19 is tracked monthly and includes reporting to central government an analysis of costs incurred and loss of revenue.</p> <p>5. The budget for 2022/23 has been set with £13,346k of savings being required to be delivered which includes savings carried forward from 2021/22.</p> <p>6. Consultation 2023/24 budget presented to Cabinet in December 2022.</p> <p>7. Drawn down on reserves in year in response to the economic conditions.</p> | <p>1. The Councils Business Transformation Programme is being refreshed for the next MTFF update. This programme will be key to helping manage the MTFF position over this period.</p> <p>2. Work is ongoing to deliver a balanced budget for future years as part of the MTFF/rolling programme. Additional savings proposals that are achievable and supported are required in the medium term.</p> <p>3. Government funding streams remain uncertain in the medium-term alongside increasing complexity and prescription of existing and any new funding streams.</p> <p>4. Covid-19 legacy monitoring is ongoing to limit financial impact.</p> <p>5. A Programme of BID reviews ongoing across all services within the Council.</p> |
| | | Andy Evans | Cllr. M. Goddard | | |
| | | Risk Rating | Direction of Travel | | |
| | | C1 | Static | | |
| | | Risk Appetite Statement | | | |
| | | The Council is committed to delivering a balanced budget. We constantly challenge all areas across the Council to find efficiencies, make savings and put forward ideas on how savings targets can be achieved. | | | |

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| Risk No. | Risk Description (including Cause & Consequence) | | Risk Mitigation | | |
|---|---|-------------------------|-----------------------|---|---|
| | | | Actions Taken to Date | Further Action Required | |
| 6 | <p><u>Risk:</u></p> <p><i>Financial Resilience of Contracts</i> - The risk of external suppliers and providers, which the Council contracts with, failing to deliver the required level of service due to financial difficulties and/or going out of business.</p> <p><u>Cause:</u></p> <p>This risk arises from the delicate state of the economy which leaves many of LBH’s external providers having to operate in an increasingly challenging economic climate stemming from Brexit and Covid-19, high inflation rate but further accentuated by the war in Ukraine.</p> <p><u>Consequence:</u></p> <p>1. Potential inability of suppliers to continue contracted levels of service delivery.</p> <p>2. Council could fail to deliver in some of its statutory duties either through a reduction of service by an external provider or complete failure to operate.</p> | Officer Lead | Cabinet Lead | <p>1. Updated supplier risk protocols are in place with financial evaluation embedded within standard tender documents and Member Reports which ensure due consideration is provided to suppliers’ financial risk. These are now contained within the Financial Health Guidance and Procedure Notes.</p> <p>2. The Council has moved from Equifax to D&B for supplier financial health checks. This includes a dynamic database to ensure any changes to supplier health are flagged automatically through the D&B system.</p> <p>3. The MTFF has allocated significant sums through inflation to deal with pressures experienced by social care providers. The Council believes it has sufficient balances and reserves to cover the impact of any significant contract or supplier failure.</p> <p>4. Detailed conversations with specific supplier concerning their financial situation take place where required. There are open book arrangements in place which look at justifying cost changes.</p> <p>5. Procurement have rolled out training sessions in May and June 2022 to raise awareness with managers regarding the impacts and necessary adjustments to contracts in their role as contracts managers due to inflation.</p> | <p>1. More training and guidance is required for Contract Managers / Service Manager across the Council, so they understand the role and responsibilities of contract managers in tracking supplier financial resilience. This will also allow clarity on the roles of Procurement and Finance in monitoring suppliers financial health.</p> <p>2. Agreement will be in two elements of recurrent uplift and 2nd ‘one off’ uplift.</p> |
| | | Andy Evans | Cllr. M. Goddard | | |
| | | Risk Rating | Direction of Travel | | |
| | | C2 | Static | | |
| | | Risk Appetite Statement | | | |
| This is a significant financial risk which the Council has to manage in order to provide services to our residents. We continue to look at our options in the market and review our operating model, focusing on what we pay and what we have to pay. | | | | | |


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| Risk No. | Risk Description (including Cause & Consequence) | | Risk Mitigation | | |
|----------|--|--|-----------------------|--|---|
| | | | Actions Taken to Date | Further Action Required | |
| 7 | <p><u>Risk:</u></p> <p>School Places – The risk of not meeting the demands for school places.</p> <p><u>Cause:</u></p> <p>This risk arises from the Council’s statutory responsibility to ensure that every child in the borough has a school place within a reasonable distance from their home.</p> <p><u>Consequence:</u></p> <p>1. The Council would be in breach of its statutory duty to ensure sufficient school places are secured.</p> <p>2. Potentially significant financial pressures for the Council, mainly capital expenditure.</p> | Officer Lead | Cabinet Lead | <p>1. Overall, the latest school places analysis indicates demand for primary places is reducing with some pockets of pressure related to new residential development. At this stage officers are keeping under review the position on primary school places</p> <p>2. For the secondary sector officers are reviewing the need for additional school places and all options are being considered.</p> <p>3. Briefings to Members delivered.</p> <p>4. Needs assessment in relation to Special Educational Needs and Disability (SEND) school places is being refreshed.</p> <p>5. Plans are being refreshed for the new School Places Plan for the Borough.</p> | <p><i>The title of this risk has been changed to School Places to reflect the statutory duty and risk of sufficiency.</i></p> <p><i>The risk rating has changed from ‘D2’ to ‘C1’ due to demand for places for the complex SEN cohort.</i></p> <p>1. Officers are undertaking a review of demand for all types of school places, covering special educational needs, primary and secondary phases, and the need for alternative education provision for children not able to attend mainstream school.</p> <p>2. Present options to members for managing the provision of primary school places.</p> <p>3. Utilise information from the SCAP return to inform the school places planning forecast.</p> <p>4. Reviews of alternative provisions and school exclusions are currently underway.</p> <p>5. Tracking and monitoring of activity / progression of the SEND Places workstream in the DSG Recovery Plan.</p> <p>6. Consultations underway re: possible PAN reductions to take effect September 2024 for 3 Primary schools within the LA.</p> |
| | | Vikram Hansrani | Cllr. O’Brien | | |
| | | Risk Rating | Direction of Travel | | |
| | | C1 | Deteriorating | | |
| | | Risk Appetite Statement | | | |
| | | The Council is committed to being fully compliant with statutory Education regulations as well as local policies. The Council has a zero tolerance risk appetite towards any deliberate or accidental violations of regulatory requirements. | | | |

