



HILLINGDON
LONDON



Audit Committee

Members on the Committee

Rajiv P Vyas (Chairman)
Councillor Scott Seaman-Digby (Vice-Chairman)
Councillor George Cooper
Councillor Tony Eginton
Councillor Susan O'Brien

Date: THURSDAY, 16 MARCH
2017

Time: 5.00 PM (PLEASE NOTE,
MEMBERS ARE INVITED
TO A PRIVATE MEETING
AT 4.45PM)

Venue: COMMITTEE ROOM 4 -
CIVIC CENTRE, HIGH
STREET, UXBRIDGE UB8
1UW

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

Published: Wednesday, 8 March 2017

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This Agenda is available online at:

<http://modgov.hillingdon.gov.uk/ieListDocuments.aspx?CId=256&MId=2680&Ver=4>

Putting our residents first

Lloyd White
Head of Democratic Services
London Borough of Hillingdon,
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www.hillingdon.gov.uk

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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 monitor, but not direct, Internal Audit's work programmes, summaries of Internal Audit reports, their main recommendations and whether such recommendations have been implemented within a reasonable timescale, ensuring that work is planned with due regard to risk, materiality and coverage.
2. Make recommendations to the Leader of the Council and Cabinet Member for Finance, Property and Business Services on any changes to the Council's Internal Audit Strategy and plans.
3. Review the Annual Report and Opinion and Summary of Internal Audit Activity (actual and proposed) and the level of assurance this can give over the Council's corporate governance arrangements.
4. Consider reports dealing with the management and performance of internal audit services.
5. Following a request to the Corporate Director of Finance, and subject to the approval of the Leader of the Council and Cabinet Member for Finance, Property and Business Services, to commission work from Internal Audit.

External Audit

6. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
7. Monitor management action in response to issues raised by External Audit.
8. Receive and consider specific reports as agreed with the External Auditor.
9. 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.

10. Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
11. Following a request to the Corporate Director of Finance, and subject to the approval of the Leader of the Council / Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.
12. Monitor effective arrangements for ensuring liaison between Internal and External audit, in consultation with the Corporate Director of Finance.

Governance Framework

13. 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.
14. Review any issue referred to it by the Chief Executive, a Deputy Chief Executive, Corporate Director, or any Council body.
15. Monitor and review, but not direct, the authority's risk management arrangements, including regularly reviewing the corporate risk register and seeking assurances that action is being taken on risk related issues.
16. Review and monitor Council policies on 'Raising Concerns at Work' and anti-fraud and anti-corruption strategy and the Council's complaints process, making any recommendations on changes to the Leader of the Council and the Deputy Chief Executive and Corporate Director of Residents Services.
17. Oversee the production of the authority's Statement of Internal Control and recommend its adoption.
18. Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on necessary actions to ensure compliance with best practice.
19. Where requested by the Leader of the Council, 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

20. 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 auditor that need to be brought to the attention of the Council.
21. Consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Review and reporting

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

Agenda

Committee Members are invited to a private meeting with the External Auditors, Ernst & Young at 4.45pm.

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 December 2016 1 - 6
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PART II

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Minutes

Audit Committee
Thursday, 15 December 2016
Meeting held at Committee Room 5 - Civic Centre,
High Street, Uxbridge UB8 1UW



Members Present:

Councillors Scott Seaman-Digby (Chairman)
George Cooper
Susan O'Brien
Tony Eginton (Labour Lead)

Apologies:

Rajiv P Vyas

Officers Present:

Kate Boulter, Democratic Services Officer
Garry Coote, Corporate Fraud Investigation Manager
Sarah Hydrie, Business Assurance Manager
Muir Laurie, Head of Business Assurance
Nancy LeRoux, Deputy Director, Strategic Finance
Chris Norris, Corporate Fraud Team Leader
Martyn White, Senior Internal Audit Manager

23. APOLOGIES FOR ABSENCE

Apologies had been received from Rajiv Vyas and Paul Whaymand.

24. DECLARATIONS OF INTEREST

RESOLVED: To note that (1) Councillors George Cooper and Tony Eginton declared non-pecuniary interests arising from the fact that they were retired members of the Local Government Pension Scheme, and would remain for the discussion of all items; and (2) Councillor Scott Seaman-Digby declared a non-pecuniary interest arising from the fact that he was a deferred member of the Local Government Pension Scheme, and would remain for the discussion of all items.

25. 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

It was agreed that all the items on the agenda be considered in public with the exception of Agenda Item 13 - Business Assurance - Corporate Risk Register for Quarter 2 2016/17.

26. MINUTES OF THE MEETING HELD ON 22 SEPTEMBER 2016

RESOLVED: That the minutes be agreed subject to amending Councillor George Cooper's declaration of interest to a retired member of the LGPS.

27. EXTERNAL AUDIT ANNUAL AUDIT LETTER

The Committee considered the External Audit Annual Audit Letter, which provided a summary of the expected conclusions from the audit work undertaken by Ernst & Young for the year ended 31 March 2016.

The deadline for submitting the annual accounts had been met, although it was noted that the accounts not having been ready for sign-off at the Committee's last meeting, in September 2016. Members expressed high levels of dissatisfaction that the accounts had been finalised so late and sought reassurance that it would not happen again.

The Chairman requested a standing item be added to the agenda for external audit to provide a detailed update on progress and issues at each meeting. This should include explicit details of what would be done differently in 2016/17 to ensure the accounts were delivered on time.

It was noted that Ernst & Young had suggested that the timetable be brought forward for an earlier close, and that officers had not agreed this as Ernst & Young needed to prove they could meet the current timetable before the time for audit was shortened.

RESOLVED: That (1) the External Audit Annual Audit Letter be noted;

(2) a standing item be added to the agenda for external audit to provide progress updates.

28. INTERNAL AUDIT CHARTER 2016/17

The Committee considered revisions to the Internal Audit Charter, which had been updated to provide clearer compliance with the UK Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013.

RESOLVED: The revised Internal Audit Charter was approved.

29. INTERNAL AUDIT PROGRESS REPORT 2016/17 QUARTER 3 AND OPERATIONAL INTERNAL AUDIT PLAN QUARTER 4

The Committee considered the Internal Audit 2016/17 Quarter 3 report, and the 2016/17 Quarter 4 audit plan.

The following points were made by Members during discussion:

- The audits being undertaken were wide-ranging and thorough.

- One audit (Physical Access Controls including Security Arrangements) had received no assurance. The audit had found tailgating through automatic security doors was taking place, and had identified areas of the building where public access was not controlled. The audit also found that around 500 staff leaver passes remained active, and around 200 of these had been used after the staff member's leaving date. Action was being taken to address these high security risks. The Chairman requested that the Head of Business Assurance write to the Cabinet Member for Finance, Property and Business Services to inform him of the findings in relation to the number of security passes for former LBH staff that Internal Audit had identified were still active at the time of the audit testing. Party Whips should also be advised if any of the active passes belonged to Members who had left the Council.
- Members offered their congratulations to Abdul Bari who would be leaving the Internal Audit team to take up a post at Santander.

RESOLVED: That (1) the Internal Audit 2016/17 Quarter 3 report, and the 2016/17 Quarter 4 audit plan be noted;

(2) the Head of Business Assurance write to the Cabinet Member for Finance, Property and Business Services regarding the findings of the Physical Access Controls audit.

30. CORPORATE FRAUD TEAM PROGRESS REPORT

The Committee considered a report on the work under taken by the Corporate Fraud Investigation Team (CFIT) for the period April to October 2016.

It was reported that:

- The achievements of CFIT in the period April to October 2016 included the recovery of 46 social housing properties, which could be re-let to residents in genuine housing need.
- CFIT was working with fraud teams in other boroughs to identify benchmarks against which to measure the success of fraud detection in Hillingdon. Five local boroughs had formed a Sharing Good Practice Group which would be collecting data and sharing results.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) were gathering data from local authorities to enable benchmarking to take place. Hillingdon was recognised as a leading authority in fraud detection and would be meeting with CIPFA to discuss development of the benchmarks.

The following points were made by Members during discussion:

- Members requested that future reports include performance figures for previous periods to enable comparison and to develop a long-term picture of the work of the CFIT.

- In response to a query from a Member regarding Blue Badge fraud, officers advised that Hillingdon's strategy was to focus fraud investigation resources on high payback areas such as social housing. It was recognised that Blue Badge fraud impacted on vulnerable people and consideration would be given to including it in next year's planning.

RESOLVED: That the report on the work under taken by the Corporate Fraud Investigation Team (CFIT) for the period April to October 2016 be noted.

31. NATIONAL SCHEME FOR AUDITOR APPOINTMENTS

The Committee considered a report on the national scheme for auditor appointments.

RESOLVED: The Committee supported the recommendation that the Corporate Director of Finance recommend to Council that the London Borough of Hillingdon formally opt in to the national scheme for appointing local authority external auditors.

32. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2016/17

Internal Audit had carried out a review of the effectiveness of the Committee, and the results were considered by the Committee. The report covered:

- Terms of reference
- Independence and membership
- Members' skills, training and development
- Audit Committee meetings - review of key documentation
- Audit Committee benchmarking
- Follow-up of recommendations arising from the 2014/15 Assurance Review.

The review made seven recommendations for improvement:

- (1) Review the Audit Committee terms of reference which was last done in May 2013.
- (2) Produce a formal induction programme for new Audit Committee members
- (3) Produce an ongoing training and development plan for current Audit Committee members.
- (4) Prepare an Audit Committee Annual report for consideration by Council.
- (5) Consider increasing the membership of the Audit Committee to reduce the risk of meetings being inquorate.
- (6) Ensure consideration of declarations of interest is always recorded in the minutes.

- (7) Consider implementing a defined role description for the Chair, including minimum attendance requirements.

The following points were made by Members during discussion:

- Substitute Audit Committee members should have access to the same training as full Audit Committee members.
- Consideration should be given to using accessible training methods to maximise Audit Committee member engagement, such as videoing training sessions and making them available online.
- Higher Member attendance could be achieved by holding Audit Committee member training sessions at times other than immediately before Audit Committee meetings, which sometimes conflicted with Members' employment commitments.

RESOLVED: That (1) the report on the effectiveness of the Committee be noted;

(2) the Committee's comments on how to maximise Member engagement be taken into consideration when the training programme was being developed.

33. AUDIT COMMITTEE TERMS OF REFERENCE

RESOLVED: The terms of reference would be brought to the next meeting.

34. AUDIT COMMITTEE FORWARD PROGRAMME

RESOLVED: The forward plan was noted.

35. RISK MANAGEMENT REPORT AND QUARTER 2 CORPORATE RISK REGISTER

The report presented to Members the Corporate Risk Register for Quarter 2 (July to September 2016). The report provided evidence about how identified corporate risks were being managed and the actions which were being taken to mitigate against those risks.

RESOLVED: To note that the Committee reviewed the Corporate Risk Register for Quarter 2 (July to September 2016), as part of the Committee's role to independently assure the risk management arrangements in the Council.

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EY 2016/17 Annual Audit Plan; 2016/17 Pension Fund Audit plan; and Information on Their Detailed Work Plan

Contact Officer: Sian Kunert
Telephone: 01895 556578

SUMMARY

The attached documents set out the initial plans for the 2016/17 audit by the Council's external auditors EY. The format of the plans follows that prescribed by the Audit Commission for external audit work. The plans sets out the approach to the audit of the Council's Accounts and the Pension Fund Accounts and a broad timetable which should enable the whole process to be completed by early September. Whilst the Pension Fund forms part of the Council's published Financial Statement of Accounts, a separate plan is prepared for that audit.

Following a request at the last Audit Committee, EY have also produced an audit work plan to cover the interim work carried out to date and plan for completion of the main audit covering key dates where work is planned and this is attached for information.

RECOMMENDATIONS

The Committee is asked to note the report.

REASONS FOR OFFICER RECOMMENDATIONS

The Committee needs to be made aware of the plans for the audit of the 2016/17 accounts.

COMMENT ON THE CONTENT OF THE AUDIT PLAN

Materiality: The expected level of materiality, calculated on the basis of 2% of gross expenditure is £13.2m. EY plan to report on all uncorrected audit misstatements greater than £0.66m.

Key Financial Statement Risks: The plan highlights the key financial statement, these being the main areas on which specific audit work will focus. They are as follows:

- Risk or fraud in revenue and/or expenditure recognition
- Risk of management override
- Financial statement presentation

In addition the auditors have a statutory duty to provide a value for money conclusion based on two main criteria. These are that the organisation has proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources.

The external auditor is required to carry out work on behalf of the Audit Commission to certify certain grant claims. In 2016/17 EY will audit the Housing benefits subsidy claim under the requirements of section 28 of the Audit Commission Act 1998.

FEES

The proposed fees for the 2016/17 audit for the main accounts are £157,268, no change from 2015/16.

For grant certification work the proposed fee for Housing Benefit is £28,725. The fee for 2015/16 was £24,445.

COMMENT ON THE CONTENT OF THE PENSION FUND AUDIT PLAN

Materiality: Materiality is calculated on the basis of 1% of the net assets of the fund which for 2016/17 is estimated as £8.102m. Based on this amount, EY would expect to report on all unadjusted misstatements greater than £0.4m.

Key Financial Statement Risks: The plan highlights the key financial statement, these being the main areas on which specific audit work will focus. They are as follows:

- Risk of incorrect valuation of investments
- Risk of management override
- Risk of error due to change in Pension Fund administrator
- Accounting for changes in investment managers

FEES

The proposed fees for the 2016/17 audit are £21,000, no change from 2015/16.

TIMETABLE

The timetable for both audits remains unchanged with the deadline for draft accounts being 30 June and the audit opinion due by 30 September 2017.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

BACKGROUND PAPERS

None.

Hillingdon Pension Fund

Year ending 31 March 2017

Audit Plan

20 February 2017

Ernst & Young LLP



Building a better
working world

Audit Committee
London Borough of Hillingdon
Civic Centre
High Street
Uxbridge
Middlesex
UB8 1UW

20 February 2017

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with the Committee on 16 March 2017 and to understand whether there are other matters which it considers may influence our audit.

Yours faithfully

Tim Sadler

Executive Director
For and behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Hillingdon Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017; and;
- ▶ Our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Hillingdon Borough Council.

Our audit will also include the mandatory procedures that we must perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2017.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Pension Fund, identified through our knowledge of its operations and discussion with those charged with governance and officers.

Significant risks (including fraud risks)	Our audit approach
Risk of incorrect value of investments	
<p>Based on initial planning work on the Pension Fund and discussions with management we note that the Pension Fund holds a significant balance of investments in alternative investments, including Private Equity funds.</p> <p>By their very nature these investments are more difficult to value and their valuation includes an element of judgement.</p>	<p>We will</p> <ul style="list-style-type: none"> ▶ Review and test investment valuation policies ▶ Review investment valuations as performed by the investment managers and test them for reasonableness and against available pricing information ▶ Obtain third party confirmations for investment valuations ▶ Obtain audited accounts for these funds
Risk of management override	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ▶ Reviewing accounting estimates for evidence of management bias, and ▶ Evaluating the business rationale for significant unusual transactions
Risk of error due to the change in pensions administrator	
<p>The Pension Fund changed the provider of pensions' administration services from Capita to Surrey County Council in year.</p> <p>Given the size of the Fund and the number of members there is a risk that not all data was correctly transferred to the new administrator.</p> <p>There is a further risk that, in the first few months as new administrator, procedures and controls may not yet been embedded and thus errors may be more likely to occur.</p>	<p>Our approach will include:</p> <ul style="list-style-type: none"> ▶ Reviewing the nature of the new agreement with Surrey County Council ▶ Reviewing the work performed by Surrey County Council around the data transition, including the reconciliation of records ▶ Reviewing any available reports on Surrey County Council's controls ▶ Testing the completeness and accuracy of the data transfer from Capita to Surrey County Council

We have identified other key areas of audit focus that have not been classified as significant risks but are still important when considering the risks of material misstatement to the financial statements and disclosures.

Changes to investments	
<p>We understand the significant changes to investments are:</p> <ul style="list-style-type: none"> ▶ Transfer of investment portfolio from State Street to Legal and General ▶ Transfer of investment portfolio from Kempen to Newton ▶ Transfer of investment portfolio from GMO to Legal and General ▶ Transfer of the Ruffer portfolio into the London Collective Investment Vehicle <p>With any investment changes there is an audit risk that transactions may be omitted from the financial statements or not be reported fairly.</p>	<p>As part of our work we will: :</p> <ul style="list-style-type: none"> ▶ Review the audit trail these movements and proceeds and verify significant transactions to external audit evidence ▶ Obtain adequate assurance to support that the changes have been accounted for and disclosed as expected ▶ Obtain and review the investment manager's contracts to understand the nature of the new investments, and any relevant audit risks ▶ Obtain sufficient evidence to support the investment valuation. The evidence required will depend on the complexity of the valuation techniques applied by the investment manager and may include obtaining independent audited financial statements

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind the Committee that management has the primary responsibility to prevent and detect fraud. It is important that management - with the oversight of those charged with governance - has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;
- ▶ asking management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ considering the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud; and
- ▶ performing mandatory procedures regardless of specifically identified risks.

3. Our audit process and strategy

3.1 Objective and scope of our audit

Under the Code of Audit Practice (the 'Code') our principal objectives are to review, and report on, the Pension Fund's financial statements to:

- ▶ form an opinion on the financial statements under International Standards on Auditing (UK and Ireland); and
- ▶ form an opinion on the consistency of the pension fund financial statements within the pension fund annual report with the published financial statements of Hillingdon Borough Council.

3.2 Audit process overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls to understand where errors are most likely to arise;
- ▶ Where relevant reviewing the work of internal auditors;
- ▶ Reviewing and assessing the work of experts in relation to areas such as valuation of promised retirement benefits to establish if reliance can be placed on their work; and
- ▶ Substantive tests of detail of transactions and amounts

Processes

Our initial assessment of the key processes across the Pension Fund has identified the following areas where we will seek to understand key controls:

- ▶ Benefits Payable
- ▶ Contributions Receivable
- ▶ Cash and Bank
- ▶ Investments (including investment income)
- ▶ Journals and the Preparation of Financial Statements
- ▶ IAS 19 submissions (data submissions to the actuary)

As investments are managed by contracted fund managers and overseen by the appointed custodian, we will also review the findings of independent ISAE 3402 assurance reports, for the custodian and fund managers, and assess if there are any issues reported that may impact on our testing strategy.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ help to identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests, and

- ▶ give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

As in the prior year we will review internal audit plans and the results of their work. We consider these when designing our overall audit approach and when developing in our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions Liability	EY Pensions team and the pensions fund actuary

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Pension Fund's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ assess the reasonableness of the assumptions and methods used;
- ▶ consider the appropriateness of when the specialist carried out the work; and
- ▶ assess whether the substance of the specialist's findings are properly reflected in the financial statements.

3.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (Section two), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error
- ▶ Significant disclosures included in the financial statements
- ▶ Entity-wide controls
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements
- ▶ Auditor independence

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

3.4 Materiality

In order to decide whether the financial statements are free from material error, we define materiality as the scale of an omission or misstatement that, individually or added together could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements' of the Pension Fund is £8.102m based on 1% of net assets. We will communicate uncorrected audit misstatements greater than £405k to the Committee.

The amount we consider material at the end of the audit may differ from our initial decision. At this stage, however, we cannot anticipate all the circumstances that might influence our judgement. At the end of the audit we will form our final opinion by referring to anything that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

3.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Hillingdon Pension Fund is £21,000.

3.6 Your audit team

The engagement team is led by Tim Sadler, who has significant experience of pension audits. Tim is supported by Adrian Balmer (Audit Manager), who is responsible for the day-to-day direction of audit work and the key point of contact for your finance and pension teams.

Maria Grindley is the Executive Director leading our overall engagement with Hillingdon Borough Council and our relationship with the Audit Committee.

3.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit. The timetable includes the deliverables we have agreed to provide to the Pension Fund through the Audit Committee's cycle in 2016/17.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Pension fund and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	January/February 2017	16 March 2017	Audit Fee Letter Audit Plan
Risk assessment and setting of scopes	January/February 2017	16 March 2017	Audit Plan
Year-end audit	July/August 2017		
Completion of audit	August 2017	September 2017	Report to those charged with governance via the Audit Results Report Audit report , including our opinion on the financial statements Audit report on our opinion on the consistency of the financial statements within the pension fund annual report with the published financial statements.