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| Risk No. | Risk Description (including Cause & Consequence) | | Risk Mitigation | |
|----------|--|-------------------------|--|---|
| | | | Actions Taken to Date | Further Action Required |
| 8 | <u>Risk:</u> The General Data Protection Regulations - The risk of loss or mishandling of any personal data (including that of residents or staff) held by the Council. | Officer Lead | Cabinet Lead | The Cabinet Lead has changed from 'Cllr Edwards' to 'Cllr Mills'. 1. The Hillingdon Information Assurance Group (HIAG) programme of work which includes actions aimed at strengthening the Council's DP arrangements. These include: <ul style="list-style-type: none">Updated combined GDPR and DP/Data Security e-learning training programme completion rates will be monitored and reported to CMT via HIAG.Regular DP spot checks are to be programmed.Alternative ways of working during the pandemic; andHIAG to review and monitor the work programme for the implementation of GDPR and is scheduled provide a summary to CMT on a regular basis. 2. Continue to promptly report data protection incidents and take appropriate management action. 3. Deliver a programme to review / refresh all DP/data security related policies, including records retention/destruction. 4. Update refresh of HIAG Terms of Reference, membership and reporting arrangements following senior management and directorate restructure. |
| | | Dan Kennedy | Cllr. D. Mills | |
| | <u>Cause:</u> This risk arises from a minority of staff not complying with the Council's Data Protection (DP) Policy due to a lack of awareness or lack of due consideration. | Risk Rating | Direction of Travel | |
| | <u>Consequence:</u> 1. Significant financial penalty (up to €20m) imposed by the Information Commissioner's Office for a serious breach in data protection. 2. Significant negative impact to the Council's reputation. 3. Residents and/or staff who are the subject of any potential data loss/mishandling may as a result be vulnerable to crime. | D1 | Static  | |
| | | Risk Appetite Statement | | |
| | LBH is committed to full compliance with all DP regulation as well as the relevant internal policies. Identified DP breaches or incidents of non-compliance will be actioned promptly and proportionately. The Council has a zero tolerance risk appetite towards deliberate or accidental violations of the DPA regulatory requirements. | | | |
| | | | 1. Information Governance Lawyer has reviewed all current privacy notices and continues to review any new privacy notices and data protection matters as part of an ongoing programme of work. 2. All new contracts are Article 28 (of the GDPR) complaint. A small number of contracts that required updating were addressed via a new tender, with new contractors awarded. 3. Completion of the GDPR and DP e-learning training programme is mandatory for all new staff. 4. All officers have completed the combined GDPR and DP e-learning training programme and the DPO has provided training to all members. 5. Internal Audit review of GDPR arrangements complete and issued an opinion of 'reasonable' assurance. 6. Obtained Data Security and Protection Toolkit compliance, which is evidence-based submission which incorporates the GDPR requirements. 7. Legal services reviewed and confirmed that there are no key actions to be undertaken with regards to data flow with the EU. 8. Mandatory GDPR refresher training rolled out to all staff. 9. Review/re-set of HIAG priorities. | |


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| Risk No. | Risk Description (including Cause & Consequence) | | | Risk Mitigation | |
|----------|---|---|---------------------|---|---|
| | | | | Actions Taken to Date | Further Action Required |
| 9 | <p><u>Risk:</u></p> <p>Cyber Security - The risk to the Council's ICT systems due to ransomware, malware, viruses and a continually adapting external cyber-threat environment.</p> <p><u>Cause:</u></p> <p>This risk arises from the continual threat and attacks by cyber criminals, gangs, hackers, etc. along with staff not adhering to good email and data protection practices.</p> <p><u>Consequence:</u></p> <p>1. Potential reputational, operational, and financial damage to the Council if attacks to our network are successful.</p> <p>2. Negative impact on staff and resident service users if an attack is successful and the Council's ICT systems are adversely affected for a significant time-period.</p> | Officer Lead | Cabinet Lead | <p>1. To manage the risk we:</p> <ul style="list-style-type: none">Ensure ICT health checks are performed on a regular basis and are Public Services Network (PSN) compliant;Carry out testing on our security;Ensure ICT security protection systems and anti-virus measures are in place to protect and to meet new threats; andMonitor all email and internet traffic. <p>2. Cyber policies and procedures updated.</p> <p>3. Team members attend regular Local Information Security for London meetings.</p> <p>4. Email filtering has been moved to Microsoft 365 advanced threat protection.</p> <p>5. Remaining networked data is being moved to Microsoft 365, improving protection, patching, monitoring and rationalise application versions.</p> <p>6. Regular round table cyber incident exercises are carried out by the IT team.</p> <p>7. ICT Security and Cyber Incidents SharePoint sites setup to track incidents, reporting, configuration, and advice.</p> <p>8. Web proxies for restricting web access replacement programme commenced.</p> <p>9. Communications plan is underway with updates to staff directly, Managers Monthly Roundup and briefing to Corporate Finance and Property Select Committee.</p> | <p>1. This is the current "general" risk, though risk of such attacks can vary from day to day depending upon the global cyber-attack environment. The council remains vigilant.</p> <p>2. Internal Audit Assurance review to be undertaken on ICT Information Security.</p> <p>3. Ongoing communications plan is in process with the communications team to include further updates to staff directly via All Staff Email, including in Team Hillingdon.</p> <p>4. The Active security software will continue to be regularly updated.</p> |
| | | Dan Kennedy | Cllr. D. Mills | | |
| | | Risk Rating | Direction of Travel | | |
| | | C1 | Static | | |
| | | Risk Appetite Statement | | | |
| | | The Council is committed to protecting all of its ICT assets. Any identified breaches of compliance will be actioned promptly and proportionately. The Council has a zero-tolerance risk appetite towards deliberate or accidental violations of the DPA regulatory requirements. | | | |