4. Independence

4.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with the Pension fund on a timely basis on all significant facts and matters which have a bearing on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with the Pension Fund’s governance on matters in which it has an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ Any principal threats to objectivity and independence identified by EY including consideration of all relationships between the Pension Fund, its affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about EY’s general policies and processes to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards we have and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged for them; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to the Pension Fund and its affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

4.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in the entity. Examples include where we have an investment in the entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Pension Fund.

We are the appointed auditors for Hillingdon Borough Council; we have no other business relationship with the Pension Fund or Council. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Pension Fund has approved and are in accordance with PSAA Terms of Appointment.

At the time of writing, there are no non-audit services provided by us to the Pension Fund.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Pension Fund. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified. We therefore confirm that EY is independent and the objectivity and independence of Tim Sadler, the audit engagement Director, and the audit engagement team have not been compromised.

4.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016-17 £	Scale fee 2016-17 £	Outturn fee 2015-16 £	Explanation
Opinion Audit	21,000	21,000	21,000	
Total Audit Fee – Code work	21,000	21,000	21,000	
Non-audit work	0	0	0	

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ officers meet the agreed timetable of deliverables;
- ▶ there are no significant deficiencies in the operating effectiveness of the internal controls for key processes outlined in section 3.2 above;
- ▶ our accounts opinion being unqualified;
- ▶ the Pension Fund provides appropriate quality documentation; and
- ▶ the Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Director of Finance in advance.

Fees for the auditor's consideration of correspondence from the public and any formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	▶ Audit Results Report
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Audit Results Report
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Audit Results Report
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Audit Results Report
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	▶ Audit Results Report

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report ▶ Annual Audit Letter if considered necessary

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ey.com

London Borough of Hillingdon

Year ending 31 March 2017

Audit Plan

20 February 2017

Ernst & Young LLP



EY

Building a better
working world

Rajiv Vyas
Audit Committee Chairman
London Borough of Hillingdon
Civic Centre
Uxbridge
Middlesex
UB8 1UW

20 February 2017

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 16 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley
For and behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of London Borough of Hillingdon give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and,
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2017.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of fraud in revenue and expenditure recognition	
<p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Review and test revenue and expenditure recognition policies; ▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias; ▶ Develop a testing strategy to test material revenue and expenditure streams; and ▶ Review and test revenue cut-off at the period end date.
Risk of management override	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ Reviewing accounting estimates for evidence of management bias; ▶ Evaluating the business rationale for significant unusual transactions; and ▶ Reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.
Other financial statement risks	
Financial statements presentation – expenditure and funding analysis and comprehensive income and expenditure	
<p>Amendments have been made to the <i>Code of Practice on Local Authority Accounting in the United Kingdom 2016/17</i> (the Code) this year changing the way the financial statements are presented.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.</p> <p>The Code no longer requires statements or notes to be prepared in accordance with the Service Reporting Code of Practice (SeRCOP). Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis. This change in the Code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code; ▶ Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2016/17 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has not identified any risks which we view as relevant to our value for money conclusion.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ financial statements, and
- ▶ arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- ▶ Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require; and
 - ▶ Give a separate opinion on the part of the Council's financial statements that relates to the accounts of the pension fund.
- #### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Our audit involves:

- ▶ Audit process overview;
- ▶ Assessing the key internal controls and testing the operation of controls;
- ▶ Review and re-performance of the work of internal audit in relation to controls testing of any areas where we place reliance on their work;
- ▶ Reliance on the work of experts on pensions and valuations; and
- ▶ Substantive tests of detail of transactions and amounts.

Processes

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to test key controls, both manual and IT:

- ▶ Procure to pay; and

- ▶ Accounts receivable.

For all other key processes we plan to take a fully substantive approach.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

As in the prior year, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property, Plant and Equipment	EY valuations team/ Third party specialists
Pensions	EY pensions team/ / Third party specialists

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 **Mandatory audit procedures required by auditing standards and the Code**

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014, and Code of Audit Practice.

4.4 **Materiality**

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements' of the Council is £13.193 million based on 2% of Gross Revenue Expenditure. We will communicate uncorrected audit misstatements greater than £660,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 **Fees**

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of London Borough of Hillingdon is £157,268.

4.6 Your audit team

The engagement team is led by Maria Grindley, who has experience on London Borough of Hillingdon. Maria is supported by Adrian Balmer who is responsible for the day-to-day direction of audit work and is the key point of contact for the Chief Accountant.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning, Risk assessment and setting of scopes	December 2016 – January 2017	March 2017	Audit Plan More detailed work plan
Testing routine processes and controls	January – March 2017	June 2017	Progress Report
Year-end audit	July – August 2017		
Completion of audit	September 2017	September 2017	Report to those charged with governance via the Audit Results Report. Audit report (including our opinion on the financial statements); and overall value for money conclusion. Reporting to the NAO on the Whole of Government Accounts return. Audit completion certificate.
Conclusion of reporting	September 2017	September 2017	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; and ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £	Explanation
Opinion Audit and VFM Conclusion	157,268	157,268	157,268	
Total Audit Fee – Code work	157,268	157,268	157,268	
Certification of claims and returns ¹	28,725	28,725	24,445	
Total	185,993	185,993	181,713	

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	▶ Audit Results Report
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Audit Results Report
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Audit Results Report
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Audit Results Report
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	▶ Audit Results Report

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report ▶ Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<ul style="list-style-type: none"> ▶ Certification Report ▶ Annual Audit Letter if considered necessary

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London Borough of Hillingdon

Detailed Work Plan – as agreed with officers for 2016/17

EY Audit Schedule and Timings:

1. Planning:

In line with the requirements of the ISA's we need to thoroughly plan the FY 16/17 audit. This includes detailed risk assessment and review of cumulative audit knowledge as well as latest information and reports. Our planning was largely completed off-site and involved us updating our understanding from the prior year with a view to delivering our Audit Strategy via our Audit Plan which will be presented to the March 2017 Audit Committee. We have relied on information produced by the Council including cabinet reports and committee papers; we have also held planning meetings with management and drawn information from these preliminary discussions with management and internal audit.

We set out our intentions at a planning meeting held in January 2017 with key officers where an earlier version of this document which was circulated prior to the meeting was discussed in detail.

2. Interim Audit:

We communicated our initial interim client assistance schedule in December 2016; this set out in more detail the different tasks we intended to carry out. The Chief Accountant originally noted that not all tasks could be completed and we then scheduled a meeting for Thursday 12th January 2017 to discuss this further. This meeting was attended by key officers as well as the new EY Manager and the Senior from EY. The schedule below has been updated accordingly to reflect the outcome of that meeting and the current status and timelines of the work being undertaken.

We agreed with key officers as part of our planning work that we would complete our interim audit visit during the period 30th Jan to 10th March. To date we have made progress on a number of key tasks as shown below and we will update the Audit Committee at its meeting on 16 March on the tasks that are ongoing at the time this paper was drafted.

Period	Task	Deliverable/outcome
30/01-06/02	Walkthroughs.	Completed documentation of key financial statement processes.
06/02-10/03	Month 9 sample testing – Income & Expenditure testing including Property, Plant and Equipment: additions and disposals.	Completing testing at M9. Progress has been communicated with key officers through meetings. Update to TCWG at Audit Committee on any significant findings.
to 24/02	Controls testing (Information Technology Risk Assessment). EY IT specialists (ITRA) to liaise with key client contacts to document and test specific aspects of the IT control environment.	Feedback to key officers on results of testing through progress meetings. Update to TCWG at Audit Committee on any significant findings.
to 10/03	Other tasks that can be performed before closedown include a number of examples such as: Significant contract review, Starters and Leavers, Exit Packages,	Feedback to key officers on results of testing through progress meetings. Update to TCWG at Audit Committee on any

	Accounting policies review and disclosure checklist. We produced a list of possible tasks for completion on our interim Client Assistance Schedule and discussed with key officers at the update meeting held on 12 th January 2017. which of these were feasible from the client's perspective.	significant findings.
to 10/03	Value for Money Planning	Feedback to key officers and Audit Plan presented to Audit Committee.

3. Year End Audit:

Main audit

We have agreed with officers as part of our planning work that we would complete the main areas of work involved in our final visit during the period 24th July to 25th August. There will be audit team members on site between these dates. During this time we will carry out the remainder of our year-end tasks including top up control testing and substantive testing from M9. We have provided further detail on a week by week basis of the tasks that we will complete whilst on site. This schedule is included as a separate item as part of the Audit Committee papers from EY.

This on site visit will be followed by a week of final review of the work, the financial statements and report drafting. We have set our timetable and planned resources such that the audit will be complete by end of August leaving sufficient time for year end deliverables before the end of September.

Period	Task	Deliverable/outcome
To 31/08	<p>Year-end audit tasks including the following – this list is not exhaustive:</p> <ol style="list-style-type: none"> 1) Top Up Testing of those areas tested above at Month 9; 2) Value for Money Conclusion re-visit; 3) Significant year-end audit tasks including (but not limited to): <ul style="list-style-type: none"> - Review of Annual Governance Statement; - Review of the Explanatory Foreword; - Work to address significant risks; - Journals Testing; - Balance Sheet Testing; 	<p>A number of areas are started at the beginning of our visit but progress on each area will be dependent on how much each auditor can complete in the time on site and officer availability. We work closely with key officers to keep them informed on availability which helps us prioritise our work.</p> <p>Findings to be discussed with key officers at regular progress meetings and errors will be reported in the Audit Results Report to be presented to TCWG in September 2017</p>

	<ul style="list-style-type: none"> - Review of External Confirmations; - Expenditure Funding Analysis Agreement; - Whole of Government Accounts; - Testing all relevant disclosure notes; - HRA and Collection Fund Testing. 	
Two weeks before 27 th September Audit Committee.	<p>Audit papers required two weeks before the committee. To be sent to key officers for review before being presented to TCWG at the September audit committee.</p> <p>Calendar invites to discuss contents with key officers.</p>	Draft audit report and opinion.

Pension fund audit

Taking on board officers' suggestions to minimise disruption, we have endeavoured to be on site at the same time as the main audit team.

Therefore we completed the planning and interim audit work during the same period as the main audit, albeit the pension fund audit visit was shorter. We completed this work on site from 30th Jan to 10th February.

Following this visit we had completed planning and walkthroughs as well as any other tasks that were determined as suitable for early delivery after discussions with officers.

The Pension Fund audit plan was presented to officers with the main audit plan on 20th February 2017 for review and comments. The audit plan includes the significant risks that we have identified as part of the Pension Fund planning.

For the year-end audit we plan to be on site for 3 weeks from w/c 24/07 to w/c 07/08. During this time we will carry out our year-end tasks along with our substantive procedures and any remaining work from our interim visit.

We have set our timetable and planned resources such that the audit will be complete by end of August leaving time for year end deliverables before the end of September.

Period	Task	Deliverable/outcome
24/07/2017 to 11/08/2017	<p>Year-end audit tasks including (but not limited to):</p> <ol style="list-style-type: none"> 1) Investments testing including valuation, purchases and sales; 2) Testing over the transfer of investment portfolios; 3) Testing over the transfer of investment manager; 	Findings to be discussed with key officers at regular progress meetings and errors will be reported in the Audit Results Report to be presented to TCWG in September 2017.
Review and completion steps to 31 st		

August.	<p>4) Benefits testing;</p> <p>5) Contributions testing;</p> <p>6) Testing of management expenses;</p> <p>7) Significant year-end audit tasks including (but not limited to):</p> <ul style="list-style-type: none"> - Review of Annual Report; - Review of service auditor reports; - Work to address significant risks; - Journals Testing; - Review of External Confirmations; - Testing all relevant disclosure notes; - IAS19 Testing (we will aim to test this earlier if we can be given the necessary data). 	
Two weeks before September committee date	<p>Audit papers required two weeks before the committee. To be sent to key officers for review before being presented to TCWG at the September Audit Committee.</p> <p>Calendar invites to discuss contents with key officers.</p>	Draft audit report and opinion.

Grants work/Housing Benefits (HB)

We have held discussions with the Benefits and Governance Manager and the HB team regarding the 16/17 benefits work.

Regular calendar invites have been sent to outline the work that needs to be done. An EY team member will be around during sample selection to discuss with the team how we expect the work to be completed. Progress will be monitored regularly during the meetings.

The completion deadline for HB work is 30th November each year and we will ensure that sufficient resources are committed to the audit to deliver against this key deliverable.

EY Audit Work Plan - Planned timing of audit

w/c 24 July	w/c 31 July	w/c 07 Aug	w/c 14 Aug	w/c 21 Aug
Agreement of Ledger*	PPE	PPE	Annual Governance Statement	WGA
Analytics Mapping*	Debtors and Creditors	Debtors and Creditors	Narrative Statement	
Casting*	I&E (Top Up Testing)	I&E (Top Up Testing)	Non-Material Notes and Disclosures	
Collection Fund	Grants (Top Up Testing)	Journals	Other Balance Sheet	
Cash	Journals	HRA	Cashflow Statement	
	Payroll (Top Up Testing)		Finance Leases	
	Cash		MIRS	
			Adjustment between AB&FB	

Pension Fund		Pension Fund	
w/c 24 July	w/c 31 July	w/c 07 Aug	
Agreement of Ledger*	Journals	Investments - change in market value	
Analytics Mapping*	Investments - price testing	Investments - review of controls reports	
Casting*	Investments - unquoted investments	Investments - fair value hierarchy	
Transition of administrator	Investments - purchases/sales testing	Contributions	
Investment manager transition	Benefits	Cash	
Investments - agreement of custodian and investment manager		Annual report (all parts)	
	Management expenses	Non-Material Notes and Disclosures	
	Investment income		

* Denotes mainly internal

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EY - ANNUAL GRANT AUDIT LETTER

Contact Officer: Sian Kunert
Telephone: 01895 566578

SUMMARY

This report provides a summary of the key findings on the grant work undertaken by EY for the year ended 31 March 2016.

RECOMMENDATIONS

Committee is asked to note the report.

INFORMATION

The attached report addressed to the Audit Committee on Grant Certifications has been completed by the Council's external auditors EY to communicate the key issues arising from their 2015/16 grant certification work.

EY were responsible for certifying the Housing Benefit Subsidy claim under the contract with the Public Sector Audit Appointments (PSAA). From this work, as a result of a number of errors being revealed both in under and over payment of benefits identified during the audit of the Housing Benefit Subsidy claim, a qualification letter was issued. Given the nature of benefits processing and the high volume of transactions there will always be a certain element of error - the total value of the return is over £150m. However, the benefits subsidy system is such that all errors no matter how small result in qualification.

In addition, EY were responsible for certifying two returns relating to the Teachers Pension Contributions and Pooling of Capital receipts, outside of the PSAA certification regime. These returns were certified without qualification.

The total fees charged for grant certification work for 2015/16 was £36,945 (2014/15 £51,475)

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

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Certification of claims and returns annual report 2015-16

London Borough of Hillingdon

15 February 2017

Ernst & Young LLP



Audit Committee
London Borough of Hillingdon
Civic Centre
High Street
Uxbridge
UB8 1UW

15 February 2017
Ref: HB1

Direct line: 077 6993 2604
Email: MGrindley@uk.ey.com

Dear Committee Members,

Certification of claims and returns annual report 2015-16 London Borough of Hillingdon

We are pleased to report on our certification work. This report summarises the results of our work on three London Borough of Hillingdon's 2015/16 claims.

Housing Benefit Subsidy Claim

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Public Sector Audit Appointments Ltd (PSAA) made arrangements for certifying claims and returns in respect of the 2015-16 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Statement of responsibilities

The 'Statement of responsibilities of grant-paying bodies, authorities, Public Sector Audit Appointments and appointed auditors in relation to claims and returns', issued by PSAA, serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As your appointed auditor we take no responsibility to any third party.

Summary

We checked and certified the housing benefits subsidy claim with a total value of £150,704,929. We met the submission deadline.

Fees for certification work are summarised in section 2. The fees for 2015/16 are available on the PSAA website (www.psa.co.uk).

Housing Capital Receipts and Teachers Pensions Claims

During 2015-16 we acted as reporting accountants in relation to the following schemes:

- ▶ Housing capital receipts
- ▶ Teachers' pensions

We have included summaries of work on these schemes for completeness in sections 2 and 3 of this report. This work has been undertaken outside the PSAA regime, and the fees for this are negotiated with the Council and are not included in the figures included in section 4 of this report. We met the deadline for both of the schemes.

We did not identify any significant issues that need to be brought to the attention of Members.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 16 March 2017.

Yours faithfully

Maria Grindley
Executive Director
Ernst & Young LLP

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£150,704,929
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2015-16	£24,445
Fee – 2014-15	£38,300

Local Government administers the Government’s housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

Our testing identified several errors in the calculation and classification of benefits awarded to claimant during the year, as presented in the subsidy claim, the findings are summarised below.

Rent Allowances

- ▶ Testing of the initial rent allowances sample identified one case where the Authority had overpaid benefit because the additional earnings disregard was incorrectly awarded. This had the effect of understating the claimant’s income. Therefore 40+ extended testing was carried out on earned income cases within Cell 94. The additional testing identified three further errors. Two errors led to an overpayment of benefit, and were therefore included in an extrapolation table within our qualification letter. One error led to an underpayment of benefit which does not affect subsidy and was not classified as an error for subsidy purposes.

We have reported these observations to the DWP in a qualification letter.

Non HRA Rent Rebates

- ▶ Testing of the initial Non HRA sample identified one case where the Authority had underpaid benefit as a result of incorrectly assessing earned income and one case where the Authority had incorrectly input earned income with no impact on subsidy. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes.
- ▶ One case was identified where the Authority had overpaid benefit as a result of incorrectly assessing earned income. Therefore 40+ extended testing was carried out on earned income cases within Cell 11. The additional testing identified three further errors. One error led to an overpayment of benefit, and was therefore included in an extrapolation table within our qualification letter. Two errors led to an underpayment of benefit which does not affect subsidy and was not classified as an error for subsidy purposes.

We have reported these observations to the DWP in a qualification letter.

Rent Rebates

- ▶ Initial testing identified one case where the Authority had underpaid benefit as a result of incorrectly inputting earned income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes.
- ▶ One case was identified where the Authority had overpaid benefit as a result of incorrectly assessing earned income and student loan income. Therefore two sets of 40+ extended testing were carried out on earned income and student loan income cases within Cell 55.

Earned income

- ▶ The additional testing identified one error which led to an underpayment of benefit. As this does not affect subsidy it was not classified as an error for subsidy purposes.

Student loan income

- ▶ The additional testing identified three further errors. One error led to an overpayment of benefit, and was therefore included in an extrapolation table within our qualification letter. One error led to an underpayment of benefit and one error did not have an impact on benefit. As this does not affect subsidy it was not classified as an error for subsidy purposes.

We have reported these observations to the DWP in a qualification letter.

2. Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£16,231,738.43
Amended/Not Amended	Not amended
Qualification letter	No
Fee – 2015-16	£4,500
Fee – 2014-15	£4,675

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government. Regional housing boards then redistribute the receipts to those councils with the greatest housing needs. Pooling applies to all local authorities, including those that are debt-free and those with closed Housing Revenue Accounts, who typically have housing receipts in the form of mortgage principal and 'right to buy' discount repayments.

We found no errors on the pooling of housing capital receipts return and we certified the amount payable to the pool without qualification.

Note that the Pooling of housing capital receipts is not part of the PSAA contract and we agreed our procedures and fee with the Council prior to our work.

3. Teachers' pension

Scope of work	Results
Value of return presented for certification	£ 109 014 555.47
Amended/Not Amended	Not Amended
Qualification letter	No
Fee – 2015-16	£8,000
Fee – 2014-15	£8,500

The Teachers' Pension Scheme (TPS) is a contributory pension scheme administered by Teachers' Pensions (TP) on behalf of the Department for Education (DfE). Teachers employed in local authority maintained schools and other local authority establishments such as social services, youth services or authority-run training centres may be members of the scheme. For FY15-16 the Teachers' Pensions Regulations 2014, require employers to deduct contributions from teachers' salaries and to send them to TP together with the employers' contributions. Regulation 131 empowers the Secretary of State for Education to seek the necessary returns from employers.

We found no errors on the Teachers' pension scheme and we certified the amount payable to the scheme without qualification.

Note that the Teachers' pension scheme is not part of the PSAA contract and we agreed our procedures and fee with the Council prior to our work.

4. PSAA 2015-16 certification fees

Public Sector Audit Appointments (PSAA) determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the PSAA in April 2015 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2014-15	2015-16	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	38,300	24,445	24,445

5. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to PSAA by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £28,725. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2016-17.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Corporate Director of Finance before seeking any such variation.

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Balances and Reserves Statement 2017/18

Contact Officer: Paul Whaymand
Telephone: 01895 566071

SUMMARY

The budget reported to Cabinet and Council in February 2017 contained an extract from the Balances and Reserves Statement 2017/18 which summarised the recommended range for unallocated balances. The attached Balances and Reserves Statement provides further detail on the Council's approach to the management and measurement of these, outlining technical accounting guidance used and analysis of specific risks that lead to a determination of a prudent reserves and balances range.

RECOMMENDATION

That the contents of the report are noted.

REASONS FOR OFFICER RECOMMENDATIONS

The balances and reserves statement has been produced based on an assessment of key risks and requirements for which balances and reserves need to be held by the Council, as part of exercising the Section 151 officer's professional duties with regard to budget setting.

INFORMATION

- 1 The Corporate Director of Finance, as the Council's Section 151 officer has a legal duty to comment on the robustness of budget estimates for the forthcoming year including the adequacy of the Council's reserves as part of the statutory annual budget setting process. This duty stems from the financial governance framework established under the Local Government Act 2003.
- 2 For Hillingdon, this duty is exercised through an extract of the Budget Report to Cabinet and Council in February of each year. This statement expresses a prudent level of unallocated General Fund balances that the Council should hold as a range based on assessment of the key strategic, operational and financial risks faced by the Council.
- 3 The recommended range for unallocated balances has been increased from £15m to £31m in 2016/17 to £15m to £32m in 2017/18, with the overall upper limit for balances £14.5m higher, at £46.5m, to take account of the planning drawdown from reserves included in the Medium Term Financial Forecast from 2017/18.
- 4 The attached Balances and Reserves Statement contains an underlying assessment against CIPFA criteria considering both internal and external financial risks to

determine an identifiable recommended range for unallocated balances contained within the Budget Report.

LEGAL IMPLICATIONS

Decisions made by the Cabinet or a Cabinet Member must be 'Wednesbury' reasonable, i.e. Council officers need to present all the facts that are relevant to Members before they make a decision - otherwise decisions can be open to legal challenge.

BACKGROUND PAPERS

The Council's Budget: Medium Term Financial Forecast 2017/18 - 2021/22 - report to Cabinet and Council February 2017

Local Authority Accounting Panel (LAAP) Bulletin 99 – Local Authority Reserves and Balances (July 2014)

STATEMENT ON 2017/18 ANNUAL REVIEW OF RESERVES

SUMMARY

The Council's Corporate Director of Finance has a duty under the Local Government Act 2003 to comment on the robustness of the Council's budget for the coming year. This comment is also required to consider the adequacy of the Council's reserves and balances. The Corporate Director of Finance has recommended that based on the 2017/18 budget an appropriate level of unallocated balances for the authority is in the range from £15m to £32m. In addition to these unallocated balances, further sums of £14.5m are recommended to manage the impact of continued severe funding reductions.

1. BACKGROUND

- 1.1 Under the Local Government Act 2003 the Corporate Director of Finance has a duty to recommend to Cabinet the level of reserves and balances required by the Council. This requirement is met through the inclusion each year in the Budget Report to Cabinet and Council the results of a review of reserves and balances. This is done in line with current CIPFA guidance, which states that when reviewing the Medium Term Financial Forecast (MTFF) and budget the Council should consider the establishment and maintenance of reserves. These can be held for three main purposes:
 - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
 - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
 - A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements – earmarked reserves are accounted for separately but remain legally part of the General Fund.
- 1.2 When assessing the appropriate level of reserves the Corporate Director of Finance considers that the reserves are not only adequate, but also necessary.
- 1.3 To do this, the strategic, operational and financial risks facing the Council are taken into account. The Council should retain adequate reserves to cover unexpected expenditure, allow contingency against implementation of major funding cuts and to cushion the potential impact of proposed changes to funding regimes. Equally the Council should seek to utilise the maximum resources available to achieve its objectives and to ensure that current resources are used for the benefit of the current tax payer. CIPFA do not recommend a stated amount or percentage of budget to be set as a reserve level recognising the many factors involved when considering an appropriate range can only be assessed locally.
- 1.4 Over the years, the Council has improved its level of reserves to an appropriate level from a relatively low base.
- 1.5 Each category of earmarked reserve is subject to its own review of adequacy and each of these is detailed within the Statement of Accounts.

2. ADEQUATE LEVEL OF UNALLOCATED GENERAL FUND RESERVES

2.1 To determine the recommended level of reserves the Council continues to reassess the risks it currently faces. Criteria as specified in Local Authority Accounting Panel (LAAP) Bulletin 99 (July 2014) have been followed for this purpose, alongside more recently identified financial risks arising in the medium term as a result of specific government proposals and transfer of new responsibilities to the Council. Details of these are shown in Appendix 1 and include:

- The robustness of the financial planning process (including treatment of inflation and interest rates, estimates of locally raised income and timing of capital receipts);
- How the Council manages demand led service pressures;
- The treatment of planned savings / productivity gains and implementation of the Council's BID programme;
- The financial risks inherent in any major capital project, outsourcing arrangements or significant new funding changes;
- The strength of the financial monitoring and reporting processes;
- Cash flow management and the need for short term borrowing;
- The availability of reserves, Government grants and other funds to deal with major contingencies and the adequacy of provisions;
- The general financial climate to which the Council is subject and its previous record in budget and financial management.

2.2 Most of the Council's balances are held to deal with the common risks outlined above that most local authorities need to manage on an ongoing basis, however there are a number of key issues for Hillingdon that drive the need to hold additional balances.

2.3 Hillingdon has seen substantial and sustained population growth, evidenced by the latest population estimates, which is set to continue into a period of further central government funding cuts over the medium term. Continuing pressures arising from demographic growth will see increased demand for key services, including Adult Social Care, Looked After Children, Homelessness and Waste Collection and Disposal. Secondly, a number of issues arise from the presence of Heathrow Airport within the borough. In particular this is the driver of the Council's exceptional asylum caseload, which has a fragile, unpredictable and inadequate funding stream attached to the support for asylum seekers.

2.4 In addition to these local issues, the 2012 Local Government Finance Act resulted in a significant transfer of risks from Central Government in relation to both the partial localisation of Business Rates Income and introduction of a local Council Tax Reduction (CTR) Scheme. No further transfers are planned for 2017/18, although the Government has stated their intention to roll out 100% Business Rates Retention by 2019/20. While such localisation is expected to provide a mechanism for the Council to benefit from local economic growth, the corresponding transfer of risk will continue to be reflected in the recommended level of balances.

- 2.5 The array of risk factors that determine the need to hold balances and reserves have been reviewed since last year's budget setting process and the level of cover against each risk criteria refreshed, this has resulted in an increase in the maximum level of reserves by £1m to £32m in 2017/18. This uplift relates to increased provision for treatment of efficiency savings, inflation and contract risk, being off-set by an improved outlook for local income.
- 2.6 The recommended range for unallocated balances is therefore £15m to £32m. The upper end of this range represents the highest level of unallocated balances that the Council could reasonably justify holding over the longer term. As balances are above the upper level, the Corporate Director of Finance has recommended the use the excess balances in the Council's broader financial planning.
- 2.7 These excess balances will be required to support the Council's MTFF by smoothing the impact of substantial funding government funding cuts over the remainder of this parliament. A further £14.5m is included in the overall level of appropriate balances to support this strategy, reflecting the planned drawdown included within the MTFF presented to Cabinet and Council in February 2017. Appendix 1 summarises the level of balances recommended to manage the criteria set out above, with the headline range for General Balances during 2017/18 being £29.5m to £46.5m.
- 2.8 The approved budget for 2017/18 includes a drawdown of £5m from balances, which are projected to total approximately £37m at 31 March 2017 and therefore would result balances of approximately £32m at 31 March 2018.
- 2.9 The General Fund revenue budget proposals for 2017/18 also included a contingency of £19.2m which is identified against specific in year risks that are funded within the budget. Many of these risks, although not precisely quantifiable, have a high degree of certainty that they will be called upon in the year.

3. EARMARKED RESERVES

- 3.1 The Council has ring fenced earmarked reserves with balances as at 31 March 2016 Which are set out in the table below:

Reserves	Balance as at 31 March 2016 £000's
General Fund Reserves	
Earmarked Reserves	
- Grants Unapplied	2,912
- Member Initiatives	13,167
- Other Reserves	8,134
- Public Health Reserve	2,611
- Parking Revenue Account / New Roads & Street Works Act	1,235
- PFI	704

General Fund Earmarked Reserves	28,763
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3.2 Movement in and out of earmarked reserves is generally determined at outturn, with the latest budget monitoring position assuming that the balance of uncommitted earmarked reserves will reduce as a result of contributions towards the financing of transformation expenditure, planned releases of unapplied grant monies alongside other applications.

4. UNFUNDED RESERVES

4.1 Local authorities also hold other reserves that arise out of the interaction of legislation and proper accounting practice. These reserves, which are not resource-backed and cannot be used for any other purpose, are also detailed in the Council's Statement of Accounts.

Risk Management

5.1 The Code of Audit Practice makes it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks need to be assessed in the context of the Council's overall approach to risk management.

5.2 The process by which the contingency budget is constructed links directly into the Council's risk management process. Significant risks are identified and recorded in risk registers which are regularly reviewed and updated as part of the risk management process. The process provides for review by senior officers, Group Directors, Cabinet Members and the Audit Committee addressing both executive functions and governance requirements. This process is integral to ensuring the effectiveness of the budget strategy. The key financial risks identified in the corporate risk register are reflected either directly in the budget strategy or are covered by the retained level of unallocated balances and reserves.

Assessment of General Fund Reserves Requirement

Appendix 1

Assessment of General Fund Reserves Requirement	Minimum Level 2017/18 (£ million)	Maximum Level 2017/18 (£ million)	Minimum Level 2016/17 (£ million)	Maximum Level 2016/17 (£ million)	Principal Reasons for Requirement
The general financial climate to which the Council is subject	1.5	4.5	1.5	4.5	Sustained reductions funding forecast over the medium-term with the austerity agenda set to continue over this parliament
The overall financial standing of the authority	1.0	2.0	1.0	2.0	To manage adverse movement in the Council's financial standing
Estimates of level of locally raised income	2.0	3.0	2.0	4.0	The upper limit has been reduced for 2017/18 to reflect strong performance in local income collection
The treatment of planned efficiency savings / productivity gains	2.0	5.0	2.0	4.0	To manage risk around slippage of the Council's major savings programme, in response to funding reductions, the upper limit has been increased to reflect the profile of risk in 2017/18 savings proposals
The treatment of inflation and interest rates	1.0	1.5	1.0	1.0	Assumptions have been refreshed to reflect latest intelligence, and further provision included within this analysis
The financial risk inherent in major contract arrangements	1.5	3.5	1.5	3.0	To manage any impact of services arising from supplier risk, particularly in respect of Social Care provision
The treatment of demand led pressures	2.0	4.0	2.0	4.0	Increased demand for services from an aging and increasing population
The financial risks inherent in any major capital developments	1.0	3.5	1.0	3.5	Inherent risks due to significant level of investment required for school places
Estimates of the level and timing of capital receipts	1.0	2.0	1.0	2.0	Slippage on asset disposal programme could lead to increased borrowing
The availability of reserves and other funds to deal with major contingencies and pressures	2.0	3.0	2.0	3.0	Cover for unforeseen events over and above £500k budgeted provision for General Contingency

Assessment of General Fund Reserves Requirement

Appendix 1

Assessment of General Fund Reserves Requirement	Minimum Level 2017/18 (£ million)	Maximum Level 2017/18 (£ million)	Minimum Level 2016/17 (£ million)	Maximum Level 2016/17 (£ million)	Principal Reasons for Requirement
Unallocated GF Reserves	15.0	32.0	15.0	31.0	
Planned drawdown from balances 2016/17	14.5	14.5	14.0	14.0	To smooth the front-loading of funding reductions, a planned drawdown from reserves has been included in MTFE
Total GF Reserves	29.5	46.5	29.0	45.0	

Delivering the Council's Annual Governance Statement (AGS) 2016-17

Contact Officer: Kevin Byrne
Telephone: 0665

SUMMARY

1. The London Borough of Hillingdon is required to prepare an Annual Governance Statement (AGS) to meet its responsibilities for safeguarding public money and managing business functions in accordance with the Accounts and Audit Regulations 2015. The Council also has a duty under the Local Government Act 2003 to conduct a continuous assessment and improvement of business functions and demonstrate Economy Efficiency and Effectiveness.
2. A new framework entitled "Delivering good governance in Local Government : Framework (CIPFA 2016)" has been introduced and applies to AGSs prepared for the financial year 2016/17 onwards.
3. The Council is reviewing the new framework introduced for the AGS for 2016/17 and is considering how its corporate governance framework matches the new requirements. Over recent years the Council has developed a system to evaluate the management of internal controls, risk and control assurances across all services which will form part of the new approach. This will conclude with a formal statement outlining overall performance and any measures needed to address identified weaknesses as part of the Statement of Accounts. The Corporate Governance Working Group (CGWG) will provide leadership and support to compile the 2016-17 AGS.

REASON FOR REPORT

4. To provide Audit Committee with an update on the process to be adopted and approach to be taken in compiling the AGS 2016-17.

RECOMMENDATION

5. **Members are invited to note procedure followed and assurance used to produce the AGS for 2016/17.**

BACKGROUND INFORMATION

AGS Requirements and New Framework

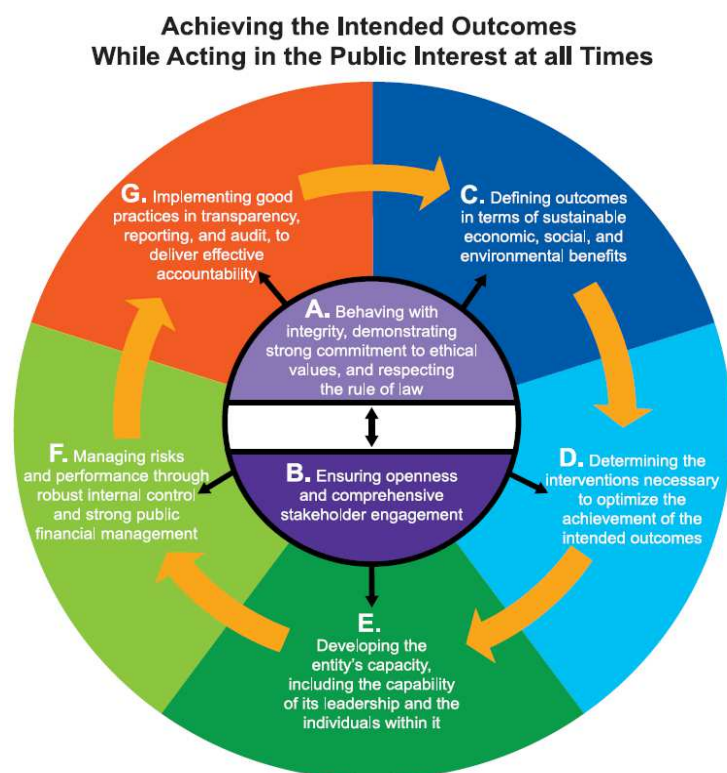
6. Under regulation 6(1)(a) of the Accounts and Audit Regulations 2015 the London Borough of Hillingdon is required to conduct a review at least once in a year of the effectiveness of its system of internal control and include a

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statement reporting on the review with any published Statement of Accounts.

7. The AGS is the process for self-assessing the Council's management of internal governance systems across all services, with the publication of a formal statement outlining overall performance and measures needed to address any identified risks.
8. The new Framework develops the existing guidance and seeks to ensure it is fit for a modern local government, including for example governance in emerging new structures such as combined authorities or through shared services.
9. The guidance is based upon 7 core principles :



10. Principles A & B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic.
11. Within the guidance it is suggested that key good practice features of an AGS are :
 - The statement has been properly approved.
 - It is regarded as valuable means of communication which will enable stakeholders to understand the authority's governance arrangements.

- It is easily accessible by authority members and the public , for example through prominent display on website and publishing it with, but separately, from accounts.
- It has been clearly thought out and reflects the vision, character and structure of the authority i.e. the big picture and not the detail.
- It demonstrates ownership by the authority and has high status within senior management.
- It is genuinely shared effort with wide input from outside the finance and audit functions.
- It is a key document for showing how the authority is achieving its strategic objectives.
- It is in an open and readable style.
- It demonstrates Challenge.
- Issues are clearly articulated and it communicates a clear and concise message.
- Weaknesses together with areas for improvement are highlighted.
- It clearly communicates what has been done to resolve significant control issues and what remains to be done.
- Actions are SMART (specific , measurable, achievable , realistic and time-bound).
- Responsibility for those actions is clearly identified.
- It is a living document, i.e. it is not focussed exclusively on year end and communicates significant issues which may change from year to year.

Progress on the AGS 2016-17

12. The AGS will combine a broad range of management information and assurances from across the council and external sources. The key sources contributing to the AGS include:

- Performance management & data quality
- Risk management processes
- Improvement and transformation programme
- Legal and regulatory assurances
- Financial control assurances
- Service delivery assurances from Directors and Heads of Service
- Annual Internal Audit report and assurance
- External inspection reports and assurances

13. The Corporate Governance Working Group has been set up by the Corporate Management Team to oversee the process and is made up of representatives from:

- Policy and Partnerships

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- Internal Audit
 - Corporate Finance
 - Procurement
 - Legal Services
 - Democratic Services
 - Human Resources
 - Residents Services
 - Adult & Children's Social Care
14. The group guides and oversees the delivery of the AGS by ensuring that key changes to governance arrangements and control systems are reported, review actions against governance or control weaknesses identified in the AGS 2016-17 and highlight cross-council assurance sources.
15. Gathering management assurance statements is a central component of the AGS. In discharging this accountability senior officers are responsible for putting in place proper risk management processes and internal controls to ensure the right stewardship of resources. Deputy Directors and Heads of Service are required to submit management assurance statements for the period up to 31st March 2017.
16. Any governance or control weaknesses identified in the management assurance statements will be reviewed by the Corporate Management Team in May 2017 with the draft AGS 2016-17 presented to the Audit Committee in June 2017 for comment and approval.

Corporate Fraud Investigation Team Progress Report April 2016 to February 2017

Contact Officers: Garry Coote
Telephone: 01895 250369

REASON FOR ITEM

To inform members of the work undertaken by the Corporate Fraud Investigation Team (CFIT) for April 2016 to February 2017.

OPTIONS AVAILABLE TO THE COMMITTEE

The Committee is asked to consider and note the Corporate Fraud Investigation Team report.

INFORMATION

1. Roles and Responsibilities

The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Fraud Investigation Team (CFIT) supports this by providing efficient value for money anti-fraud activities and investigates all referrals to an appropriate outcome. The Team provides support, advice and assistance on all matters of fraud risk including prevention, fraud detection, other criminal activity and deterrent measures.

Corporate Fraud Investigation Team activities since April 2016 included:

- Social Housing Fraud
- Council Tax/Business Rates inspections
- Single Person Discount (SPD)
- Residency and Verification checks
- Right to Buy investigations
- Proceeds of Crime investigations
- Housing Waiting List
- National Fraud Initiative (NFI)
- Trading Standards
- Blue Badge
- Bad debts
- Unaccompanied Asylum Seekers
- Benchmarking

2. Corporate Fraud Investigation Team Objectives

The Corporate Fraud Investigation Team aims to maximise income and reduce expenditure for the Council. The team intends to detect and prevent fraud across all Council activities and when appropriate prosecute offenders. The results of the work of the CFIT will ensure Hillingdon is able to achieve the objective of putting residents first.

3. Performance Outcomes April 2016 – February 2017

3.1 Social Housing Fraud

In October 2013 the Government passed legislation to criminalise sub-letting fraud. On conviction, tenancy fraudsters face up to two years in prison or a fine. Hillingdon will use these powers to prosecute suitable cases.

The CFIT investigates suspected cases of social housing fraud which are identified either by direct referral from Housing Officers, data matching exercises, verification and repairs visits or telephone calls to the fraud hotline. Through this work recovered properties are available to be re-let to residents in genuine housing need.

The Audit Commission, in their report 'Protecting the Public Purse 2014' estimated that nationally it costs councils on average £18,000 a year for each family placed in temporary accommodation. The target set by CFIT for 2016/17 is to recover 52 properties (1 a week). To date in 2016/17 this has been exceeded as 56 properties have been recovered.