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|----------|---|--|--|--|---|
| | | | | Actions Taken to Date | Further Action Required |
| 10 | <p><u>Risk:</u> <i>Dedicated Schools Grant (DSG)</i> - The pressure on the Dedicated Schools Budget which has a cumulative deficit of £25.4m at the end of 2020/21 and budgeted in-year budget gap of £7.3m gap for 2021/22.</p> <p><u>Cause:</u> The implementation of the Children & Families Act 2014 has expanded the number eligible for support and in turn the proportion of the DSG required to fund Special Educational Needs and Disabilities (SEND) within the High Needs Block. Alongside this there is an ongoing increase in the SEN population with complex learning needs.</p> <p><u>Consequence:</u> 1. DfE requirement to produce a Deficit Recovery Plan to balance the DSG within 5 years. 2. Risk of having to meet deficit from Council's general reserves and the resulting impact on wider financial resilience of the Council. 3. Increased risk of reputational damage and challenge when trying to balance the statutory requirement to provide these services within an unsustainable funding envelope. 4. Increased demand in the High Needs Block on other elements of the DSG.</p> | Officer Lead | Cabinet Lead | <p>1. Special Education Needs (SEN) is subject to a BID review. Number of work streams are being implemented which will produce savings over the next five financial years:</p> <ul style="list-style-type: none"> • High cost placement review; • Education Health and Care Plan (EHCP) funding formula for Further Education; • Review of SEND Staffing Structure; and • Review of provision in Early Years setting. <p>2. Schools Forum subgroup coordinate and review what schools can contribute to assist with the Deficit Recovery Plan, while being consulted on any emerging proposals.</p> <p>3. Review and modelling of pupil population undertaken.</p> <p>4. The Dedicated Schools Grant (DSG) outturn position is an in-year underspend of £2,058k. This underspend follows the Council reaching a Safety Valve agreement with the Department for Education (DfE) which secures government support for the delivery of the Council's DSG Recovery Programme and financial support towards the elimination of the cumulative DSG deficit. This has resulted in an additional £11,000k of funding in 2021/22 to contribute to the cumulative DSG deficit. As part of the Safety Valve agreement the local authority has absorbed £4,000k itself. When the £25,386k deficit brought forward from 2020/21 is taken into account, the cumulative deficit carry forward to 2022/23 is £23,328k</p> <p>5. Submitted Capital Grants application for top up capital funding to enable build for additional in-borough places (£7m).</p> | <p>1. Continue to lobby government to resolve the underlying funding issue that primarily relates to new burdens arising from the 2014 Act.1.</p> <p>2. Work is ongoing to develop savings options alongside the Business Improvement Delivery work that has commenced within the MTFF process.</p> <p>3. Work to scope possibilities of an alternative funding regime and band funding rate for further education college placements with local provider.</p> <p>4. Contribute to the formulation of the High Needs Efficiency Plan with specific emphasis into local provision ensuring effective and efficient use of available capital resources.</p> <p>5. Tracking of Deficit Recovery Plan actions.</p> <p>6. Track delivery of in-borough places provision as part of the recovery plan.</p> <p>7. Continuation of monitoring inflation relating to the impact of the cost across the safety valve and associated capital schemes</p> |
| | | Andy Evans | Cllr. M. Goddard | | |
| | | Risk Rating | Direction of Travel | | |
| | | E1 | Static  | | |
| | | Risk Appetite Statement | | | |
| | | This is a significant financial risk which the Council has to manage within the confines of our statutory duties and budget responsibilities. The Council is committed to ensure the Dedicated Schools Budget is balanced whilst ensuring the SEN population have access to services. We continue to scope possibilities of an alternative funding regime and utilising local provision. | | | |

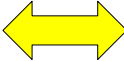
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| | | | Actions Taken to Date | Further Action Required | |
| 11 | <p><u>Risk:</u></p> <p>Coronavirus – The identification and spread of a variant of the virus for which the Covid vaccination affords no or limited immunological protection creates a risk to human health for residents. That this risk at a national level meets the threshold for central government intervention and results in impact on the borough comparable to pre-vaccination pandemic time periods.</p> <p><u>Cause:</u></p> <p>Living safely with Covid mitigation measures fail to protect the public and result in national and local impact on health, care and the economy.</p> <p><u>Consequence:</u></p> <p>The council subsequently sets up local response mechanisms and must pause non-essential services to focus on the strategic objective: protect lives and support the most vulnerable.</p> | Officer Lead | Cabinet Lead | <p>1. Implementation of the national living (safely) with covid plans.</p> <p>2. Maintaining effective lines of communication that assures effective working with central government, UK Health Security Agency and Office for Health Improvement and Disparities (UK HSAOHID), London /sub-regional resilience arrangements in response to emerging risk.</p> <p>3. Governance structure with clear accountability and responsibility agreed through an established Borough-wide, multi-agency Health Protection Board.</p> <p>4. Oversight of available data that shows change in national and local risk using data and insight is overseen through the Health Protection Board.</p> <p>5. Outreach programmes with Community Champions Initiative established.</p> <p>6. Vaccination programmes are delivered in line with national guidelines.</p> <p>7. Learning from the pandemic informs local planning, and cohorts of residents with higher risk are identified as part of greater focused prevention and early intervention focused interventions.</p> <p>8. National Covid Enquiry commenced; all Local Authorities are required to be produced should they be required to be called upon during the Enquiry.</p> | <p><i>The Risk, Cause and Consequence has been updated to reflect the evolving risk to residents.</i></p> <p>1. Communication mechanisms and processes are in place that enable sharing of information regarding increased risk in place.</p> <p>2. Local response mechanisms are in place if activation is required – responsibility sits with borough Public Health Team and the DPH working across regional and London PH network.</p> <p>3. Continue to respond to any variants of concern and oversight mechanisms in place for increased demand on health and care services.</p> <p>4. Continued review of demand pressures and baseline.</p> |
| | | Tony Zaman | Cllr. I. Edwards (Leader) | | |
| | | Risk Rating | Direction of Travel | | |
| | | C2 | Static | | |
| | | Risk Appetite Statement | | | |
| | | The Council has maintained its ability to escalate covid response capability and has an up to date plan that is reviewed with regularity to ensure that action is proportionate to risk. | | | |

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|----------|---|---------------------------------------|---|------------------------------|--|---|---|---|
| | | | | Actions Taken to Date | Further Action Required | | | |
| 12 | <p>Risk: Inflation - Higher level of inflations are impacting on both the Council’s own cost base and the financial position of residents which is exacerbates demand for services.</p> <p>Cause: This risk arises predominantly from rising energy prices, amongst other contributing factors (socio-economic impacts of Covid-19, Brexit) behind UK annual consumer prices reaching a 40-year high, with UK and European wholesale natural gas prices trading at 10 times normal levels. Subsequently the Bank of England has increased interest rates 1.25% to 1.75%.</p> <p>Consequence: 1. Potential the Council will be unable to meet its statutory obligation to set and operate within a balanced budget. 2. More increased transformation savings targets will need to be achieved. 3. Further drawdowns from the Council’s financial balances/reserves may need to be considered as one offs. 4. Council could fail to deliver in some of its statutory duties either through a reduction of service by an external provider or complete failure to operate. 5. Increased risk of reputational damage when trying to balance the need to provide statutory services vs. Delivery within a finite budget.</p> | <p>Officer Lead</p> <p>Andy Evans</p> | <p>Cabinet Lead</p> <p>Cllr. M. Goddard</p> | <p>Risk Rating</p> <p>C1</p> | <p>Direction of Travel</p> <p>Static</p> <p></p> | <p>Risk Appetite Statement</p> <p>This is a significant financial risk which the Council has to manage within the confines of our statutory duties and budget responsibilities in order to provide services to our residents. The Council is committed to delivering a balanced budget. We constantly challenge all areas across the Council to find efficiencies, make savings and put forward ideas on how savings targets can be achieved.</p> | <p>1. Enhanced reporting around inflation risk implemented through monthly budget monitoring updates to Cabinet.</p> <p>2. Specific earmarked reserves bolstered through outturn 2021/22 and windfall underspends in 2022/23, providing a mechanism to manage cost pressures in the short-term.</p> <p>3. Procurement rolled out training sessions in May and June 2022 to raise awareness with managers regarding the impacts and necessary adjustments to contracts in their role as contracts managers due to inflation. Mirroring existing approaches to managing inflation on social care placement costs.</p> <p>4. Initial MTFF scoping work during April and May assessed potential impact on savings requirement (both direct inflation costs and wider impact on demand for services), with transformation programme activity seeking to develop options to bridge resulting budget gap in the medium term.</p> <p>5. Drawn down on reserves in year in response to the economic conditions.</p> <p>6. Consultation 2023/24 budget presented to Cabinet in December 2022.</p> | <p>1. Significant programme of transformation activity underway, developing specific measures to secure savings and therefore counter inflationary pressures over the medium term. Outputs will feed into refreshed MTFF.</p> <p>2. Ongoing monitoring of inflationary pressures and wider economic impacts such as interest rates.</p> <p>3. Enhanced reporting around balance sheet position: council tax, housing rents etc where impact of inflation on households finances will feed through to Council position.</p> <p>4. Scoping work continues on the 23/24 MTFF including scenario planning on some of the risks including high inflation and energy costs.</p> |

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APPENDIX A - RISK SCORING METHODOLOGY

Item 3

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| Attributes: | | | | Risk rating | Risk rating | Risk rating | Risk rating | |
|------------------|-------------------------|--|-----------------|----------------------|-------------------------------------|--|---|---|
| Greater than 90% | This week | L I K E L I H O O D | Very High (A) | A4 | A3 | A2 | A1 | |
| 70% to 90% | Next week / this month | | High (B) | B4 | B3 | B2 | B1 | |
| 50% to 70% | This year | | Significant (C) | C4 | C3 | C2 | C1 | |
| 30% to 50% | Next year | | Medium (D) | D4 | D3 | D2 | D1 | |
| 10% to 30% | Next year to five years | | Low (E) | E4 | E3 | E2 | E1 | |
| Less than 10% | Next ten years | | Very Low (F) | F4 | F3 | F2 | F1 | |
| | | | | Small (4) | Medium (3) | Large (2) | Very Large (1) | |
| | | | | IMPACT | | | | |
| THREATS: | | | | Financial | up to £250K | £250k - £1million | £1million - £5million | Over £5million |
| | | | | Service Provision | Slightly reduced | Service suspended short term/ reduced | Service suspended long term/ statutory duties not delivered | |
| | | | | Health & Safety | Sticking plaster/ first aider | Broken bones/ Illness | Loss of life/ major illness | Major loss of life/ large scale major illness |
| | | | | Objectives | Objectives of several teams not met | Group objectives not met | Corporate objectives not met | |
| | | | | Morale | Negative attitude | Some hostility/ minor non co-operation | Industrial action | Mass staff leaving/ unable to attract staff |
| | | | | Reputation | No media attention/ minor letters | Adverse local media | Adverse national publicity | Remembered for years |
| | | | | Government Relations | | Poor assessment(s) | Service taken over temporarily | Service taken over permanently |
| | | | | | | | | |
| OPPORTUNITIES: | | | | Attributes: | Minor (4) | Moderate (3) | Major (2) | Outstanding (1) |
| | | | | Financial | Some financial gain | High financial gain | Major financial gain | Huge financial gain |

| | | | | |
|------------|--------------------------------|-----------------------------------|---------------------|--------------------------------------|
| Reputation | Minor improvements to image | Some enhancement to reputation | Enhanced reputation | Significantly enhanced reputation |
|------------|--------------------------------|-----------------------------------|---------------------|--------------------------------------|

AUDIT COMMITTEE - 2022/23 Quarter 3 Counter Fraud Progress Report

| | |
|---------------------------|---|
| Committee name | Audit Committee |
| Officer reporting | Alex Brown, Head of Counter Fraud |
| Papers with report | 2022/23 Quarter 3 Counter Fraud Progress Report |
| Ward | All |

HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2022/23 Quarter 3 and assurance in this respect. It also provides an opportunity for the Head of Counter Fraud to highlight to the Audit Committee any significant Counter Fraud issues that have arisen which they need to be aware of. Further, the report enables the Audit Committee to hold the Head of Counter Fraud to account on delivery of the Counter Fraud Plan and facilitates in holding management to account for managing issues identified during the course of the Counter Fraud Team activity.

RECOMMENDATIONS:

That the Audit Committee:

1. Notes the Counter Fraud Progress Report for 2022/23 Quarter 3: and
2. Suggests any comments/amendments.

SUPPORTING INFORMATION

The Counter Fraud Team supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the team underpins the Council's commitment to a zero tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.

BACKGROUND PAPERS

The Counter Fraud Team holds various background research documents in relation to the Counter Fraud Plan.

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Counter Fraud Progress Report to Audit Committee: 2022/23 Quarter 3

31st December 2022



HILLINGDON
LONDON

www.hillingdon.gov.uk

Contents

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1. Introduction

1.1 The Role of the Counter Fraud Team

- 1.1.1 The Counter Fraud Team (CFT) supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the CFT underpins the Council's commitment to a zero-tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.
- 1.1.2 As well as counter fraud activity, there is also a range of preventative work that the team is responsible for carrying out. This includes fraud awareness training and ensuring the Council have up-to-date and appropriate investigation policies and procedures.

1.2 The Purpose of the Counter Fraud progress report

- 1.2.1 The Counter Fraud Progress Report provides the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all counter fraud work carried out during the Quarter 3 (Q3) period (1st October to 31st December 2022). In addition, it provides an opportunity for the Head of Counter Fraud (HCF) to highlight any significant issues arising from the counter fraud work in Q3.
- 1.2.2 The progress report also highlights to CMT, the Audit Committee and other key stakeholders, the performance of the CFT in meeting its strategic and operational objectives (as set out in the Counter Fraud Strategy 2022 to 2025), which provides an opportunity for the HCF to be held to account in this respect.

2. Executive Summary

- 2.1 Economic uncertainty and a significant rise in the cost of living has created an environment which exposes the Council to a greater risk of fraud. To combat this, the CFT in Q3 has continued to work proactively and reactively across the main fraud risks that are faced. **This has led to the CFT identifying loss prevention savings of c£3.75m in Q3 bringing the year to date total to c£10.7m.**
- 2.2 Investigations into suspected cases of tenancy fraud has remained a focus for the CFT in Q3. The team are currently **investigating 129 cases** and as previously reported there is a sustained increase in activity in this area post covid. To meet this increase in fraud risk considerable resource from other sub teams has been deployed into tenancy fraud throughout the financial year. **During Q3 the CFT have successfully recovered 25 properties** through its investigative actions. This brings **the year to date properties recovered to 62 exceeding 2021/22 recovery figure of 42.** The recovery of Social Housing stock by the CFT provides a much needed supply of properties at a time when the Council faces unprecedented levels of demand.
- 2.3 The CFT throughout Q3 has actively investigated cases relating to the **Revenues Maximisation Project**. The team working in collaboration with its external suppliers have identified businesses that should be listed for NNDR but are not currently rated. **During Q3 a total of £1.8 million in billings have been issued to businesses.** This work has a direct impact in maximising the Councils income and highlights the importance of using investigative techniques to determine Business rates liability.
- 2.4 During Q3 the CFT promoted its **awareness campaign** to coincide with the **International Fraud Awareness Week**. Social media posts were released daily across a variety of platforms to inform the public of different fraud risks and how to refer to the CFT. A variety of fraud awareness sessions also took place within service areas to highlight the risks of fraud.