In total since the commencement of this project in 2010 the CFIT have recovered 316 properties which using the Audit Commission calculation equates to savings of just over £5.6 million.



To promote this project the Blow the whistle on Housing Cheats poster appears in Hillingdon People and Council reception areas. This helps to generate calls to the fraud hotline. All referrals are fully investigated.

Examples of combating social housing fraud are also publicised in Hillingdon People. These articles often describe the improved quality of life for Hillingdon residents who have been allocated the tenancy of a recovered property. This generates positive feedback from residents and encourages reporting of suspected social housing fraud.

Currently Hillingdon is pursuing one case for prosecution; evidence is being gathered to establish if a prosecution would achieve a favourable outcome.

Table 1 shows the number of properties recovered monthly for this financial year and the notional savings achieved based on the Audit Commission calculation.

Table 1

Social Housing Fraud – number of properties recovered and savings achieved		
2016	Number	Savings
April	3	£54,000
May	8	£144,000
June	6	£108,000
July	12	£216,000
August	5	£90,000
September	8	£144,000
October	4	£72,000
November	4	£72,000
December	2	£36,000
January	3	£54,000
February	1	£18,000
Total	56	£1,008,000

The Audit Commission estimates that every property recovered represents a saving of £18,000

Chart 1 shows the cumulative properties recovered and saving since April 2016.

Chart 1

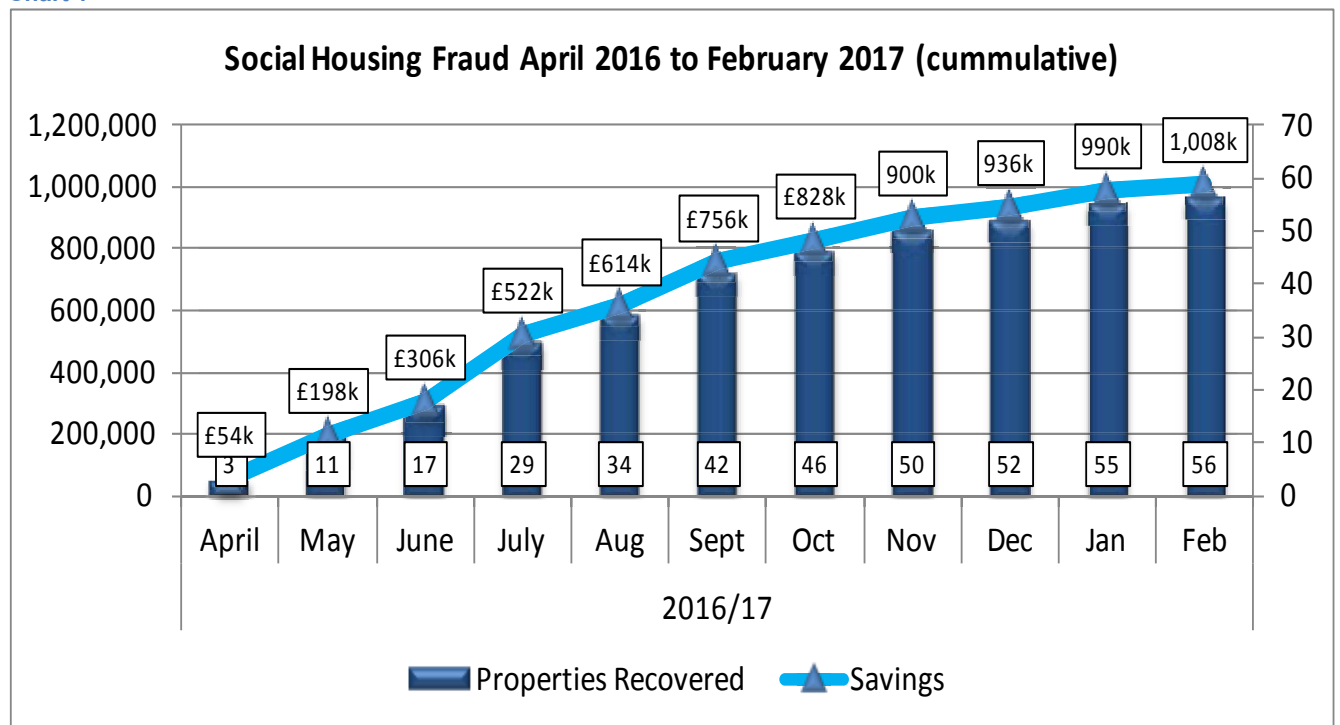


Chart 2 shows the number of properties recovered against the number of staff dedicated to this work in the CFIT.

Chart 2

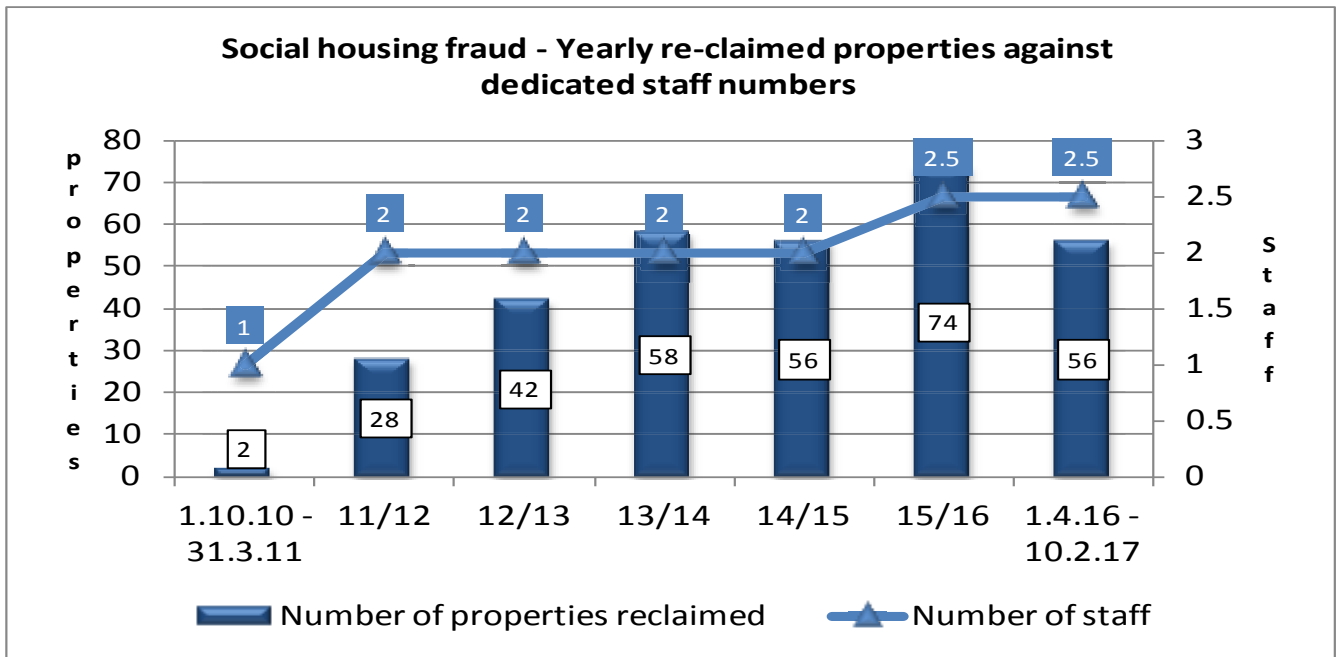


Table 2 shows a summary of the project outcomes since it commenced in October 2010 and the associated savings.

Table 2

Total Social Housing recovery and Savings since project commenced		
	Number of properties recoverd	Savings
1.10.10-31.3.11	2	£36k
2011/12	28	£504k
2012/13	42	£756k
2013/14	58	£1,044k
2014/15	56	£1,008k
2015/16	74	£1,332k
1.4.16-10.2.17	56	£1,008k
Total	316	£5,688k

In April 2016 the CFIT commenced a project in partnership with the Housing repairs service. The repairs service is required to carry out annual Gas Safety checks on all council owned properties. If they are experiencing problems gaining access cases are referred to the CFIT for further investigation. Generally, the properties that the contractor or CHO cannot gain access, have multiple household issues ranging from sub-letting, non-occupation, mental health or vulnerable persons. Some cases include residents in care or hospital. Since April 2016 this project has identified 12 cases where the property was unoccupied and was returned to the housing stock for re-allocation.

Generally the repairs service needs authority from the Court to access properties where tenants are not present. This can cost in the region of £900 and is very time consuming. Since April 2016 the CFIT through this project have cancelled 4 cases from Court saving the Council both time and money. Going forward these improved work practices should reduce the need for cases to go to Court as they will be resolved earlier.

Working closely with the Client Financial Affairs Team the CFIT are able to share information relating to empty properties for deceased tenants. The CFIT is able to trace next of kin or Estate Trustees to assist property clearance to enable re-letting as soon as possible.

Specific estate projects have been undertaken with Community Housing teams to target areas where they were experiencing difficulty with non-engagement of tenants. The CFIT has been able to run additional checks on the tenants which have established non-residency.

The CFIT continues to work closely with Social Care Mental health teams to discuss complex cases including people receiving support under the Mental Health Act. Meetings are held monthly to determine appropriate actions.

Targetted tenancy audits took place in November to specific areas where intelligence suggests breaches of tenancies may be identified. These visits were carried out with Housing colleagues who are responsible for rent collection and tenants needs.

Under the Government's National Fraud Initiative the CFIT have recently been provided with data which highlights Hillingdon tenants who may also have tenancies in other Local authorities. Work

3.2 Council Tax and Business Rates Inspections

The inspection role for Council Tax and Business Rates within the CFIT is crucial in terms of maximising the Councils revenue income.

From April 2016 to February 2017 there have been 9,375 visits. The visiting programme is very intense and officers are trained in all areas of work to ensure an efficient and planned approach to all visits.

Council Tax Inspections are generally reactive and identify the status of those claiming discounts and exemptions. Where the visit establishes the wrong amount of Council Tax is being charged the account is changed and the person re-billed.

In April 2016 the criteria for exemptions changed. Any new cases from April are only entitled to 21 days exemption rather than 6 months as previously. This change has reduced the need for repeated visits and therefore the numbers of Council Tax inspections have reduced from September 2016.

5,452 Council Tax inspection visits have been made from April 2016 to February 2017. These visits included reviews of 738 empty properties across the borough, identifying 146 as being occupied and contribution towards securing a reduction in the reported number of long-term empty homes from 463 in October 2015 to 401 in October 2016. As reducing the number of long term empty homes secures additional income for the Council through the New Homes Bonus grant, this work has secured £228k per annum for at least four years from 2017/18.

Business Rate inspection visits are carried out to check occupation status of commercial premises to ensure the Council maximises the non domestic rate revenue. Similarly, the new build visits are carried out to ensure properties are rated for domestic or business rates as soon as they are completed. It is estimated that from January 2016 to March 2017 there will be approximately 1,300 new build properties being developed in Hillingdon. This represents a significant amount of additional revenue. 3,923 visits have been made between April 2016 and February 2017 to check Business Rates and New Build Inspections.

The robust visiting programme continues in 2016/17 working with internal partners such as planning to monitor new developments with the aim of maximising revenue potential. Table 3 and chart 3 show the number of visits carried out each month since April 2016.

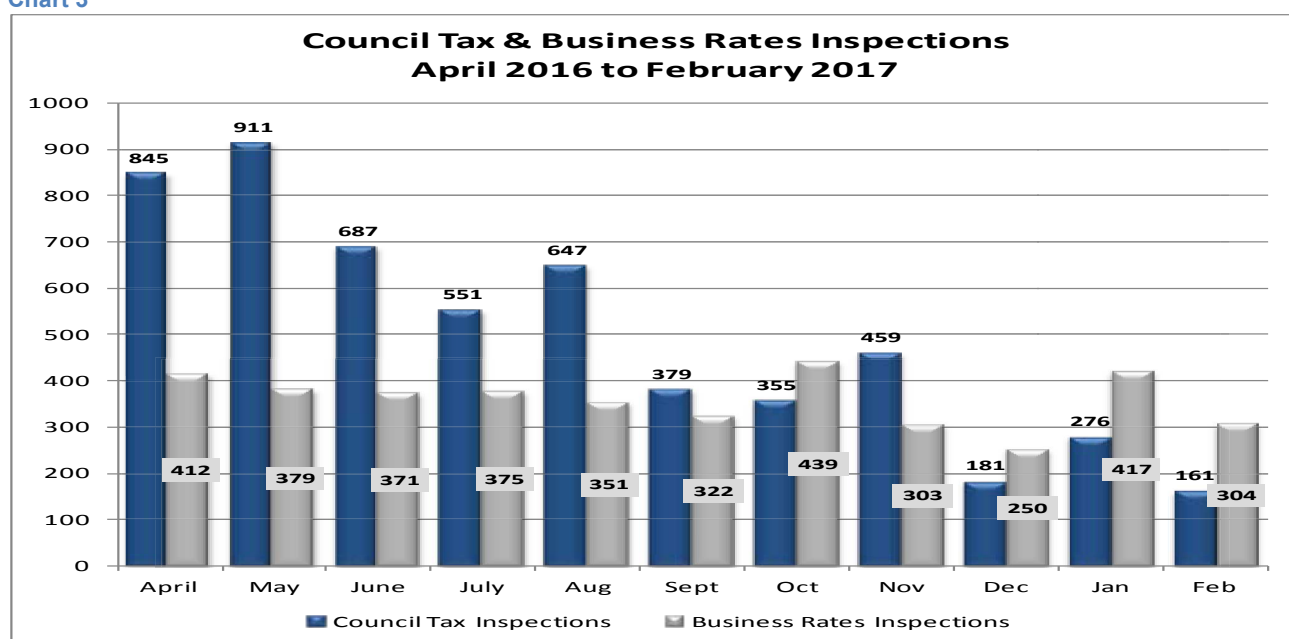
Table 3

Council Tax and Business Rates Inspections		
	Number of Council Tax Inspections	Number of Business rates and New Build Inspections
April	845	412
May	911	379
June	687	371
July	551	375
August	647	351
September	379 ^①	322
October	355	439
November	459	303
December	181	250
January	276	417
February	161	304
YTD 2016/17	5,452	3,923
Income^②	Increase in CT revenue	Increase in Business Rate/New Build revenue

① Change in exemptions criteria commenced

② Data is not specifically recorded of the increased revenue from CFIT inspections. This additional income contributes to the overall Council Tax and Business Rates revenue.

Chart 3



3.3 Single Person Discount (SPD)

The CFIT have been working on a project since January 2015 to identify incorrect claims for Single Person Discount. The project is producing very positive results in terms of reducing the number of SPD claims and generating additional income to the Authority. There are currently 29,532 SPD claims in Hillingdon. Since the commencement of this project SPD numbers are the lowest they have been for the last five years.

The CFIT are operating 5 work streams to match internal data sources against SPD claims.

Under the first work stream Hillingdon First card applications are automatically data matched to SPD records on a daily basis. This process establishes if more than one person is registered for a Hillingdon First card at an address where SPD is being claimed.

The second work stream concerns 'notices of the intention to marry' submitted to the Registrar's Office. Couples have to include their current residence on these applications and these details are matched to SPD claims.

The third work stream involves data matching SPD records with the Electoral register. This establishes if more than one person is registered at an address.

The fourth work stream concerns SPD reviews where visits are made to verify occupancy of a property where SPD is being claimed. Properties in the higher council tax bandings are being targeted as if these are found to be incorrect there will be a greater financial return.

A fifth work stream commenced in August 2016. This involves school places applications. Applications include household composition information and this can be data matched against SDP records.

If a suspected SPD fraud is identified the CFIT carries out additional background checks on the claimant, such as housing records, benefit records, school records and Equifax online credit reference checks. A member of the CFIT then contacts the claimant either by telephone, letter or personal visit to discuss the claim and the evidence indicating fraudulent activity. In most instances as a result of this contact, claimants choose to resolve matters swiftly and make arrangements to repay the Council any monies they have previously claimed in discount. They are keen to settle the matter and avoid any legal repercussions.

We have also run some additional in house reports to compare information on different systems. Since April 2016 the CFIT have cancelled 545 SPD claims resulting in overpayments of £301k as shown in table 4.

Table 4

Council Tax - Single Person Discount – since April 2016		
Work streams	Number of claims stopped	Overpaid SPD
Hillingdon First Card data matching	67	£21k
Notices of intention to marry checks	94	£39k
Electoral registration data matching	282	£171k
SPD reviews	36	£33k
In-house data matching reports	66	£37k
Total	545	£301k

Charts 4 and 5 show summaries of the SPD overpayments and the number of households where claims have been cancelled from the intervention of the CFIT.

Chart 4

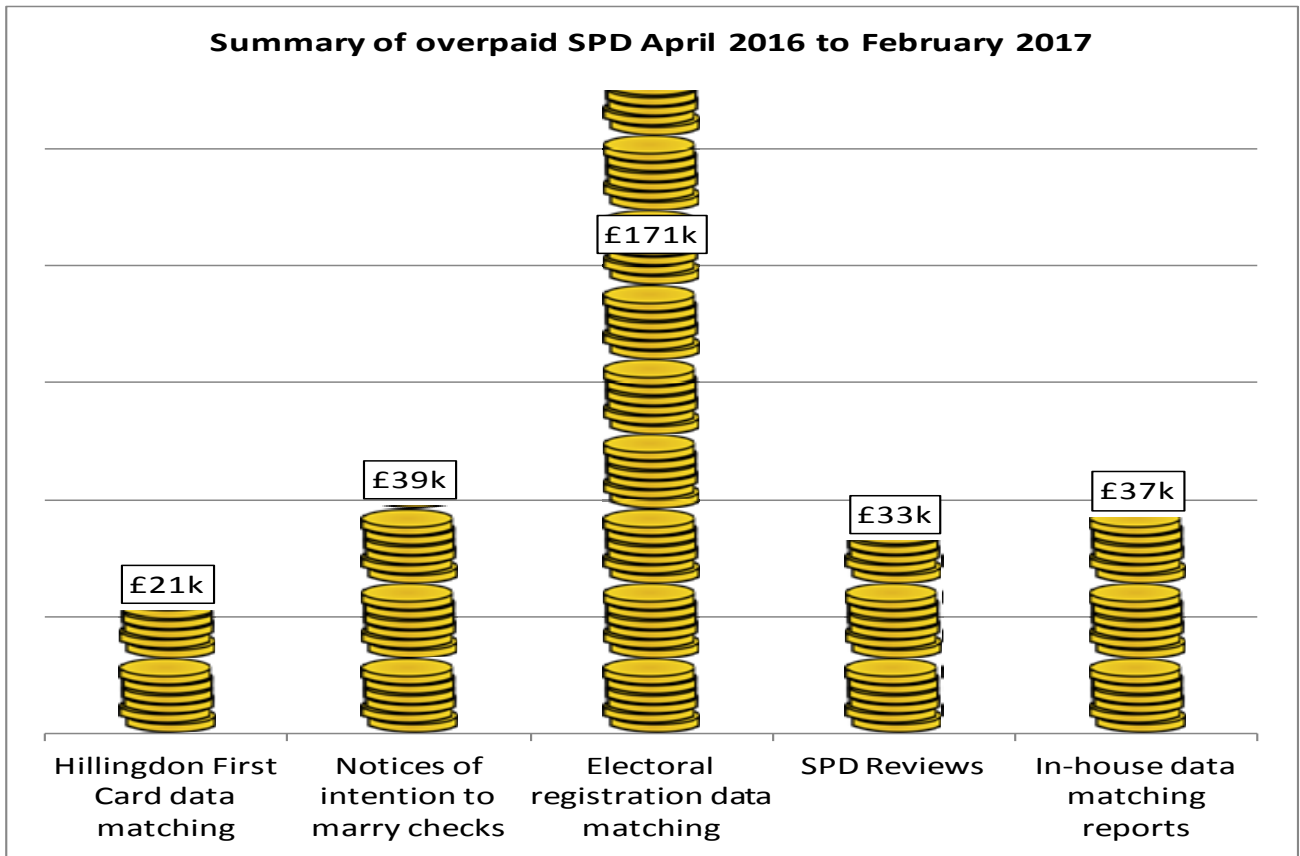


Chart 5

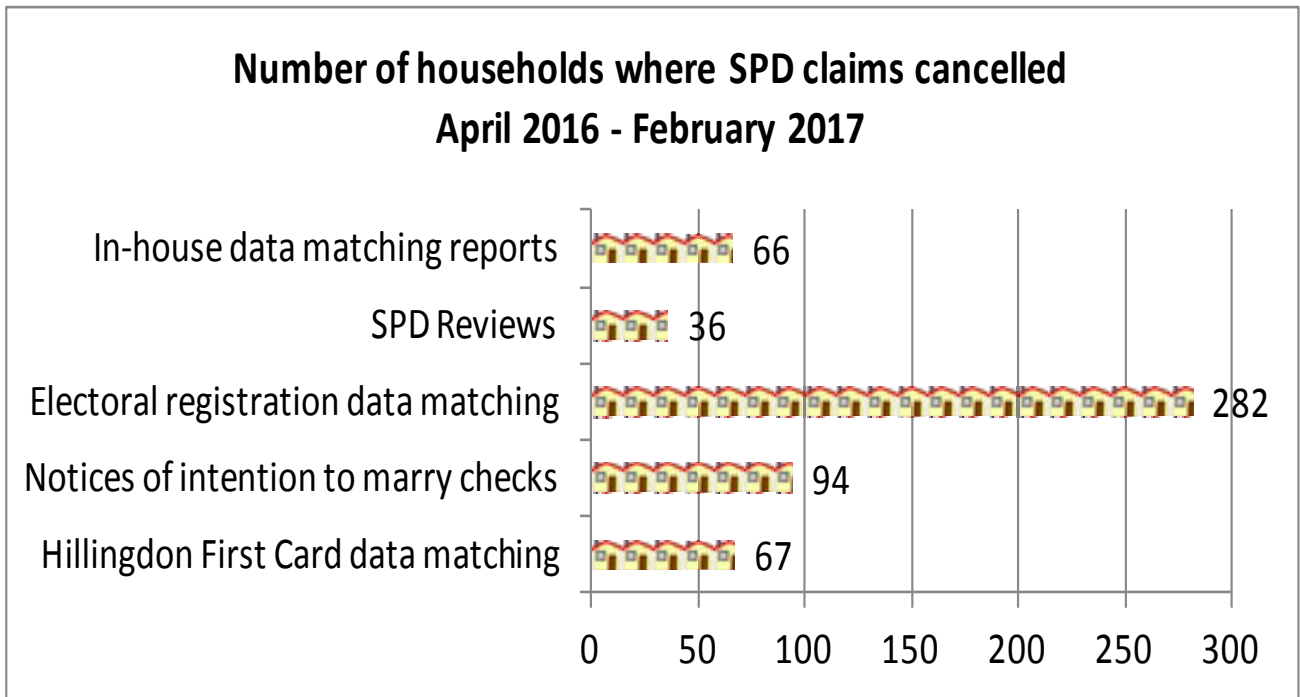
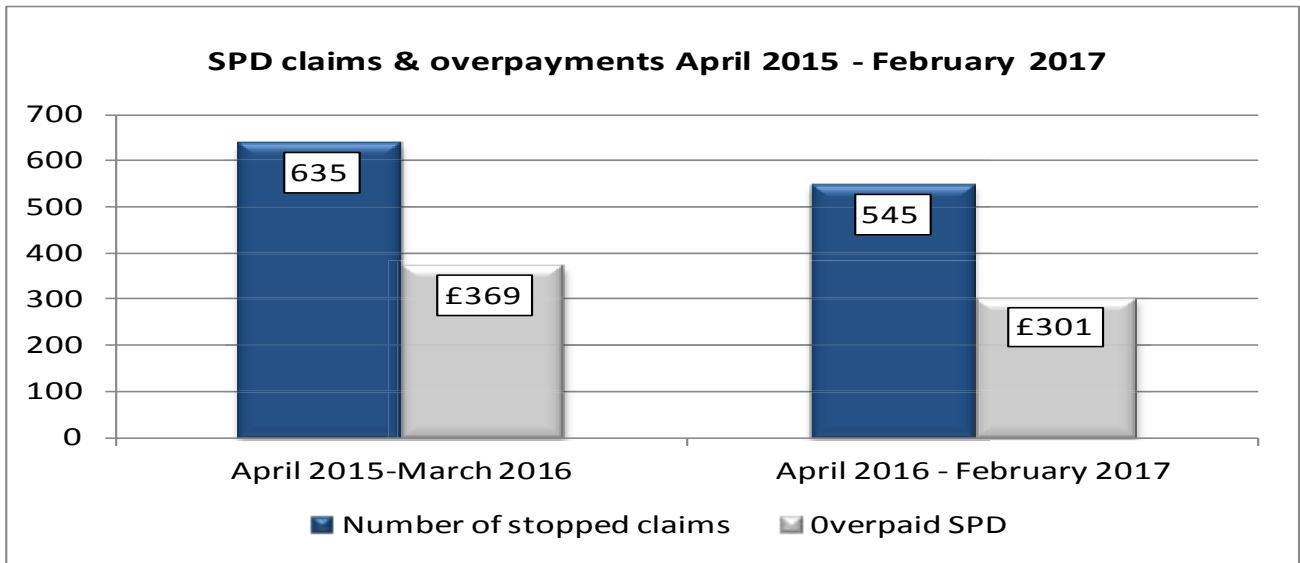


Chart 6 shows the SPD ceased claims and overpayments from April 2015. Data is for the full year in 2015/16 and for April 2016 to February 2017

Chart 6



In cases where there is evidence of serious fraud the CFIT will look to pursue the prosecution of the claimant.



The poster opposite appears in issues of Hillingdon People and notice boards around the Borough to raise the profile of Single Person Discount abuse.

3.4 Residency and Verification Checks

The aim of this project is to prevent false claims for housing from people that do not qualify for housing support from Hillingdon. This means people who are misrepresenting themselves as homeless and therefore do not have a genuine housing need.

Since April 2016 there have been 15 bed and breakfast accommodations recovered as they were unoccupied by clients who claimed to have been homeless.

The CFIT will continue to carry out unannounced visits to Bed & Breakfast/Temporary Accommodation to verify residency throughout the year. The average duration of a bed & breakfast placement is 23 weeks. Therefore for the 15 cancellations so far this year approximately £111k will be saved through this activity. We have also cancelled 1 other temporary accommodation following a referral from a Housing Officer.

The CFIT are working with Housing Officers to identify applicants where there is a suspicion that a fraudulent claim has been made. This could include applicants submitting false wage slips in an attempt to verify economic activity. This would indicate financial independence which is a condition for some claimants to secure a tenancy and increase welfare benefits. Another example is where people falsely claim they are being evicted from an address in Hillingdon when they have never actually been a resident at this address. They are often giving this fraudulent information to attempt to meet the 10 year residency rule. Officers from the CFIT have trained Housing Officers on the identification of possible fraudulent claims. These cases are then referred to the CFIT for investigation.

From March 2016 the CFIT have taken over the responsibility of verifying the circumstances of people on the housing waiting list prior to their imminent offer of permanent accommodation. This is to ensure they are still eligible before the offer is made. The verification process put in place by the CFIT is more robust and includes a wider range of thorough checks. These checks are being processed quicker and are now carried out within 2 days. Verifications take place over a 24 hour period 7 days a week. The service provided has been well received by residents who have been grateful for the flexibility of visit times to suit their availability. To date 1,803 verification checks have taken place. Of these 47 were found to not be eligible for housing support.

Table 4

Residency & Verification Check cancellations		
	YTD 2016/17	Savings per week
Temporary Accommodation (B&B) Cancelled	15	★£4,830
CFIT verification check cancellations	47	
Other Temporary accommodation Cancelled	1	
Total savings		£111,090

★Average B&B placement = 23 weeks calculates to £111,090

3.5 Right to Buy

Since April 2016 the CFIT has verified 81 Right to Buy (RTB) applications. To date as a result of these verifications 7 RTB applications have been cancelled and a further case is under investigation (Table 5). The RTB's have been cancelled for reasons of; non residency, a discrepancy about who was living in the property and funding arrangements. The total amount of discount saved from April 2016 is £709,930 The case under investigation concerns an applicant whose partner has a tenancy with a Housing Association in Ealing, this was omitted from the original application form and came to light following our routine checks. During our investigation the Ealing property was surrendered back to the Association and has now been re let to a resident with a genuine housing need. We are prosecuting the partner under the Fraud Act for failing to disclose information.

Table 5

Right to Buy Cancellations		
	Cancelled Applications	Value of discount
April 2016 to February 2017	7	£709,930
2015/16	9	£823,850
2014/15	7	£527,400

3.6 Proceeds of Crime Investigations (POCA)

The role of the Accredited Financial Investigator (AFI) is crucial in the fight against crime. The aim is not only to prosecute serious offenders but also to look at recovering additional monies where the offender has benefited financially from their crimes and a criminal lifestyle can be demonstrated.

These investigations are complex and are often challenged by the offender which results in lengthy legal processes. Therefore it may take many months for a case to reach court and a confiscation order agreed and paid. Hillingdon Council has two fully qualified AFI's based within its Trading Standards Service.

Under the Home Office Incentivisation scheme, Hillingdon Council receives 37.5% of what it recovers. Since April 2016, Hillingdon Council has received £150,943.42 in incentivisation payments. A further payment of £6,000 is due to be received on 31 March 2017. The actual amount received will be slightly less than this as the Home Office are currently top slicing all incentivisation payments in order to fund improvements to the Joint Asset Recovery Database and the Asset Confiscation Enforcement Teams.

Four cases are currently under investigation; three relate to breaches of trading standards legislation and are concerned with the supply of counterfeit goods. The fourth relates to a breach of planning control and is concerned with the unlawful subdivision of a family dwelling house into flats.

In November 2016, we successfully obtained a confiscation order in the sum of £142,490, and in February obtained a confiscation order in the sum of £100,000. Both these cases related to breaches of planning control and concerned single family dwelling houses being unlawfully converted into flats. This money is still being processed and will not be received until 2017/18.

A project team, comprising of officers from planning, trading standards, private sector housing and legal services, continues to identify and assess further suitable cases.

Table 6 shows the Confiscation Orders and the Incentivisation amount awarded to Hillingdon since 2012 against the type to fraud committed.

Table 6

Type of case	Confiscation Order amount	Incentivisation Amount (37.5%)
2012		
Benefit Fraud	£41,128.25	£15,423.09
Benefit Fraud	£65,706.32	£24,639.87
Total amount to be paid to Hillingdon for 2012		£40,062.96
2013		
Benefit Fraud	£4,750.00	N/A. Compensation of £4,750 to be paid from confiscation order.
Total amount to be paid to Hillingdon for 2013		£4,750.00
2014		
Trading Standards - unfair trading practices	£333,000.00	£124,785.00
Trading Standards - unfair trading practices	£334,000.00	£125,250.00
Trading Standards - unfair trading practices	£333,000.00	£124,785.00
Corporate Fraud	£75,536.77	£28,326.29
Planning	£170,000.00	£63,750.00
Total amount to be paid to Hillingdon for 2014		£466,896.29
2015		
Trading Standards - counterfeit goods	£1,894.99	£710.62
Trading Standards - counterfeit goods	£5,715.71	£2,143.39
Trading Standards - counterfeit goods	£40,000.00	£15,000.00
Total amount to be paid to Hillingdon for 2015		£17,854.01
2016		
Planning	£9,500.00	£3,562.50
Planning	£142,490.00	£53,433.75
Total amount to be paid to Hillingdon for 2016		£56,996.25
2017		
Planning	£100,000.00	£37,500.00
Total amount to be paid to Hillingdon for 2017		£37,500.00

3.7 Housing Waiting List

A project was set up by the CFIT in April 2015 to review the current Housing Register Waiting List, at that time there were 3,567 applications on the waiting list. The purpose of the project was to identify through checking council records, such as Council Tax information and electoral registration, people on the waiting list who were no longer entitled to Social Housing. Their circumstances had either changed or they provided false information on their application. Removing these people from the waiting list means that the Council will have accurate data relating to current social housing needs for effective forward planning.

Since the project commenced on 27th April 2015, the CFIT reviewed all cases. Cases where a change was readily identifiable were targeted for investigation and if they were no longer eligible they were removed. This has meant that 2,164 applications have been removed from the waiting list. Of these, 374 have been removed since April 2016. In the process of this exercise the CFIT has also identified 35 cases where the household has been incorrectly claiming Single Person Discount for Council Tax which totals £14.9k. This review project will be ongoing in 2016/17 to carry out enhanced checks on the remaining cases on the waiting list. At the 13th February there were 1,983 applications on the housing waiting list; this includes new people added to the list since the project began.

In November the project team began to review all Band C applications on the housing waiting list. Review forms are being sent to all relevant applicants, the returned forms are then checked, verified and assessed. The review will identify any changes in the applicant's housing need, appropriate action will be taken and the applicant's information updated. To date 289 review forms have been sent out and 112 (38%) forms have been returned. The review of the information on these forms has commenced and so far 47 (41%) applications have been closed due to no longer having a housing need. A further 36 (32%) applications qualified for a band increase.

3.8 National Fraud Initiative (NFI)

The NFI is a vital tool in combating fraud; it facilitates the integration of thousands of data sets and records across participating agencies. Hillingdon is a key stakeholder in the initiative and provides data to enable the implementation of effective measures to prevent and safeguard public funds. The CFIT has provided data to the NFI who carried out the matching process. The matched data has been received and includes the following:

- payroll
- pensions
- trade creditors' payment history and trade creditors' standing data
- housing (current tenants) and right to buy
- housing waiting lists
- housing benefits (provided by the DWP)
- council tax reduction scheme
- council tax (required annually)
- electoral register (required annually)
- students eligible for a loan (provided by the SLC)
- private supported care home residents

- transport passes and permits (including residents' parking, blue badges and concessionary travel)
- insurance claimants
- licences – market trader/operator, taxi driver and personal licences to supply alcohol
- personal budget (direct payments)

The matched data is currently being reviewed by Hillingdon and the outcomes of these reviews will be included in future reports.

3.9 Trading Standards

Since April 2016, there have been 246 complaints and service requests recorded for action. This includes 8 cases of doorstep crime where elderly residents have been targeted by rogue traders, 55 complaints related to product safety, 18 to underage sales of age restricted goods such as alcohol and tobacco, and 24 to Intellectual property crime (counterfeiting). Work targeting some of our most complained about traders has also been carried out.

During this period, as part of our participation in the National Safety at Ports project for which Hillingdon receives funding from National Trading Standards, officers examined 75 consignments of imported goods at the freight sheds at Heathrow.

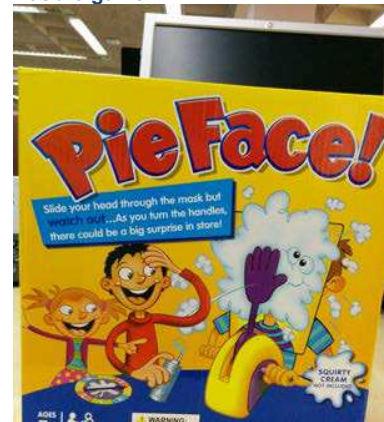
The purpose of the project is to prevent unsafe consumer goods from entering the country, therefore stopping them before they reach the marketplace.

Unsafe electrical plug



Recent seizures include consignments of counterfeit Hasbro games, unsafe electrical hand tools and unsafe garden laser lights. All these goods will be destroyed.

Hasbro game



The Trading Standards Service has recently participated in a London wide safety project regarding jewellery.

Several purchases of jewellery were made from a number of shops across the borough. Excess levels of lead and nickel were found in some of the jewellery purchased and investigations are continuing into these products.

In December 2016, Trading Standards Officers again worked with tobacco detection dogs in order to discover illicit tobacco being concealed on retail premises across the borough. Two convenience stores were found to be concealing illicit tobacco on the premises. The illicit tobacco has been seized and enquiries are continuing into the retailers concerned.

Officers are also investigating an online trader based in Ruislip who is allegedly selling counterfeit computer batteries to consumers across Europe. Initial enquiries reveal he has made

in excess of £250,000 from selling these batteries. A search warrant was executed in January 2017 at his home address. Large quantities of suspected counterfeit batteries were seized along with the trader's IT equipment.

Officers have continued their community work by giving a talk on doorstep crime and the work of trading standards to a group of dementia sufferers and their carers.

3.10 Blue Badge

Two targeted operations in conjunction with the police took place in May and June. A proactive operation ran in Uxbridge town centre resulted in 53 badges checked; 1 penalty charge notice (PCN) was issued. This reactive operation was run as a result of reports received from Hillingdon residents. This operation focussed on badge abuse around a local school. The key suspect was identified, a PCN was issued and the Blue Badge was seized. Further operations are planned for the new financial year.

3.11 Bad Debts

In May the CFIT began working with the Council's Specialist Recovery Team (SRT). The CFIT have taken over cases where it proves difficult to recover the debt even after bailiff involvement. The CFIT have developed a comprehensive investigations process because of their enhanced access to external systems and availability to visit 24 hours a day 7 days a week.

Since the project started in May accounts owing a total of £43k now have direct debits set in place to repay this money.

Based on the success of this project since May the CFIT have set up a project team to manage an intelligence led approach to bad debts. The team have developed a new risk assessment process to identify relevant cases. This will support case profiling, allowing the CFIT to effectively target resources to maximise revenue to the Council. This will commence in 2017/18.

3.12 Unaccompanied Asylum Seekers (UAS)

In May 2016 the CFIT was asked by the Corporate Director of Children's Social Care to work with staff to verify the circumstances of asylum seekers financially supported by social care.

To date checks have identified 42 cases for investigation saving £166k. Another 20 cases are pending further information and are likely to result in savings.

Proactive visits have also highlighted clients who were not residing in the accommodation provided and cases where subletting had been identified. Visits are being made to all asylum seekers accommodation to verify occupancy.

The CFIT is currently arranging interviews with any UAS clients who have failed to pay their rent contribution to agree a payment plan in relevant cases.

All UAS cases are being reviewed by the CFIT to ensure all welfare benefits entitlements are being realised.

All the savings we have logged are based on payments that were due to be paid for this financial year 2016/17.

3.13 Benchmarking

Benchmarking would enable an assessment of the success of fraud detection in Hillingdon and judge the performance of the CFIT. Currently there is no readily available benchmarking data as this has not been a government requirement.

The CFIT is involved with 3 projects to facilitate bench marking

The CFIT in Hillingdon invited Fraud Managers from LB Brent, LB Ealing, LB Harrow and LB Hounslow to join them in a Sharing Good Practice Group. The Group met in November. From this meeting it was apparent that Hillingdon's fraud initiatives were more developed and cover a much wider remit. Therefore Hillingdon has lead on establishing key metrics for social housing as this was the only area the other Authorities were working on. All members of the group will collect data for 2016/17 and are scheduled to meet again in April 2017 to benchmark results.

The Chartered Institute of Public Finance and Accountancy (CIPFA) are currently gathering some data from Local Authorities which will enable some benchmarking to take place. The CFIT Manager attended a meeting with CIPFA in January to discuss how this could be developed. Hillingdon represented all local authorities because Hillingdon is recognised as a leading authority in this fraud detection with extensive initiatives. At the meeting it was agreed that Hillingdon Corporate Fraud Investigation Manager and Team Managers would join a working party, managed by CIPFA, to look at practice across Local authorities and develop meaningful benchmarking processes. The first meeting with CIPFA is scheduled for the end of February 2017.

The CFIT manager is an executive member of the London Borough Fraud Investigation Group. In this role the Manager has agreement to lead a Benchmarking Group with all London Councils to agree metrics and collect data for 2016/17. This group is meeting at the end of February 2017.

Updates on benchmarking will be included in future reports.

4. CFIT Work Plan for 2017/18

The following Work Plan provides an indication of the CFIT planned work programme for 2017/18.