- 2.5 Though it was reported in Q2 the CFT was fully staffed, unfortunately during Q3 a Lead Investigator within the Housing Investigations Unit has left their position. This coupled with another Lead Investigator on maternity leave, has created resourcing challenges. **To ensure the team operates effectively interim structural arrangements have been put in place for the rest of 2022/23.** This includes a Lead Investigator becoming an interim Counter Fraud Manager to ensure the service has sufficient operational oversight to meet its strategic objectives.
- 2.6 During Q3 five members from the CFT have obtained professional accreditation having successfully completed the Accredited Counter Fraud Technician (ACFT) qualification. **All members of the CFT now hold professional counter fraud qualifications** demonstrating the CFT's commitment to providing an effective and robust counter fraud response for the authority.

3. Analysis of Counter Fraud Activity in Quarter 3

3.1 Housing Fraud

- 3.1.1 In Q3 the CFT has continued to focus its efforts on the high volume of tenancy fraud cases. This approach has led to the **recovery of a further 25 council properties, resulting in £1.4million of notional savings.** The number of properties recovered has increased steadily over 22/23 due to proactive projects and high-quality referrals, as per **Table 1** below, non-occupation continues to be the key area of tenancy fraud risk.

Table 1 ~ Housing Tenancy Fraud Cases

| Case Type | Q1 | Q2 | Q3* | 2022/23* | £k/value** |
|-----------------------------------|-----------|-----------|-----------|-----------|----------------|
| Abandonment | 0 | 0 | 0 | 0 | £0 |
| Deceased | 3 | 6 | 4 | 13 | £728k |
| NFI Fraud Hub | 0 | 0 | 6 | 6 | £336k |
| Non-Occupation | 6 | 10 | 11 | 27 | £1,512k |
| Sub-Let | 4 | 3 | 2 | 9 | £504k |
| Wrongful Succession | 2 | 3 | 2 | 7 | £392k |
| Total Properties Recovered | 15 | 22 | 25 | 62 | £3,472k |

* As at end of Q3 (31st December 2022).

** Tenancy Fraud Forum valuation.

- 3.1.2 There are currently **129 ongoing investigations relating to tenancy fraud and deceased tenants.** Notices to end tenancies have been served on 19 of those cases and a further **10 cases are currently with our legal team.** The team have also obtained 4 possession orders following legal proceedings, which are awaiting enforcement action. The outcomes of these cases will be reported in Q4.
- 3.1.3 As reported in Q2 the CFT are proactively identifying cases of unknown deceased tenants with the assistance of the **NFI Fraud Hub.** The details of this work can be found in subsection 3.6 of this report. This work, though not classed as fraud, has contributed significantly to the number of properties recovered.

- 3.1.3 The Key Performance Indicator (KPI) 4 (refer to Table 5 in Appendix A) requires the CFT to recover 30% of properties associated with tenancy fraud referrals. **The CFT has had another successful quarter with 51% of tenancy fraud referrals resulting in property recovery.**
- 3.1.4 Due to the current economic climate there has been an increase in demand for housing and **Bed and Breakfast (B&B) emergency accommodation.** Therefore, in Q3 the CFT focused on an additional proactive project conducting residency checks to all emergency accommodation placements, to highlight any instances of non-occupation or subletting.
- 3.1.5 To date a total of 226 B&B properties have been visited, and in Q3 the **CFT has closed 6 emergency accommodation units due to non-occupation, resulting in savings of c£48k.** There are 51 properties which still require visits to confirm residency, and **11 cases have been opened** highlighting concerns of suspected non-occupation. An update on the outstanding work in this area will be provided in the next progress report.
- 3.1.6 The CFT carry out verification checks on all Right to Buy applications submitted to the Council, to provide assurance that those who apply are eligible for the significant discount and that the funds used for the purchase abide by money laundering regulations. In Q3 the CFT have received 11 RTB applications to verify and cancelled **3 RTB applications** resulting in **savings of c£335k.**
- 3.1.7 Even though the First Time buyer (FTB) Scheme has disbanded, post-sale checks are required to ensure those that have received the grant are adhering to the strict conditions. The conditions include not subletting your property. To date the team has **1 case currently under investigation.**
- 3.1.8 In Q3 the CFT completed **291** verification checks on applicants who have registered for social housing. Outlined in **Table 2** below, the team successfully identified **60** housing register applications that should be rejected for a variety of reasons.

Table 2 ~ Housing Tenancy Verification Cases

| Housing Tenancy Verification Cases | Q1 | Q2 | Q3* | 2022/23 |
|-------------------------------------|-----|-----|------------|--------------|
| Total number of cases reviewed | 424 | 304 | 291 | 1,019 |
| % Identified by CFT for rejection | 17% | 20% | 20% | 18% |
| Total number of applications closed | 3 | 4 | 0 | 7 |

* As at end of Q3 (31st December 2022).

- 3.1.9 KPI 2a (refer to **Table 5** in **Appendix A**) targets an outcome of **95%** of Housing allocation verifications to be completed within the target date set by the Housing department. In Q3 the team has successfully achieved **99% of verifications** being completed within their target date.

3.2 Revenues Fraud & Inspections

- 3.2.1 In the area of Revenues, the CFT has continued to maintain a high level of performance and again exceeded their KPI target (refer to **Table 5** at **Appendix A**). In Q3, as detailed in **Table 3** over the page, the CFT has **conducted 1,782 inspections, with 1,759 (99%) visited within the 10-day KPI target.**

Table 3 ~ Revenues Inspections Performance 2022/23

| Revenues Inspections | Q1 | Q2 | Q3* | 2022/23 |
|---------------------------------------|-------|-------|--------------|--------------|
| Total number of inspections completed | 2,149 | 2,741 | 1,728 | 6,618 |
| Percentage within 10 day target | 99% | 99% | 99% | 99% |

* As at end of Q3 (31st December 2022).