What difference will this make	
Housing	
Housing verifications	<ul style="list-style-type: none"> • Allocation to residents in genuine Housing need
Bed & breakfast checks	<ul style="list-style-type: none"> • Ensure residents eligibility to the service
Temporary accommodation	<ul style="list-style-type: none"> • Ensure residents eligibility to the service
Social Housing Fraud	<ul style="list-style-type: none"> • Recovery of unlawful use of Council properties • Allocation to residents in genuine housing need
Housing waiting list	<ul style="list-style-type: none"> • Ensure residents eligibility to the service, reduction in waiting list
Housing applications	<ul style="list-style-type: none"> • Ensure residents eligibility to the service • Allocation to residents in genuine Housing need
Right to Buy	<ul style="list-style-type: none"> • Ensure residents eligibility
Council Tax Revenue	
Single Person Council Tax Discount/Exceptions	<ul style="list-style-type: none"> • Ensure residents eligibility to the discount • Increased revenue
Student Council Tax discount	<ul style="list-style-type: none"> • Ensure residents eligibility to the discount • Increased revenue
Council tax inspections	<ul style="list-style-type: none"> • Increased revenue
Business rates inspections	<ul style="list-style-type: none"> • Increased revenue
Targeted projects	
Criminal Investigations	<ul style="list-style-type: none"> • Increase success across all Council prosecutions through standardised and effective practice carried out by fully trained competent staff
Enhanced Partnership working with Immigration	<ul style="list-style-type: none"> • Reduce misuse of public funds
Blue Badge checks	<ul style="list-style-type: none"> • Reduction in misuse of scheme, increase parking availability to genuine badge holders
Enhanced recruitment verification	<ul style="list-style-type: none"> • Suitable qualified staff recruited • Protect Council reputation • Reduction in recruitment costs
Proceeds of Crime investigations	<ul style="list-style-type: none"> • Increase revenue • Prevents future abuse
Recovery of bad debts	<ul style="list-style-type: none"> • Increase revenue
Data matching	<ul style="list-style-type: none"> • Increase revenue • Ensure residents eligibility to services
Trading Standards investigations	<ul style="list-style-type: none"> • Reduction in abuse of legislation, eg selling of illegal tobacco or alcohol
Mobile working	<ul style="list-style-type: none"> • Improved efficiency, increased checks and investigation capacity
Cross departmental working	<ul style="list-style-type: none"> • Ensure residents eligibility • Increase revenue • Appropriate use of Council funds

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Business Assurance - IA Progress Report for 2016/17 Quarter 4 (including the 2017/18 Quarter 1 IA Plan)

Contact Officer: Muir Laurie
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REASON FOR ITEM

The attached report presents the Audit Committee with summary information on all Internal Audit (IA) work covered in relation to 2016/17 Quarter 4 and assurance in this respect. It also provides an opportunity for the Head of Business Assurance to highlight to the Audit Committee any significant issues that have arisen which they need to be aware of.

Further, the report enables the Audit Committee to hold the Head of Business Assurance to account on delivery of the Quarter 4 IA Plan and facilitates in holding management to account for managing risk/control weaknesses identified during the course of IA activity.

The attached report also presents the Audit Committee with the 2017/18 Quarter 1 IA Plan which has been produced in consultation with senior managers. The Plan sets out the programme of IA coverage which is due to commence in the 1st April to 30th June 2017 period.

OPTIONS AVAILABLE TO THE COMMITTEE

The Audit Committee is asked to note the IA Progress Report for 2016/17 Quarter 4 and consider the 2017/18 Quarter 1 IA Plan and subject to any further minor amendments, approve it.

The Audit Committee should ensure that the coverage, performance and results of Business Assurance IA activity in this quarter are considered and any additional assurance requirements are communicated to the Head of Business Assurance.

INFORMATION

Business Assurance 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. It is also a requirement of the Accounts and Audit (England) Regulations 2015 that the Council undertakes an adequate and effective IA of its accounting records and of its system of internal control in accordance with the proper practices.

New IA standards came into force on 1st April 2013, revised in April 2016, which further promote improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. They stress the importance of robust, independent and objective IA arrangements to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement.

LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

BACKGROUND PAPERS

The Business Assurance service holds various background research papers in relation to the IA Plan.

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BUSINESS ASSURANCE

**Internal Audit Progress Report to
Audit Committee: 2016/17 Quarter 4
(including the 2017/18 Quarter 1 Internal Audit Plan)**

7th March 2017



Contents

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1. Introduction

1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, which is 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 (England) Regulations 2015 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account UK Public Sector IA Standards (PSIAS) or guidance.
- 1.1.2 The PSIAS define the nature of IA and set out basic principles for carrying out IA within the public sector. The PSIAS helps 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 IA assurance, consultancy and grant claim verification work covered during the period 7th December 2016 to 7th March 2017. In addition, it provides an opportunity for the Head of Business Assurance, as the Council's Head of Internal Audit (HIA), to highlight any significant issues which have arisen from IA work in Quarter 4. It also highlights to CMT, the Audit Committee and other IA stakeholders the revisions to the Quarter 4 IA plan since its approval in December 2016 (refer to **Appendix B**).
- 1.2.2 A key feature of the Quarter 4 IA progress report is the inclusion of the 2017/18 Quarter 1 IA plan (refer to **Appendix C**). This has been produced in consultation with senior managers over the last few weeks and sets out the planned programme of IA coverage due to commence in the 1st April to 30th June 2017 period.

2. Executive Summary

- 2.1 Since the last IA Progress Report to CMT and the Audit Committee in December 2016, **7 assurance reviews** have concluded (including 4 follow-ups), **2 consultancy reviews** have been finalised and **3 grant claim** has been certified. We are therefore nearing completion of the programme of IA work for 2016/17.
- 2.2 Our work on the 2016/17 Quarter 4 IA plan commenced on 1st January 2017 and work is now well underway on all Quarter 4 planned work (refer to **Appendix A**). Positive progress has been made this quarter, with an additional **12 assurance reviews having progressed to draft report stage**. This is a commendable achievement given that the service have been operating under reduced capacity during the quarter following one member of IA staff leaving Hillingdon in December 2016, and one member of IA staff on a significant period of absence. Nevertheless, we are confident that following the recent successful recruitment exercise the IA service will be even stronger moving forward and will now be better placed to help the council deliver the significant changes and improvements required over the coming period.
- 2.3 Key assurance reviews finalised this quarter have included **Tenancy Management** and **ICS Data Quality** - both achieving an overall **Reasonable** assurance opinion over the management of the key risks. IA resources continue to be targeted and deployed on the areas of highest risk, as part of a risk based programme of IA assurance work. Positive action has been proposed by management to address all of the **HIGH** and **MEDIUM** risk recommendations raised within each respective review completed this quarter. In line with our standard practice, we will follow-up these recommendations in due course.

- 2.4 The consultancy work undertaken within the quarter involved providing project management support within CYPS during a recent Ofsted inspection which proved a significant piece of work. In addition, we have undertaken a consultancy review of the 2015/16 Mayor's Charity Accounts, completing the independent examiners report to support the submission to the Charity Commission. IA also continues to undertake a variety of valuable advisory work across the Council. Further details of all IA work carried out in this period are included section 3 of this report.

3. Analysis of Internal Audit Activity in 2016/17 Quarter 4

3.1 Assurance Work in Quarter 4

- 3.1.1 All IA assurance reviews carried out in the financial year to date are individually listed at **Appendix A**. This list details the assurance levels achieved (in accordance with the assurance level definitions outlined at **Appendix D**) and provides an analysis of recommendations made (in accordance with the recommendation risk categories outlined at **Appendix D**). During this quarter, **3** 2016/17 IA assurance reviews have been completed to final report stage (excluding follow-ups), with **12** others progressed to draft report stage and the remaining **4** reviews at the testing stage. In addition, **4** follow-ups reviews have been finalised this quarter (refer to **Appendix A** for further details).
- 3.1.2 Assurance reviews finalised this quarter have included Tenancy Management and ICS Data Quality both achieving a **Reasonable** assurance opinion over the management of the key risks. For **Tenancy Management** we raised **1 MEDIUM** risk recommendation as a result of our testing which highlighted inconsistent practices indicating that controls and established procedures have not been fully embedded throughout the team.
- 3.1.3 Specifically, our testing of tenancies, commencing this financial year, identified a significant number of cases where supporting paperwork had not been uploaded onto Civica. This included evidence to support that the risk categorisation had been completed and recorded.
- 3.1.4 The IA review of **ICS Data Quality** raised **3 MEDIUM** risk recommendations. As part of our fieldwork, we focused our testing around assessments and the service request forms within the ICS system. Although we found staff to have comprehensive knowledge on how to undertake assessments and complete service request forms, it is apparent that there is limited policy or procedural guidance in place or a benchmark as to what good data quality should look like. This was further evidenced within our sample testing of service provisions where wide disparities in the level of detail captured within the Assessment tabs and Service Request Forms were evident.
- 3.1.5 Established controls were found to be in place to enable sufficient oversight of expenditure to occur. Nevertheless, our sample testing of service provisions identified instances where the officer who had sent the service request had also approved the service request on ICS. Therefore it is our opinion that controls in place to ensure segregation can be circumvented with limited compensating controls in operation to identify such breaches. This issue is further compounded by the insufficient segregation of duties within the ICS role profiles.
- 3.1.6 ContrOCC is an electronic finance system, integrated to IAS and ICS, providing support for contracts management, payments, financial assessment and charging. We obtained a ContrOCC client provider report for sample selection purposes however, management do not currently receive such management information from ContrOCC impacting the ability to fully scrutinise expenditure or the accuracy of the data available.
- 3.1.7 The IA review of **Tenancy Services - Enforcement and Risk Management** achieved a **Substantial** assurance opinion over the management of the key risks. This review raised **2 LOW** risk recommendations in addition to **2 Notable Practices**. This review was undertaken at the request of management following a BID review and it is positive that a robust control environment was found to be in place.

3.1.8 Positive management action has been proposed to address all **HIGH** and **MEDIUM** risk recommendations raised this quarter. In addition, as at 7th March, **12** assurance reviews have been progressed to draft report stage, with the remaining **4** at the testing stage. The summary results of these **16** assurance audits will be included in the annual HIA Annual report due to be presented to Audit Committee on 29th June 2017.

3.2 Consultancy Work in Quarter 4

3.2.1 IA continues to undertake a variety of consultancy work across the Council. The consultancy coverage includes IA staff attending working and project groups, whilst ensuring they are clear about whether they are attending in an assurance or advisory capacity. This type of approach continues to help increase IA's knowledge of corporate developments that feed into the risk based deployment of IA resource on assurance work. Also, participation in working and project groups as well as secondments within the Council continues to help individual IA staff develop, whilst at the same time increasing the value IA provides to the Council.

3.2.2 Due to the nature of consultancy work, we do not provide an assurance opinion or formal recommendations for management action. However, as part of our advisory reports and memos we do provide specific observations and improvement suggestions for senior management to consider. Attached at **Appendix A** is a list of consultancy work carried out in Quarter 4 with **2 consultancy reviews completed** within the period. No further consultancy reviews were added to the Quarter 4 IA plan as detailed at **Appendix B**.

3.2.3 IA was requested to undertake an independent review of the Mayor's Charity Accounts in order to complete the Independent Examiners Report, examining the accounts under Section 145 of the Charities Act and in accordance with the general Directions given by the Charity Commission. No matters came to our attention in connection of the examination of the 2015/16 accounts. Within the quarter we also provided project management support to Children and Young People's Service (CYPS) throughout the recent SEND Ofsted inspection undertaken.

3.3 Grant Claim Verification Work in Quarter 4

3.3.1 During this quarter IA has also assisted the Council in certifying **5** grant claims. As detailed at **Appendix A**, IA continues to carry out verification work on the **Troubled Families Grant** as well as undertaking **Certification of Collaborative Fund Expenditure** provided by the National College for Teaching and Leadership (NCTL) for St Mary's Catholic Primary School for Financial Year 2015-16.

3.3.2 The NCTL certification was provided to St Mary's Catholic Primary School to enable it to comply with the Department for Education (DfE)'s terms and conditions of the Grant Funding Agreement (GFA) and the Grant Offer Letter requirements. We have obtained limited assurance that the expenditure, for grants issued for the year ending 31 March 2016 was paid, was applied for the purposes intended by the DfE and the financial transactions conform to the GFA and list of objectives specified.

3.4 Follow-up of Previous Internal Audit Recommendations in Quarter 4

3.4.1 IA continues to monitor all **HIGH** and **MEDIUM** risk recommendations raised, through to the point where the recommendation has either been implemented, or a satisfactory alternative risk response has been proposed by management. In addition to this, we have taken a renewed approach to follow-up work within the year, actively following up on prior **Limited** or **No** assurance reports within 6 months to a year after their issue.

3.4.2 This approach provides additional assurance to CMT and the Audit Committee over the implementation of IA recommendations and whether the control environment is now operating as intended.

- 3.4.3 Attached at **Appendix A** is a list of follow-up work carried out in Quarter 4. This highlights that **4** follow-up reviews have been completed within the period. **3** of these follow-up reviews relate to areas where a **Limited** assurance opinion was previously provided - **Disabled Facilities Grants, Housing Needs Allocations and Assessments, and Fleet Management**. The remaining follow-up reviews undertaken relate to the 2016/17 review of **New Years Green Lane** where a **Reasonable** assurance opinion was provided. The follow-up of the recommendations raised within EY's Management Letter of IT Controls is at draft stage at the time of this report.
- 3.4.4 We found that **50%** of the **32** recommendations followed-up within the quarter were deemed **Implemented**. Of the remaining recommendations we confirmed that **37.5%** (12) were deemed **Partly Implemented** and **12.5%** (4) were deemed **Not Implemented**. Three of the four not implemented, **MEDIUM** risk recommendations related to Fleet Management. In each of the four cases further action is required to ensure that the risks are being appropriately controlled. However we are pleased to report that these are now in the process of being addressed following a management restructure in this area. The detailed results from our follow-up work are summarised within **Appendix A**.
- 3.5 Other Internal Audit Work in Quarter 4**
- 3.5.1 We continue to undertake a quarterly approach to IA planning to ensure emerging risks and new areas of concern are captured, particularly within the fast changing environment the Council operates in. Over the last month we have undertaken our risk based planning meetings, alongside operational and corporate risk discussions due to the synergies between these two functions. Further to this, we have produced the detailed operational IA plan for Quarter 1 of 2017/18 (refer to **Appendix C**) in consultation with management. This quarterly planning cycle helps ensure that IA resources are directed in a more flexible and targeted manner, maximising resources as well as benefiting our stakeholders.
- 3.5.2 Within the quarter, and following the recent review of the effectiveness of IA, we have undertaken a review of audit evidence as part of our **Quality Assurance and Improvement Programme (QAIP)**. The QAIP is designed to provide assurance that IA work continues to be fully compliant with the UK PSIAS and also helps enable the ongoing performance monitoring and improvement of IA activity.
- 3.5.3 This review identified a small number of instances where sampling methodology, including size and selection differed to as detailed within the IA Process. This issue has been highlighted and communicated to the team with sampling methodology training exercise scheduled for the upcoming Business Assurance team meeting.

4. Analysis of Internal Audit Performance in 2016/17 Quarter 4

- 4.1 The IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. They assist IA and the Council in helping measure how successful IA has been in achieving its strategic and operational objectives. We believe these KPIs to be meaningful and provide sufficient challenge to IA. They measure the quality, efficiency and effectiveness of the IA service and thus assist us in providing an added value assurance and consulting service to our range of stakeholders. Cumulative performance against KPIs in the 1st April 2016 to 7th March 2017 period is highlighted in the table below:

KPI Ref.	Performance Measure	Target Performance	Actual Performance	RAG Status
KPI 1	2016/17 HIGH risk IA recommendations where positive management action is proposed	98%	100%	GREEN
KPI 2	2016/17 MEDIUM risk IA recommendations where positive management action is proposed	95%	100%	GREEN

KPI Ref.	Performance Measure	Target Performance	Actual Performance	RAG Status
KPI 3	2016/17 HIGH risk IA recommendations where management action is taken within agreed timescale	90%	100%	GREEN
KPI 4	2016/17 MEDIUM risk IA recommendations where management action is taken within agreed timescale	75%	81%	GREEN
KPI 5	Percentage of annual (Q1 to Q4) IA Plan delivered to draft report stage by 31 st March	90%	95%	GREEN
KPI 6	Percentage of annual (Q1 to Q4) IA Plan delivered to final report stage by 31 st March	80%	90%	GREEN
KPI 7	Percentage of draft reports issued as a final report within 15 working days	75%	50%	RED
KPI 8	Client Satisfaction Rating (from CFQs)	85%	87%	GREEN
KPI 9	IA work fully compliant with the UK PSIAS and IIA Code of Ethics	100%	100%	GREEN

- 4.2 Performance against KPI 7 continues to be reported as **RED**. This is primarily due to eight instances where management responses to the draft reports have not been received within the set timescales. Whilst we facilitate this process, we are reliant on timely management responses to achieve this indicator. At times we have experienced significant delays (in excess of 25 days) in receiving management responses; on 4 of the 16 IA assurance reviews finalised to date. The time taken to finalise final reports from draft stage has remained stable between quarters at an average of 19 working days. Due to historic non performance against KPI 7 we have commenced providing greater oversight of compliance against this KPI to Corporate Directors as part of a quarterly IA dashboard, reporting a snapshot of IA performance at each Group level.
- 4.3 We are currently exceeding several of our KPI targets, including achieving the ambitious KPI 8, Client Satisfaction Rating. We are pleased with the consistent achievement of this indicator to date and we are hopeful that this will continue throughout the remainder of the year as the volume of CFQ feedback increases. The management feedback from CFQs provides an accurate quantitative indicator as to the perceived value and quality of the range of services provided by IA.
- 4.4 KPI 9 refers to the IA process complying with the **PSIAS** and the **IIA Code of Ethics**. We have a duty to complete reviews within these guidelines, which is encompassed in our IA and management review processes. This is reported as 100% compliant following the annual **Effectiveness of IA** review. However, our External Quality Assessment (EQA), scheduled for May 2017, will provide an enhanced value against this KPI.

5. Forward Look

- 5.1 There have been a number of staffing changes in the IA team during this quarter, including;
- The Assistant Internal Audit Manager and one of the Senior Internal Auditors have left the Council's employment this month.

- Following a recent and very successful recruitment exercise, we will be filling both these vacancies with Trainee Internal Auditors (TIAs). We have also made an offer to a third TIA candidate to replace an Internal Auditor who has now permanently transferred to the Council's Transformation and Business Improvement team.
 - The recruitment of these three TIAs is in line with the IA Strategy of 'growing our own'. This approach also provides other members of the IA team with an opportunity to take on more responsibility, facilitating their ongoing professional and personal development.
 - Two members of the IA team have recently passed their Chartered Institute of Internal Auditors final exams. Later this year once they have completed three years IA experience and successfully submitted their professional experience journal they will become Chartered Internal Auditors. In addition, one member of the IA team has recently passed the second part of her Certified Internal Auditor (CIA) qualification and is now close to completing the CIA qualification.
- 5.2 IIA Standard 1312-1 states that an IA service must undergo an External Quality Assessment (EQA) at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. In response to this requirement, most London authorities have signed up to a partnership arrangement whereby each HIA carries out an external review of another London authority. We have been allocated with the HIA from the London Borough of Lambeth, who will be carrying out the EQA of the LBH IA service. The review is expected to take place over 5 days during May 2017 and the report will be presented to CMT and Audit Committee once it has been finalised.
- 5.3 IA 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 Quarter 4. There are no other matters that the HIA needs to bring to the attention of CMT or the Audit Committee at this time.