- 3.2.2 During Q3 the CFT has identified a further **8 previously unlisted properties** made up of 'Beds in Sheds'. As a result, an additional **c£10k of loss prevention savings** has been identified following the issue of revised Council Tax bills to the liable parties. In addition, **4** properties are pending a decision from the Valuation Office Agency (VOA), with these savings to be reported in Q4.
- 3.2.3 The CFT has continued to focus its efforts on **maximising revenue** in Q3, identifying unlisted or amended businesses which are not in the ratings list. The team's work in collaboration with our external suppliers has led to **billings issued to business in excess of £1.8m**. This work has a direct impact on the Council's income with 15% retained by the authority.
- 3.2.4 The HCF notes that there have been some exceptional items found in this area of work, leading to significant one-off savings. Although this is positive, it is unlikely that the CFT will continue to find savings of this level, as the project goes on. However, the CFT have additional project work planned in Q4 targeting sustained performance in this area.

3.3 Social Care

- 3.3.1 The CFT has continued to conduct activity in the area of Social Care. Like Housing, the current economic climate presents the opportunity for high levels of fraud within Social Care. The CFT are actively working with management in Social Care to mitigate these risks and to ensure the CFT is operationally ready to tackle any increased or emerging risk.
- 3.3.2 This heightened risk has led to the **CFT opening 5 investigations into matters of Social Care fraud**. These investigations are extremely complex and span a wide area of Social Care including Direct Payments, Commissioned Care and Special Guardianship Orders. **In total these cases are valued at over £225k**. Updates will be available in future progress reports.
- 3.3.3 A recent investigation into a Housing Fraud highlighted cross cutting risks within Social Care. The CFT worked across multiple services areas to conclude an on-going non-occupation case. Officers identified that despite a service user having a live tenancy in place, the Council were paying out considerable sums of money to meet the service user's care needs by brokering a residential care placement that was not required. With a multi-service approach taken, residential care payments were stopped, and the service user was supported back into independent living. **This not only resulted in significant savings of c£14,000, but that service user was also able to return to a home of their own.**
- 3.3.4 A key focus for Q3 was strengthening the control environment within financial assessments in instances where financial support had been requested to meet service users' care costs. Working collaboratively with the Financial Assessment Team, **a review of the Adult Social Care Financial Assessment form was carried out.**

- 3.3.5 Due to the requirement for prospective and current service users to undergo an assessment of their finances and assets, additional information will soon be mandatory as part of this process. Once fully embedded, the Council's exposure to fraud and error in this area will be further reduced, with a greater level of assurance provided to managers.
- 3.3.6 In addition to the review, the CFT conducted a total of **165 financial assessment verifications this quarter, with one case of Single Person Discount fraud identified.** This resulted in **loss prevention savings of c£403.** Of the 165 verifications, a total of 17 requests were not verified. With checks undertaken to identify instances of hidden assets, income or capital, all **17 cases are undergoing additional checks** to determine each services user's eligibility.
- 3.3.7 Section 17 of the Children's Act 1989 places a duty on the Council to safeguard and promote the welfare of children in need. Section 17 support offers a range of services that includes providing accommodation and/or financial assistance to eligible applicants. The CFT undertake verification checks for all Section 17 applicants who approach Social Services. **Table 4** below, illustrates the outcomes derived from the preventive measures in place that ensure services provided are only accessed by those who meet the eligibility criteria.

Table 4 ~ Section 17 Verification Cases 2022/23

| Section 17 Cases | Q1 | Q2 | Q3* | 2022/23 |
|---|----------------|-----------|-----------|----------------|
| Total number of cases reviewed | 5 | 2 | 5 | 12 |
| Total number verified as accurate | 1 | 0 | 3 | 4 |
| Total number of cases closed | 1 | 0 | 0 | 1 |
| Total number of cases under further investigation | 3 | 2 | 2 | 7 |
| Loss Prevention Savings | £13,128 | £0 | £0 | £13,128 |

* As at end of Q3 (31st December 2022).

- 3.3.8 As demonstrated in **Table 4**, there are a total of seven Section 17 verifications that are undergoing further checks. **These verifications account for 58% of all verification's requests over the 2022/2023 period.** The team are working with Social Care to investigate all anomalies identified, with outcomes expected to be reported in Q4.
- 3.3.9 Following the commencement of the Section 17 proactive project reported in Q2, the team have **concluded visits to all 34 service users placed in emergency accommodation.** With Social Care providing accommodation to those destitute families, the announced visits were designed and orchestrated to provide assurance to key stakeholders within Social Care that all accommodation provided was being lawfully occupied and for any instances of non-occupation or subletting to be investigated. With two cases under investigation due to suspected non-occupation, outcomes are expected to be reported in Q4.
- 3.4 Blue Badge Fraud**
- 3.4.1 Q3 marked a successful quarter for the team with the conclusion of two lengthy Blue Badge investigations. Following the team's reported participation in the London Wide Blue Badge Day of Action and the teams proactive project at Ruislip Lido, **two offenders received fixed penalty notices totalling £200** due to Blue Badge misuse. In addition, **both offenders received Simple Cautions as an alternative to criminal proceedings.**

- 3.4.2 This quarter further demonstrated the team's agile approach in tackling Blue Badge misuse across the borough, with counter fraud resources deployed in Hayes and outside a school in Uxbridge, following reports of blue badge misuse. **One offender received a £100 fixed penalty notice and Simple Caution**, the second incident remains under investigation, with enquires ongoing.

3.5 Onsite Immigration Official

- 3.5.1 The Onsite Immigration Official (OSIO) has played an instrumental part in the CFT's preventative measures across the Council. The OSIO provides real time data on a person's status to service areas. This helps determine the eligibility of an applicant for assistance and prevents those that are not entitled gaining access to vital services. In Q3 the OSIO has continued to provide a value for money service **identifying c£56k in savings across Housing and Social Care. This brings the year to date savings by the OSIO to c£126k which represents a 39% increase on 2021/22.**

3.6 London Counter Fraud Hub

- 3.6.1 The CFT joined the London Counter Fraud Hub (LCFH) at the start of the financial year. The hub is designed to bring London Boroughs together, sharing data to identify fraud, loss or error. This innovative approach will also use the power of data to uncover cross borough frauds.
- 3.6.2 As reported in Q2, the CFT completed its first in house data matching exercise using the LCFH which matched tenancy records against the death register identifying 5 properties where the Council was unaware that the tenant had passed away. Utilising the unique capabilities of the LCFH this match is now embedded within the hub and automatically provides refreshed matching every two weeks. This maximises loss prevention by ensuring that cases are identified at an early stage. In Q3 the LCFH has identified a further **5 properties** where the Council was unaware that the tenant had passed away.
- 3.6.3 Members of the CFT have joined a working group set up by The London Boroughs' Fraud Investigators' Group (LBFIG) which is developing innovative bespoke data matching reports to identify cross border fraud in identified high risk areas. Reports from these matches are expected towards the end of Q4.