Muir Laurie FCCA, CMIIA
Head of Business Assurance

7th March 2017

APPENDIX A**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2016/17**

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

2016/17 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 7 th March 2017	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
16-A4	Physical Access Controls (including Security Arrangements)	Final report issued on 7 th Nov 2016	No	3	5	0	0	Overdue
16-A9	Health Visiting	Final report issued on 20 th Jul 2016	Limited	1	1	0	0	✓
16-A1	Lease Agreements	Final report issued on 4 th Nov 2016	Limited	1	1	0	0	✓
16-A16	Sheltered Housing	Final report issued on 17 th Nov 2016	Limited	3	6	1	0	✓
16-A24	Anti Social Behaviour Investigations Team (ASBIT)	Final report issued on 1 st Dec 2016	Limited	1	4	4	0	✓
16-A11	Risk Management	Final report issued on 7 th Jul 2016	Reasonable	0	5	3	0	N/A
16-A12	Review of the Effectiveness of IA	Final report issued on 7 th Jul 2016	Reasonable	0	2	3	2	N/A
16-A5	New Years Green Lane (NYGL)	Final report issued on 20 th Jul 2016	Reasonable	0	6	2	0	✓
16-A3	Housing Benefits	Final report issued on 26 th Jul 2016	Reasonable	0	3	5	1	✓
16-A10	Fees and Charges	Final report issued on 30 th Sep 2016	Reasonable	0	4	1	0	✓
16-A7	Corporate Debtors	Final report issued on 4 th Oct 2016	Reasonable	0	9	5	0	✓
16-A13	Review of the Effectiveness of the Audit Committee	Final report issued on 18 th Nov 2016	Reasonable	0	4	3	0	Overdue
16-A17	Council Stores	Final report issued on 1 st Dec 2016	Reasonable	0	3	3	0	✓
16-A38	Tenancy Management	Final report issued on 4 th Jan 2017	Reasonable	0	1	1	0	✓
16-A15	ICS Data Quality- Financial Controls	Final report issued on 6 th March 2017	Reasonable	0	3	3	0	Not yet due
16-A42	Tenancy Management - Enforcement and Risk Management	Final report issued on 6 th March 2017	Substantial	0	0	2	2	Not yet due
16-A28	Insurance Service	Draft report issued on 14 th Feb 2017						

APPENDIX A**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2016/17**

IA Ref.	IA Review Area	Status as at 7 th March 2017	Assurance Level	Risk Rating			CFQ Received?
				H	M	L	
16-A32	Building Control	Draft report issued on 22 nd Feb 2017					
16-A6a	Contract Management - Parking Services	Draft report issued on 22 nd Feb 2017					
16-A33	Corporate Fraud Investigations Team	Draft report issued on 3 rd March 2017					
16-A35	Fostering Pathway	Draft report issued on 6 th March 2017					
16-A31	Local Land Charges	Draft report issued on 7 th March 2017					
16-A25	Better Care Fund	Draft report in progress					
16-A6b	Contract Management (Social Care)	Draft report in progress					
16-A46	Payroll	Draft report in progress					
16-A20	Logical Access Controls	Draft report in progress					
16-A30	Planning Application processing team - Quality Control	Draft report in progress					
16-A27	Semi-Independent Living (including Contract Management)	Draft report in progress					
16-A36	Ofsted Improvement Action Plan	Testing in Progress					
16-A41	Service Planning	Testing in Progress					
16-A47	Estates Management - Leases	Testing in Progress					
16-A49	Data Quality within Trading Standards and Regulatory Services	Testing in Progress					
Total Number of IA Recommendations Raised in 2016/17				9	57	36	3
Total % of IA Recommendations Raised in 2016/17				9%	56%	35%	-

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2016/17****2016/17 IA Follow-Up Reviews:**

IA Ref.	IA Follow-Up Review Area	Status as at 7 th March 2017	Recommendations			CFQ Received?	
			Implemented	Partly Implemented	Not Implemented		
16-A14	Home to School Transport - Safeguarding Arrangements	Final report issued on 6 th Jul 2016	3	6	-	9	✓
16-A23	Music Service	Final report issued on 8 th Aug 2016	4	3	1	8	✓
16-A21	Deprivation of Liberty Safeguards (DoLS)	Final report issued on 13 th Oct 2016	6	-	-	6	✓
16-A22	Library Imprest Accounts	Final report issued on 24 th Oct 2016	1	-	5	6	✓
16-A40	Disabled Facilities Grant	Final report issued on 12 th Jan 2017	6	1	-	7	✓
16-A43	Housing Needs - Allocations and Assessments	Final report issued on 7 th March 2017	6	4	-	10	Not yet due
16-A44	Fleet Management	Final report issued on 7 th March 2017	1	5	3	9	Not yet due
16-A45	New Years Green Lane	Final report issued on 7 th March 2017	3	2	1	6	Not yet due
16-A34	Main Accounting System	Draft report in Progress					
		Total Number	30 (49.2%)	21 (34.4%)	10 (16.4%)	61 (100.0%)	

2016/17 IA Consultancy Reviews:

IA Ref.	IA Review Area	Status as at 7 th March 2017	CFQ Received?
16-C4	Stores - Year End Stock Take	Memo issued on 21 st April 2016	✓
16-C2a	Children and Young Peoples Service (CYPS) Financial Controls - Allowances	Memo issued on 19 th May 2016	✓
16-C2b	Children and Young Peoples Service (CYPS) Financial Controls - P'Cards & Imprest	Memo issued on 19 th May 2016	✓
16-C8	Stores - Stock Transfer	Memo issued on 20 th May 2016	✓
16-C6	Private Sector Landlord Scheme	Memo issued on 3 rd June 2016	Not applicable
16-C3	Benefits - BACs processing	Memo issued on 14 th July 2016	✓

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2016/17****2016/17 IA Consultancy Reviews (cont'd):**

IA Ref.	IA Review Area	Status as at 7 th March 2017	CFQ Received?
16-C9	Data Analytics (Personal Protective Equipment)	Memo issued on 18 th July 2016	✓
16-C5	Digital broadcasting of Council meetings	Memo issued on 19 th July 2016	✓
16-C13	Data Analytics (consent to drive vs. mileage claimed)	Memo issued on 3 rd August 2016	✓
16-C7	Public Health - Provider Payments Process (Pharmacy)	Memo issued on 11 th August 2016	✓
16-C12	Public Health - Provider Payments Process (GPs) - Combined with 16-C7	Memo issued on 11 th August 2016	✓
16-C11	Information Governance - Data Protection Training	Memo issued on 5 th September 2016	✓
16-A26	Business Support / Technical Admin - Data Protection	Memo issued on 4 th November 2016	Not applicable
16-C14	SEND Ofsted Inspection Project Management Support	Consultancy support provided	Not applicable
16-C15	Mayor's Charity Accounts	Independent Examiners Report issued on 26 th Jan 2017	Not applicable

2016/17 IA Grant Claim Verification Reviews:

IA Ref.	IA Review Area	Status as at 7 th March 2017
16-GC1	Troubled Families Grant - Quarter 1	Certified and memo issued on 3 rd May 2016
16-GC2	Social Care Capital Grant	Certified and memo issued on 30 th June 2016
16-GC5	Troubled Families Grant - Quarter 2	Certified and memo issued on 30 th June 2016
16-GC3	Bus Subsidy Grant	Certified and memo issued on 1 st September 2016
16-GC4	Housing Benefit Subsidy Grant	IA testing completed on 12 th September 2015
16-GC6	Disabled Facilities Grant	Certified and memo issued on 20 th September 2016
16-GC8	Hillingdon Teaching Schools Alliance (HTSA)	Certified and memo issued on 13 th December 2016
16-GC7	Troubled Families Grant - Quarter 3 - Part 1	Certified and memo issued on 12 th December 2016
	Troubled Families Grant - Quarter 3 - Part 2	Certified and memo issued on 4 th January 2017
16-GC9	Troubled Families Grant - Quarter 4 - Part 1	Certified and memo issued on 25 th January 2017
	Troubled Families Grant - Quarter 4 - Part 2	Certified and memo issued on 22 nd February 2017

APPENDIX B**REVISIONS TO THE 2016/17 INTERNAL AUDIT PLAN ~ QUARTER 4****IA work DEFERRED from the 2016/17 Operational IA Plan for Quarter 4:**

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
16-A39	Change Control	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Further to a request to defer to quarter 4 of the IA plan, a comprehensive restructure within the Council's IT department is taking place to create a new operating model. As a result, we have agreed with Management to defer this IA assurance review until the new structure has become embedded to enable sufficient value and assurance to be provided from the IA review.
16-A48	Facilities Management within Green Spaces, Sport and Culture	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Further to undertaking detailing planning of this audit, it was agreed at the Resident Services Change Board, that the scope of this review was too narrow and a wider thematic review of Facilities Management throughout the Council would provide greater value to the organisation. We have therefore incorporated a review of Facilities Management within the 2017/18 Quarter 1 Internal Audit Plan.

IA work ADDED to the 2016/17 Operational IA Plan for Quarter 4:

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
N/A	No additions to the Q4 Plan	-	-	-	-

APPENDIX C**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2017/18 ~ QUARTER 1**

IA work scheduled to commence in the 1st April to 30th June 2017 period:

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
17-A1	Houses of Multiple Occupation (HMO) registration, including fit and proper person	Assurance	HIGH	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	<p>The objectives of HMO regulations are to ensure all HMOs meet basic Health and Safety requirements and to encourage the provision of good quality, well managed housing.</p> <p>This review will seek to provide assurance that all HMOs comply with Hillingdon's minimum standards and the national HMO regulations including that HMOs are licenses, where applicable.</p>
17-A2	Children missing from home, placement and education	Assurance	HIGH	Tony Zaman Corporate Director of Social Care	<p>Section 13 of the Children Act 2004 requires local authorities to make arrangements to ensure that their functions are discharged with a view to safeguarding and promoting the welfare of children. Local authorities have a duty to safeguard children and therefore play a leading role within their Local Safeguarding Children Board (LSCB) coordinating the effectiveness of arrangements to safeguard and promote the welfare of children and young people in that area.</p> <p>This IA Assurance review will seek to provide assurance over compliance with the statutory guidance on children who run away or go missing from home or care issued in 2013, under Section 7 of the Local Authority Social Services Act 1970.</p>
17-A3	Facilities Management	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	<p>Facilities management (FM) is a management discipline concerned with the integration of processes within the Council to maintain and develop agreed services which support and improve the effectiveness of its primary activities. The Council's facilities management function is undertaken by an outsourced provider, and this review will seek to provide assurance over compliance with contract requirements in undertaking planned and reactive maintenance across the Council's assets.</p>

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2017/18 ~ QUARTER 1 (cont'd)**

IA work scheduled to commence in the 1st April to 30th June 2017 period:

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
17-A4	Parking Services Administration	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	<p>Parking Services Administration is comprised of three teams:</p> <ul style="list-style-type: none"> Processing: which prepare all the evidence and associated documents for the Appeals officer; Appeals: which assesses and makes decisions on informal and formal challenges to PCNs; and Permits: issuing resident and business permits. <p>This assurance review follows the recent IA review of Contract Management - Parking Services and will focus upon the efficiency and effective of operations and robustness of controls in operation.</p>
17-A5	Extra Care	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	<p>Extra care housing is a section of supported housing that enables people to live independently. It provides the security and privacy of a home of your own, a range of on-site facilities and staff are available day and night to provide care as required.</p> <p>This assurance review will focus on the delivery of the extra care service, reviewing roles and responsibilities in addition to contractual arrangements in place.</p>
17-A6	Planning applications - Quality Control	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	<p>Further to the undertaking of background research and planning for the 2016/17 assurance review of Planning application processing team - Quality Control, it was agreed that the review would be undertaken on a phased approach due to the two distinct teams involved with the process.</p>
17-A7	CYPS Thematic review	Assurance	MEDIUM	Tony Zaman Corporate Director of Social Care	<p>We will be undertaking thematic reviews each quarter to provide assurance on the readiness of Children and Young People's Service for an Ofsted inspection seeking to demonstrate the Council's commitment to high standards of practice, management and leadership in the safeguarding of children.</p>

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2017/18 ~ QUARTER 1 (cont'd)**

IA work scheduled to commence in the 1st April to 30th June 2017 period:

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
17-A8	Thematic review of assets, stock and cash management within Green Spaces, Sport and Culture	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Due to the nature of service provided within Green Spaces, Sport and Culture, there are inherent risks due to the level of operational activities undertaken at the numerous outstations (Theatres, Rural Activities Garden Centre, Adult and Community Learning and Golf Courses) with reduced senior management oversight. Therefore, a thematic review will focus on the controls in place to safeguard assets, stock and cash throughout Green Spaces, Sport and Culture Service.
17-A9	Public Health - Substance Misuse contract, including Addiction, Recovery, Community, Hillingdon Service (ARCH)	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Managing a service contract effectively is key to ensuring that contract objectives are met and value for money is achieved. Following a competitive tender exercise a three year contract was awarded in 2015 and Public Health are therefore in year 2 of the contract for an integrated drug and alcohol service, managing inpatient detox services. This review will seek to provide assurance over the management and delivery of a new contractor to the authority to ensure that the expected value for money is obtained and the contract is being delivered in a consistent, efficient and effective manner to manage demand.
17-A10	Volunteering	Assurance	MEDIUM	Fran Beasley Chief Executive and Corporate Director of Administration	The Council is in the process of implementing a volunteering policy, providing a framework for a volunteer programme throughout the Council, defining the role of volunteers within the organisation, and how they can expect to be treated. This audit will seek to provide assurance over the implementation of this Policy, any service specific requirements, and the effectiveness of controls put in place.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2017/18 ~ QUARTER 1 (cont'd)**

IA work scheduled to commence in the 1st April to 30th June 2017 period:

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
17-A11	Follow-Up of implemented Recommendations	Assurance (Follow-up)	MEDIUM	Paul Whaymand Corporate Director of Finance	In preparation for the Annual Head of Internal Audit Opinion we will seek to undertake follow-up verification on the 2015/16 and 2016/17 IA recommendations (130 in total) where management have self certified that the recommendation has been implemented via the Team Central System.
17-C1	Payment Card Industry Data Security Standard (PCIDSS)	Consultancy	MEDIUM	Paul Whaymand Corporate Director of Finance	The PCIDSS is a proprietary information security standard for organisations that handle branded credit cards from the major card schemes. The PCI Standard is mandated by the card brands and administered by the Payment Card Industry Security Standards Council. The standard was created to increase controls around cardholder data to reduce credit card fraud and this review will provide a gap analysis against the PCIDSS to ensure that appropriate safeguards are in place throughout the Council, aiding the completion of the annual Self Assessment Questionnaire.
17-C2	Data quality for vulnerable service users	Consultancy	MEDIUM	Tony Zaman Corporate Director of Social Care	Following a recent civil protection incident impacting upon the telephone lines throughout the Borough we will seek to establish the data quality of records held throughout the various systems maintained, making improvement suggestions where appropriate.
17-C3	TeamDrive	Consultancy	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	TeamDrive was announced in September 2016 as part of the Google Suite overhaul. TeamDrive provides a file management tool for businesses where users can drop documents, presentations, spreadsheets, photos, and more to store in the cloud and share with co-workers. Google is accepting businesses into the early adopter programme for its TeamDrive file sharing feature and IA has been asked to provide consultancy advice as part of this project.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2017/18 ~ QUARTER 1 (cont'd)**

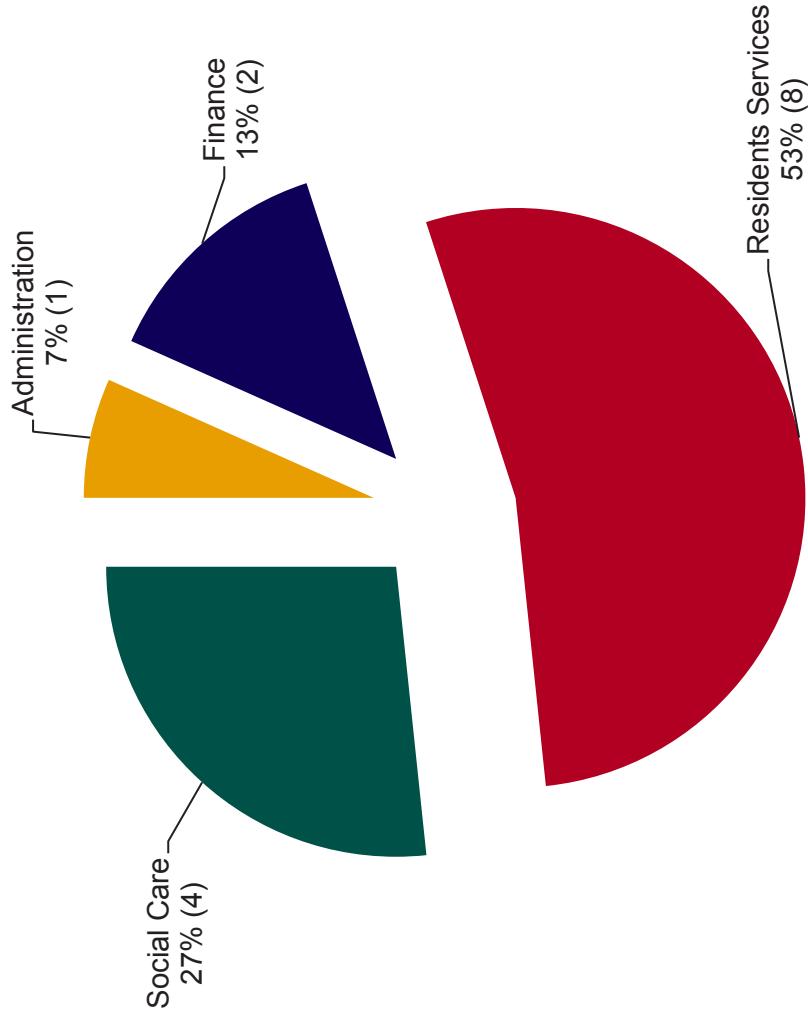
IA work scheduled to commence in the 1st April to 30th June 2017 period:

IA Ref.	Planned Audit Area	Audit Type	IA Risk Assessment	Review Sponsor	Rationale
17-GC1	Troubled Families Grant - Quarter 1	Grant Claim	MEDIUM	<p>Tony Zaman Corporate Director of Social Care</p>	<p>The Troubled Families programme is a Government scheme under the Department for Communities and Local Government (DCLG) with the stated objective of helping troubled families turn their lives around. The Council receives a payment by results grant from the DCLG for each identified 'turned around' troubled family. As per the grant conditions, IA will undertake verification work to confirm identified troubled families have been 'turned around'.</p>

APPENDIX C (cont'd)

DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2017/18 ~ QUARTER 1 (cont'd)

IA work scheduled to commence in the 1st April to 30th June 2017 period – Analysis by Corporate Director:



- The relevant Corporate Directors and Deputy Director/Head of Service will be consulted regarding the exact timing of each individual IA review; and
- Where an IA review is deferred or cancelled within the quarter, the relevant Audit Sponsor will be asked to provide an alternative audit in their Group.

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 is in need of some improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains some risk that objectives will not be achieved.
LIMITED	There is a limited level of assurance over the management of the key risks to the Council objectives. The control environment has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a significant risk that objectives will not be achieved.
NO	There is no assurance to be derived from the management of key risks to the Council objectives. There is an absence of several key elements of the control environment in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite and the residual risk to objectives. There is a high risk that objectives will not be achieved.

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
<p style="text-align: center;">HIGH</p> <p style="text-align: center;">●</p>	<p>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.</p>
<p style="text-align: center;">MEDIUM</p> <p style="text-align: center;">●</p>	<p>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.</p>
<p style="text-align: center;">LOW</p> <p style="text-align: center;">●</p>	<p>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.</p>
<p style="text-align: center;">NOTABLE PRACTICE</p> <p style="text-align: center;">●</p>	<p>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.</p>

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Business Assurance - Draft Internal Audit Plan 2017/18

Contact Officer: Muir Laurie
Telephone: 01895 556132

REASON FOR ITEM

The Council's Internal Audit (IA) Plan sets out the planned IA approach and activity type for the forthcoming financial year and seeks to:

- Provide all Business Assurance key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes are being effectively managed;
- Allow the Council to demonstrate it is complying with the relevant legislation and applicable professional standards;
- Demonstrate the Council's commitment to good governance and compliance with the UK Public Sector IA Standards (PSIAS); and
- Set out that Business Assurance IA resources are being properly utilised.

OPTIONS AVAILABLE TO THE COMMITTEE

The Audit Committee is asked to consider the draft IA Plan for 2017/18 and, subject to any further minor amendments, approve it.

INFORMATION

The outcomes from the work proposed in the 2017/18 IA Plan underpin the Head of Business Assurance's statutory annual IA opinion statement. This opinion concludes on the overall adequacy and effectiveness of the Council's internal control, risk management and corporate governance arrangements. It also supports the Council's Annual Governance Statement which forms part of the statutory financial statements.

In 2017/18, the Business Assurance service at Hillingdon will continue to apply a fully risk-based approach to its IA coverage. This means that Business Assurance gives greater assurance to the Council because its IA coverage is closer aligned to the key risks to the achievement of the Council's objectives. As a result, Business Assurance will not just be commenting on whether the controls operate, but whether they are the right controls to achieve the overall aims of the service.

In order to deliver this assurance it is vital for the organisation to have a comprehensive IA Plan which gives sufficient risk-based coverage and support to management. To help meet this need, the risk-based IA Plan for 2017/18 has been linked to the organisational objectives and strategic priorities, whilst also taking account of the Council's wider assurance framework.

Audit Committee 16 March 2017
PART I – MEMBERS, PUBLIC & PRESS

In preparing the draft 2017/18 IA Plan, we have carried out a risk assessment exercise which has involved consideration of risk registers, reviewing committee and HIP reports as well as reports from external inspectorates. Further, the IA Plan has been developed in accordance with the IA Charter and the IA Strategy. We have also consulted with External Audit (EY) and all senior managers in addition to considering legislative updates, as well as exercising our own professional judgement.