3.7 Other Counter Fraud Activities

- 3.7.1 As part of the CFT's strategic objectives, the team has been embedding and promoting a counter fraud culture throughout the Council, by regularly undertaking fraud awareness sessions to service areas. These sessions give teams the tools to identify, and report suspected fraud or loss. During Q3 the CFT conducted **fraud awareness sessions** with the Housing Management Team, as well as the HCF delivering Counter fraud training to the Audit Committee. Further sessions are planned for Q4.
- 3.7.2 Throughout Q3 the CFT has continued to work in collaboration with colleagues from other Council services to conduct desk-based checks on households that have applied to join the Homes for Ukraine scheme. These checks provide assurance to CMT that the applicants are in a suitable position to accept Ukrainian families fleeing from their country.
- 3.7.3 Following the successful completion of recruitment previously reported to committee **five officers of the CFT obtained professional accreditation** during Q3 by successfully completing the Accredited Counter Fraud Technician (ACFT) qualification demonstrating the CFT's commitment to staff development and to provide a robust and effective counter fraud response.

- 3.7.4 The CFT has been working with Internal Audit collaboratively throughout the financial year to support risk and governance arrangements within the Council. With the Internal Audit team facing significant resourcing challenges, the CFT has undertaken some consultancy work in service areas relating to fraud controls. These reviews help strengthen controls within processes minimising the risk of fraud.
- 3.7.5 During Q3 the CFT has seen further turnover of staff with a Lead Investigator vacancy and another on Maternity leave. To ensure the team has operational oversight and has management capacity to drive performance, **an interim structure has been put in place for the remainder of the financial year**. This has included promoting a Lead Investigator to an interim Counter Fraud Manager. The HCF is currently reviewing these arrangements with a permanent solution to be implemented for the new financial year.

4. Analysis of the Counter Fraud Team's Performance in Quarter 3

- 4.1 Attached at **Appendix A** is **Table 5** which sets out the Q3 performance by the CFT against the nine KPIs. Also attached at **Appendix B** is **Table 6** which provides an overview of the financial performance of the team in Q3 within each of the main areas of counter fraud activity. The CFT's financial performance should be considered against a target of £3.5m for 2022/23.
- 4.2 The CFT has achieved a consistent level of performance across all KPI's this quarter. The details of this are that **all 9 KPI's are above targeted performance**. The HCF will continue to prioritise and monitor the team's performance closely to ensure this high level of performance continues.

5. Forward Look

- 5.1 As we look forward into Q4 of 2022/23, the CFT will undertake a variety of proactive projects in Housing and Social Care. Both projects will involve residency checks to highlight instances of non-occupation and sublet. These cases will then be investigated by the CFT leading to property recovery.
- 5.2 The **Cabinet Office NFI Bi-Annual exercise** is due to be released in Q4. The CFT has strategic oversight of this project with some key data matches undertaken by the CFT itself. The data matches will highlight instances of fraud, loss and error with outcomes likely to be reported in Q4 and beyond.
- 5.3 With the end of year fast approaching, the management team within the CFT will begin to review and update the fraud risk assessment and fraud universe to better understand the fraud landscape that lies ahead for 2023/24. **This critical information will be used to formulate the required operating model for the CFT** to ensure it remains fluid in its approach to combatting fraud.
- 5.4 The CFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the Council during this quarter. There are no other counter fraud matters that the HCF needs to bring to the attention of CMT or the Audit Committee at this time.

Alex Brown APCIP
Head of Counter Fraud

31st December 2022

Table 5 ~ CFT KPIs and Actual Performance

| CFT KPIs | Target | Q1 | Q2 | Q3* | 22/23* | 21/22 |
|---|------------|------|------|------|-------------|--------------|
| 1. Percentage of fraud referrals risk assessed within 3 working days | 95% | 99% | 99% | 95% | 98% | 99% |
| 2. Verification work timescales for completion: | | | | | | |
| a. Housing Allocations completion within the target date set by Housing | 95% | 99% | 99% | 99% | 99% | 99% |
| b. Right to Buy case completion within 28 working days | 95% | 100% | 100% | 100% | 100% | 100% |
| c. Financial Assessments completion within 7 working days | 95% | 100% | 100% | 100% | 100% | N/A** |
| d. Section 17 reviews completion within 7 working days | 95% | 100% | 100% | 100% | 100% | N/A** |
| 3. Investigation plan completion within 5 working days of case allocation | 95% | 100% | 100% | 99% | 99% | 99% |
| 4. Tenancy fraud referrals received resulting in property recovery | 30% | 35% | 36% | 51% | 40% | 33% |
| 5. Investigations resulting in loss prevention/financial saving outcome | 40% | 41% | 41% | 46% | 42% | 55% |
| 6. Revenue inspections completed within 10 working days of referral date | 95% | 99% | 99% | 99% | 99% | 97% |

* As at end of Q3 (31st December 2022).

N/A** = New KPI that has been introduced in the Counter Fraud Strategy for 2022 – 2025.

APPENDIX B**Table 6 ~ CFT Quarter 3 2022/23 ~ Financial Performance**

| Work Area | Description | Quarter 1 | Quarter 2 | Quarter 3* | Quarter 4 | 2022/23* |
|----------------------------|--------------------------------------|-------------------|-------------------|-------------------|-----------|--------------------|
| Housing | Right to Buy discounts | £0 | £336,900 | £335,100 | £0 | £672,000 |
| | Property Recovery (notional savings) | £840,000 | £1,232,000 | £1,400,000 | £0 | £3,472,000 |
| | Other savings/loss prevention | £22,491 | £40,267 | £72,481 | £0 | £120,802 |
| | | | | | | |
| Social Services | Section 17 and UASC** | £13,128 | £0 | £0 | £0 | £13,128 |
| | Financial Assessments | £4,758 | £129,749 | £14,232 | £0 | £148,739 |
| | Disabled Facilities Grants | £0 | £30,000 | £0 | £0 | £30,000 |
| | Direct Payments | £4,369 | £300 | £0 | £0 | £4,669 |
| | | | | | | |
| Revenues | Single Person Discount | £5,697 | £5,847 | £8,410 | £0 | £19,954 |
| | Council Tax Reduction & arrears | £6,910 | £20,203 | £15,830 | £0 | £42,943 |
| | Unlisted Buildings | £35,995 | £17,239 | £10,988 | £0 | £64,222 |
| | Housing Benefit Overpayments | £5,456 | £82,224 | £428 | £0 | £88,108 |
| | NNDR | £1,391,666 | £2,680,774 | £1,844,320 | £0 | £5,916,760 |
| | | | | | | |
| Blue Badge | Simple Caution & Financial Penalty | £100 | £200 | £300 | £0 | £600 |
| | | | | | | |
| Immigration Officer | Housing Homelessness Applications** | £0 | £16,107 | £8,053 | £0 | £24,160 |
| | Social Care Savings | £42,335 | £11,760 | £48,367 | £0 | £102,462 |
| | | | | | | |
| Totals | Loss Prevention Savings | £72,644 | £565,084 | £478,235 | £0 | £1,115,963 |
| | Notional Savings | £2,028,372 | £3,592,883 | £2,968,100 | £0 | £8,589,355 |
| | Cashable Savings | £271,789 | £445,407 | £311,877 | £0 | £1,029,073 |
| | Costs awarded and penalties | £100 | £200 | £300 | £0 | £600 |
| | Total | £2,372,905 | £4,603,574 | £3,758,512 | £0 | £10,734,991 |

* As at end of Q3 (31st December 2022).

** Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's Business Performance Team.

Glossary of Terms

Beds in Sheds

'Beds in Sheds' is the term used to describe habitable outbuildings, or annexes to private properties being utilised without the awareness of the Council or the Valuation Office Agency (VOA).

Blue Badge

A Blue Badge provides parking concessions and helps people with **non-visible and visible disabilities or health conditions** park closer to their destination. The Blue Badge enables holders to park in designated disabled person's parking bays either on the public highway or privately owned car parks. In addition, badge holders can park on single or double yellow lines for up to 3 hours.

Direct Payments

The Council are responsible for administering direct payments to service users who have been assessed as needing care and support services. The payments are made to allow applicants to access care to meet their social care needs, such as support with living tasks and social activities.

Disabled Facility Grants

The council offers a range of financial support schemes for people with disabilities, such as the Disabled Facilities Grant (DFG). The DFG is a means tested scheme that allows eligible applicants to receive financial support to make adaptations to their home, if they, or someone living at the property is disabled.

Financial Assessments

The Council is under a financial and legal obligation to carry out this means tested assessment for each service user. The Financial Assessment (FA) identifies whether the applicant(s) is eligible to receive funding towards their care costs.

Fraud Hub

Utilising the existing Cabinet Office infrastructure and systems, most London based local authorities have agreed to upload internally held data sets for proactive data matching exercises. These regularly agreed upon exercises will lead to the identification of possible fraud, loss or error.

National Fraud Initiative

The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Government Cabinet Office and conducted every 2 years. There is also an annual review of claimants in receipt of Single Persons discount data that is matched against the Electoral Roll data. The NFI matches data from over 1,200 organisations, including councils, the police, hospitals and almost 100 private companies to identify potential fraud and error.

New Homes Bonus

The New Homes Bonus (NHB) is a grant that is paid by central government to incentivise local housing growth.

Onsite Immigration Enforcement Official

The Onsite Immigration Enforcement Official (OSIO) provides enhanced access to Home Office data for the purpose of assessing cases involving immigration issues and for assisting in a range of counter fraud work.

Right to Buy

The Right to Buy (RTB) process is a statutory scheme whereby a tenant(s) can apply to purchase their property at a significant discount from its market value. There are strict conditions that must be met by the applicant(s) if they are to qualify for the discount.

Revenue Maximisation

The use of internally held data and the utilisation of external data partners to identify previously unlisted commercial and domestic properties, along with identifying commercial properties that have undertaken modifications or improvements that would result in the revaluation of its Rateable Value (RV). Commercial entities are under no obligation to inform Council Tax as to when they have started trading or if their RV needs to be recalculated. The Council will only retain 15% of the identified rates.

Section 17

The CFT provides assurance and mitigate the risk of fraud within Children's Social Care, in particular the allocation of emergency accommodation provided under Section 17 of the Children's Act 1989. The verification process seeks to validate a family's reason for approach as well as their financial circumstances, as applicants claim to be destitute and requiring accommodation and or financial support. The CFT conducts verification checks on all applicants approaching the Council.

Small business Rates Relief

The Small Business Rates Relief (SBRR) scheme is designed to reduce the amount of business rates payable by small businesses. This reduction is available to ratepayers who occupy a property with a rateable value of no more than £15,000.

Tenancy Fraud Forum Valuation

As of the 2022/23 financial year, the CFT will be using the new Tenancy Fraud Forum valuation for property recovery. Working in conjunction with the London Boroughs' Fraud Investigators' Group (LBFIG) a new formula has been created to determine how much tenancy fraud costs. The formula considers the annual average temporary accommodation cost per family, the average duration for tenancy fraud, as well as the average investigation, legal and void costs. The agreed calculation for tenancy fraud within the borough is now valued at £56k per property (Previously £18k). The new calculation allows Hillingdon Council to accurately calculate financial savings by factoring in local figures.

Unaccompanied Asylum-Seeking Children

Unaccompanied Asylum-Seeking Children (UASC) are children and young people who are seeking asylum in the UK but have been separated from their parents or carers. Whilst their asylum claim is processed, they are cared for by the Council and provided with accommodation and or financial support.

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AUDIT COMMITTEE WORK PROGRAMME 2022/23

| | |
|---------------------------|----------------------------------|
| Committee name | Audit Committee |
| Officer reporting | Anisha Teji, Democratic Services |
| Papers with report | None |
| Ward | All |

HEADLINES

This report is to enable the Audit Committee to review planned meeting dates and the forward programme.

RECOMMENDATIONS

That the Audit Committee:

1. Confirms the dates for Audit Committee meetings; and
2. Makes suggestions for future agenda items, working practices and / or reviews.

SUPPORTING INFORMATION

The meeting on 31 January 2023 will start at 17:10.

| Meetings | Room |
|---|------|
| 27 April 2023 | CR 5 |
| 8 August 2023 – provisional subject to Full Council approval | TBC |
| 22 November 2023 – provisional subject to Full Council approval | TBC |
| 12 February 2024 – provisional subject to Full Council approval | TBC |
| 30 April 2024 – provisional subject to Full Council approval | TBC |

| Meeting Date | Item | Lead Officer |
|---------------|--|---|
| 27 April 2023 | **Private meeting with Corporate Director of Finance to take place before the meeting | |
| | 2022/23 External Audit Plan. | Corporate Director of Finance / Ernst & Young |
| | EY 2021/22 Auditor's Annual Report and Grant Certification | Corporate Director of Finance / Ernst & Young |
| | Internal Audit Progress Report Quarter 4 2022/23 (incl. the Quarter 2 2023/24 Internal Audit Plan) | Head of Internal Audit |
| | Internal Audit Plan 2023/24 | Head of Internal Audit |
| | Internal Audit Charter | Head of Internal Audit |
| | 2022/23 Q3 Corporate Risk Register | Internal Audit Manager |
| | Counter Fraud Progress Report Quarter 4 2022/23 | Head of Counter Fraud |
| | Counter Fraud Plan 2023/24 | Head of Counter Fraud |
| | Forward Programme | Democratic Services |