The ongoing transformational work across the Council results in a fast changing control environment and we will continue with the quarterly IA planning process implemented in 2015/16. This approach provides for a high-level estimation of planned work during the year with detailed operational IA Plans being produced and agreed by CMT and Audit Committee on a quarterly basis. Where requests for work are not urgent, they will form part of the following quarter's operational IA Plan. This allows for greater flexibility in IA coverage of new and emerging risks, which supports the continuously changing risk profile of the Council. This should help ensure that Business Assurance IA resources are directed in a more targeted manner to maximise the benefit to our stakeholders.

LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

BACKGROUND PAPERS

The Business Assurance service holds various background research papers in relation to the IA Plan.



BUSINESS ASSURANCE

Internal Audit Plan 2017/18: Draft for Audit Committee

7th March 2017

Contents

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1. Introduction

1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, which is 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 (England) Regulations 2015 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account UK Public Sector IA Standards (PSIAS) or guidance
- 1.1.2 IA provides an objective opinion to the Council on whether the control environment, corporate governance arrangements and risk management framework are operating effectively. In 2017/18 the IA service at Hillingdon will continue to apply a fully risk-based approach to its IA coverage, establishing **quarterly risk-based plans** to determine the priorities of the IA activity, in accordance with PSIAS 2010 - Planning. This means that IA gives greater assurance to the Council because it is based on the key risks to the organisation's objectives. As a result, we will not just be commenting on whether the controls operate, but whether they are the right controls to achieve the overall aims of the service.

1.2 The Purpose of the Internal Audit Plan

- 1.2.1 The IA Plan is a crucial component of the annual assurance opinion statement provided by the Head of Business Assurance, as the Council's Head of Internal Audit (HIA), to those charged with governance. In order to deliver this assurance it is vital for the organisation to have a comprehensive IA Plan which gives sufficient risk-based coverage and support to management. Hillingdon, in common with all other councils, faces a number of challenges including increased demand for services in a number of key areas. The test for Hillingdon Council is therefore to continue to try to balance the needs of our most vulnerable communities with the continually decreasing financial resources.
- 1.2.2 To help meet this need, the risk-based IA Plan for 2017/18 has been linked to the organisational objectives and strategic priorities, whilst also taking account of the Council's wider assurance framework. In addition, the IA Plan for 2017/18 has been developed in accordance with the recently updated IA Charter and the five year IA Strategy.

2. The Internal Audit Planning Process

2.1 Skills and Resources

- 2.1.1 In line with the PSIAS Attribute Standard 1210 - Proficiency, the HIA is professionally qualified and suitably experienced whilst the IA activity collectively possess (or obtain) the knowledge, skills and other competencies needed to perform its responsibilities. The skills mix within the rest of the in-house Internal Audit team has continued to evolve over the last 12 months, with **every member of the IA service now either professionally qualified or actively studying for a relevant professional qualification**. In addition, two members of staff have recently become exam qualified and will attain Chartered Internal Auditor (CMIIA) status upon completion of three years experience.
- 2.1.2 In line with our IA strategy, we continue to invest in our staff, identifying opportunities for further development in associated areas of assurance. In 2017/18 we will seek to support at least one member of staff through the Certified Information Systems Auditor (CISA) qualification, specialising in the emerging risks associated with information systems. This approach will provide the necessary assurance as the Council continues implementing its digital strategy. In addition, this approach will reduce our dependency on partnerships with external providers in this specific area.

- 2.1.3 Demand for IA assurance and consulting services usually exceeds available IA resources at local authorities. This means choices have to be made that will determine the impact IA has upon the organisation and the way key stakeholders perceive the value of IA. The starting point in the IA planning process at Hillingdon is therefore to **determine the total available IA staff resources**.
- 2.1.4 After deducting an appropriate amount of allocated time for IA planning, reporting, management review, staff training and other IA overhead time, the calculated **total available IA chargeable time for 2017/18** at Hillingdon is **1,000 IA Days**. This represents a further 150 day reduction on the 2016/17 IA Plan and a 300 day reduction on the 2015/16 IA Plan. This is primarily due an increase in training and development due to a change in the skills mix of the team. In addition, in 2015/16 there was an IA staff restructure following the Schools Forum funding decision which resulted in a reduction of IA focus within Schools to that of a statutory minimum (refer to paras 2.1.1 and 3.8). Overall available IA resources fulfil the PSIAS requirements in terms of the combination of professionally qualified and experienced staff. As a result, there are currently sufficient IA resources available to meet the skills and resource requirements needed to deliver the 2017/18 risk-based IA Plan.

2.2 Planning Sources

2.2.1 Although the IA Plan for the year is determined by the number of days available, the primary purpose of the IA Plan is ensuring that the key risks facing the Council are given sufficient IA attention. Therefore the next step in developing the risk-based annual IA Plan has been to make reference to a variety of planning sources (as per the flowchart of the IA Process attached at [Appendix A](#)) including:

- **Team Plans** – We carried out a review of team plans where these could be traced, to help us confirm the strategic objectives of each service area;
- **Corporate Risk Register** – We reviewed the Council’s corporate risk register to establish those charged with governance’s view of the most significant risks facing the Council;
- **Group & Service Risk Registers** – We conducted a review of Group and Service risk registers (where they were in place), to help identify the key risks facing each service;
- **Senior Management** – We have met or spoken with all senior managers across the Council including members of Corporate Management Team (CMT), to develop our knowledge of the risks and challenges facing their services;
- **Key Documents** – We have carried out a desktop review of key Council documents including minutes and reports of Cabinet and various committee meetings, as well as recent Business Improvement Delivery (BID) and Hillingdon Improvement Programme (HIP) reports, in addition to the draft budget papers for 2017/18;
- **Audit Committee** – We will invite comments from all members of the Audit Committee when they consider the draft IA plan at the next Audit Committee meeting on 7th March 2017. The IA plan will be subsequently updated to reflect any further comments and observations the Audit Committee members may have, before being formally finalised and circulated to all key stakeholders by 31st March 2017;
- **Members** – We have consulted with the Leader of the Council to seek his views on the key risks facing the Council; we have previously invited comments from all Cabinet Members, in addition to providing training at the Member development day;
- **External Audit** – We have liaised with Ernst and Young (EY) to discuss any matters of concern and to identify those areas where they are likely to consider IA work to inform their own risk assessment;
- **External Inspections** – We have given consideration to any relevant external inspection or peer review reports; and
- **IA Cumulative Knowledge** – We also make reference to the cumulative knowledge of the Business Assurance service of known control weaknesses and risks facing the Council, including the wider strategic issues emerging elsewhere in local government.

2.3 Risk Assessment

2.3.1 Using the knowledge gained through considering the planning sources, we carry out a comprehensive **audit needs analysis** and define what is known as the **audit universe** (a long list of areas for potential IA review). We then conduct an IA risk assessment for each area in the audit universe based on the following **three elements**:

Element	Definition
Inherent Risk	Our assessment of the overall level of risk associated with the audit area. This is effectively a gross relative risk of the potential impact of this area.
Control Risk	Our assessment and cumulative knowledge of the risk that exists within a particular area based upon the controls that we understand the Council has put in place. This affects the likelihood of the risk being realised.
Materiality	Our assessment of the potential financial or organisational impact. This might be judged by the potential for a monetary loss or the extent to which it impacts on core Council objectives.

2.3.2 The Council's risk management framework is not sufficiently mature to place full reliance on the corporate, group and service risk registers to identify all the risks the Council faces. However, the corporate and group risk registers are developed adequately enough to inform the IA risk assessment process, including calculating the total audit risk. The total audit risk score is determined using each of the elements above (para 2.3.1) which enables each area in the audit universe to be categorised into one of three **overall risk assessment** areas as follows:

Overall Risk Assessment	Definition
HIGH	This relates to a significant threat or opportunity that impacts the Council's corporate objectives. This has an impact on the Council's reputation, statutory compliance, finances or key corporate objectives.
MEDIUM	This relates to a potentially significant threat or opportunity that impacts on either corporate or operational objectives. This has an adverse impact on the Department's reputation, adherence to Council policy, the departmental budget or service plan objectives.
LOW	This relates to a minor threat or opportunity that impacts on operational objectives. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives.

3. The 2017/18 Internal Audit Plan

3.1 The results of the **overall risk assessment** process are then used to determine IA priorities and produce the allocation of IA resources. Both the HIP and BID processes help the Council deal with the budget pressures and increasing demand for its services. However, this transformational work results in a fast changing control environment and we have therefore introduced a revised method to IA planning during the 2015/16 financial year. We continue to operate this quarterly approach, providing a **high-level estimation** of where we expect to utilise our resources over the coming year, with detailed operational IA Plans being produced and agreed by CMT and Audit Committee on a **quarterly basis**. It is our opinion that this approach has helped to ensure that IA resources are directed in a more flexible and targeted manner to maximise the benefit to our stakeholders.

- 3.2 Attached at **Appendix B** is a pie chart which provides the IA Plan high-level estimation by audit type for 2017/18. We believe this allocation provides the best value to our key stakeholders, using a risk-based approach to internal control, risk management and corporate governance.
- 3.3 The relevant senior managers will be consulted with regards to the individual reviews that make up each of the high-level categories. Actual time spent on each category will be detailed in the quarterly IA progress reports.
- 3.4 The definitions of types of IA work and allocation (as detailed in the high-level IA Plan at **Appendix B**) are as follows:

Type of IA Work	Definition	% of IA Plan	IA Plan Allocation
Assurance	Work which provides comfort to CMT and the Audit Committee that risks to the achievement of objectives (including transformation projects) are being effectively mitigated and arrangements are operating as expected.	50%	500 Days
Consultancy & Advice	Work where the primary purpose is to advise and support management to improve systems and processes, mitigate risk and enable the achievement of objectives.	22%	220 Days
Core Financial Systems	Assurance coverage of the core financial processes that have a material impact on the financial position of the Council.	10%	100 Days
RBIA - CRR	<u>Risk-based IA</u> (RBIA) reviews that provide assurance on the Council's strategic risks identified in the <u>Corporate Risk Register</u> (CRR).	7%	70 Days
Grant Claims	Grant work on behalf of the Council including the Housing Subsidy and Troubled Families claims.	6%	60 Days
Follow Up	Activity which ascertains the implementation of agreed management actions.	3%	30 Days
Facilitation	Activity which supports CMT in their management of risk and the production of the Annual Governance Statement (AGS).	2%	20 Days
		100%	1,000 Days

- 3.5 However, as stated earlier, IA will **carry out a quarterly planning cycle** behind the high-level plan to ensure that we have the flexibility to respond to the dynamic environment in which the Council operates. As a result, formal updates of the IA Plan will be reported to CMT and the Audit Committee as part of the quarterly progress reports. This enables a continuous risk-based IA approach in line with the PSIAS. This will also make sure that the IA Plan will be subject to quarterly review, ensuring it remains aligned with the Council's objectives and emerging risks impacting their achievement.
- 3.6 CMT and the Audit Committee should also note that **there are a significant number of audit areas identified in the audit universe which fall below the risk threshold**. These areas are therefore unlikely to form part of the detailed operational IA Plans produced each quarter, unless specifically requested by management.
- 3.7 Appended to the Quarter 4 Progress report, presented to the Audit Committee, is the detailed operational IA plan for **Quarter 1** as agreed with the relevant senior managers. The detailed IA Plan has a number **key features** which are detailed overleaf:

- **ICT Audit** – The IA Plan makes provision for specialised computer audit work to be undertaken by our external contractor with some support provided by the in-house team. The scope of this assurance work will be to assess and report upon the adequacy of the key ICT controls present within major Council systems and ICT processes
- **Projects** – Many local authorities have projects which struggle to deliver the benefits that are expected of them, often having major knock on effects and sometimes even conflicting with other projects. We can provide quality assurance on projects through the entire life cycle of change, from project identification through to final delivery.
- **Contracts** – With the increasing number of contracts in operation across the Council, there will be an increased focus by IA on contract related ‘assurance’ audits. This will include reviews of the procurement process, as well as contract management arrangements for the significant / high value contracts.
- **Consultancy** – In line with the PSIAS, IA coverage will include a range of consultancy work. The table at para 3.4 and chart at **Appendix B** highlights that 200 days has been allocated for IA consultancy which includes advice, training, facilitation or conducting specific consultancy reviews. Through participation in corporate project groups we will also provide insightful, independent and informed advice in order to reduce risk.
- **Grant Claim** - The public sector is funded from a number of sources, including hypothecated and unhypothecated grants. Hypothecated grants are grants for a specific purpose and their receipt is dependent on funding being spent in a particular way. Unhypothecated grants are general grants. The IA planning process has identified the number and timing of grant audits required during the year, to ensure that there is appropriate resource available to audit claims within the required timescales.
- **Anti-Fraud & Anti-Corruption** – Whilst the Corporate Fraud Investigation Team (CFIT) is the lead assurance provider for the Council on fraud and corruption, the PSIAS require IA to evaluate the risk of fraud and thus we have a responsibility to give regard to the possibility of fraud and corruption as part of our coverage. As a consequence IA will review the Council’s anti-fraud & anti-corruption key controls as part of its ‘assurance’ coverage whilst also continuing to work in liaison with the CFIT.
- **Value for Money** – As part of our ‘assurance’ coverage, IA will conduct Value for Money (VfM) reviews on specific areas of expenditure and seek to reach a judgement on whether good VfM has been achieved by the Council. Good VfM is defined as the optimal use of resources to achieve the intended outcomes (i.e. economy, efficiency and effectiveness). Our role is not to question the Council’s policy objectives, but to provide independent and rigorous analysis to CMT and to the Audit Committee on the way in which public money has been spent to achieve policy objectives. As well as reaching an overall conclusion on VfM, where applicable we will make recommendations on how to achieve better VfM and to improve the services under examination.
- **Core Financial Systems** – The table at para 3.4 and chart at **Appendix B** highlights that 100 days have been allocated for coverage of the core financial systems. This represents a further reduction of the previous year’s coverage (115 days in 2016/17, 130 days in 2015/16 and 300 days in 2014/15 - see bar chart at **Appendix B**), which reflects the substantial assurance we can take from the results of our previous testing in this area in addition to other sources of assurance obtained by management.
- **Contingency** – An allocation for unprogrammed work will be included in each quarterly operational IA Plan. This will be used to respond to urgent requests for unplanned IA work. Where requests for work are not urgent, they will form part of the following quarter’s operational IA Plan.

3.8 CMT and the Audit Committee are aware that on 22nd October 2015, Schools Forum (SF) took a funding decision regarding the future of our IA coverage of schools. SF’s decision has resulted in **IA coverage of LBH maintained schools being reduced to the statutory minimum** for the 2016/17 period onwards, which is subject to a risk-based approach.

4. Internal Audit Reporting

- 4.1 Business Assurance reports the findings of its IA work in detail to key officers at the conclusion of each piece of its work. However, Corporate Directors would be immediately informed of any significant internal control weaknesses identified by IA.
- 4.2 With the exception of follow-up and consultancy reviews (including grant claim audits), all IA reports issued include an assurance opinion based on the **IA Assurance Levels and Definitions** included at **Appendix C**.
- 4.3 A quarterly IA progress report is submitted to CMT and the Audit Committee, summarising IA performance and work carried out in the period. These reports provide an update on the progress made against the delivery of the IA Plan and provide details of IA work completed to date, the assurance opinions given and the number and type of recommendations made. These quarterly progress reports also include the detailed operational IA Plan for the following quarter, allowing the IA Plan to be more flexible and responsive to the dynamic level of change throughout the organisation.
- 4.4 In addition, an annual IA report is presented to CMT and the Audit Committee, providing the statutory HIA opinion statement on the Council's internal control, risk management and corporate governance arrangements. The individual assurance ratings help determine the overall audit opinion at the end of the financial year, although other factors such as implementation of IA recommendations will have a bearing too. The annual IA report contributes to the assurances underpinning the Council's AGS.

5. The Internal Audit Follow Up Process

- 5.1 IA evaluates the Council's progress in implementing management agreed IA recommendations against set targets. Although detailed follow up work will not be carried out by us for any **LOW** risk recommendations, IA continues to monitor all **HIGH** and **MEDIUM** risk recommendations raised. The full definitions of all the **IA Risk Ratings** are included at **Appendix C**. If progress is unsatisfactory or management fail to provide a reasonable response to our follow up requests, we will implement the escalation procedure agreed with CMT, as clearly set out in our Management Protocol.
- 5.2 In addition to this, we continue with the renewed approach to follow-up work implemented within 2016/17, actively following up on prior **Limited** or **No** assurance reports within 6 months to a year after their issue. This approach provides additional assurance to CMT and the Audit Committee over the implementation of IA recommendations and whether the control environment is now operating as intended.
- 5.3 Linked to this, it is important that all key stakeholders are clear on our role; we do not tell management what to do; we identify internal control, risk management and corporate governance weaknesses along with notable practices for management's attention. Good practice in IA and risk management encourages management to respond to risks in any combination of the following four ways (**the 4 T's**):
- i) **Transfer** the risk i.e. insure against it;
 - ii) **Terminate** the risk i.e. stop carrying out the activity that creates the potential risk;
 - iii) **Treat** the risk i.e. take mitigating action to reduce the risk; and
 - iv) **Tolerate** the risk i.e. do nothing and accept that this risk could materialise.
- 5.4 IA support and advise managers in formulating a response to the risks identified. As an organisational improvement function, we will also offer assistance to management to help devise pragmatic and robust action plans arising from IA recommendations. Progress on the implementation of IA recommendations will continue to be formally reported to CMT and the Audit Committee on a quarterly basis.

6. Measuring Internal Audit Performance

6.1 The Public Sector Internal Audit Standards

- 6.1.1 The PSIAS, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. The standards, revised in April 2016, stress the importance of robust, independent and objective IA to provide senior management with the key assurances to support them in managing the organisation and in producing the AGS.

6.2 Internal Audit Measures of Success

- 6.2.1 The PSIAS are also clear that IA should be adding value to the organisation in which it operates. At a time when all areas of the Council are being urged to deliver better and more efficient services, it is absolutely right that IA demonstrates improvements in its services.

6.3 Reporting Internal Audit Performance

- 6.3.1 There are a wide range of IA stakeholders to satisfy, but the key stakeholders for the purposes of the IA progress reports are CMT and the Audit Committee. Further to this, attached at **Appendix D** are the agreed **IA KPIs** for use in 2017/18. We will continue to use the monitoring data maintained on our dedicated IA software system (TeamMate). A summary of actual IA performance against the targeted performance will continue to be reported to CMT and the Audit Committee as part of the quarterly IA progress reports. These results will allow all stakeholders to measure the performance and robustness of the IA team delivered by the Business Assurance Service at Hillingdon.

6.4 Analysing Internal Audit Performance

- 6.4.1 All nine of the agreed IA KPIs (per **Appendix D**) need management co-operation to enable them to be achieved. In fact IA in isolation is unable to achieve any of these KPIs; they can influence the results but they cannot completely control them i.e. IA KPI 3 (**HIGH** risk IA recommendations where management action is taken within agreed timescale). IA influences this KPI by raising pragmatic recommendations and agreeing reasonable timescales with management, but ultimately the reliance is on management to strengthen the control environment in the agreed timeframe.
- 6.4.2 It is therefore important that interpretation of the IA KPIs is not taken in isolation, as other factors should be taken into account i.e. the increased risk focused IA approach being applied has resulted in a greater number of **HIGH** risk recommendations and a greater number of **LIMITED** assurance reports. The IA KPI targets are ambitious, but they are achievable and realistic for a high performing Business Assurance service, which is what we strive to be at Hillingdon. In terms of KPI 8 (Client Satisfaction Rating), this is based on an average score of 3.4 out of 4.0 from the IA Client Feedback Questionnaires completed by management. KPI 9 (IA reviews compliant with the PSIAS and IIA Code of Ethics) is an internal quality check completed, as part of an annual independent audit of the service, to verify that all our IA work meets the required standards.

6.5 Individual Internal Audit Staff Performance

- 6.5.1 As well as the KPIs for quarterly reporting to CMT and the Audit Committee, a further set of performance measures are in operation and are used to monitor and assess the performance of individual IA staff. These operational KPIs form the basis of the performance targets for IA staff and are aligned to the detailed IA procedures, as set out in the IA Manual and outlined in the IA Charter. The IA standards aim to ensure that all IA staff follow a consistent process for each piece of IA work and that the planned IA programme is completed within agreed timescales and to the required quality standards.

7. Acknowledgement

- 7.1 The draft IA Plan was formally considered by CMT at its meeting on 1st March and is due to be presented to the Audit Committee at its meeting on 16th March. It will then be finalised by 31st March 2017 and be circulated to key stakeholders including all senior managers across the Council.
- 7.2 Business Assurance would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the Council's management as part of the risk-based planning process.

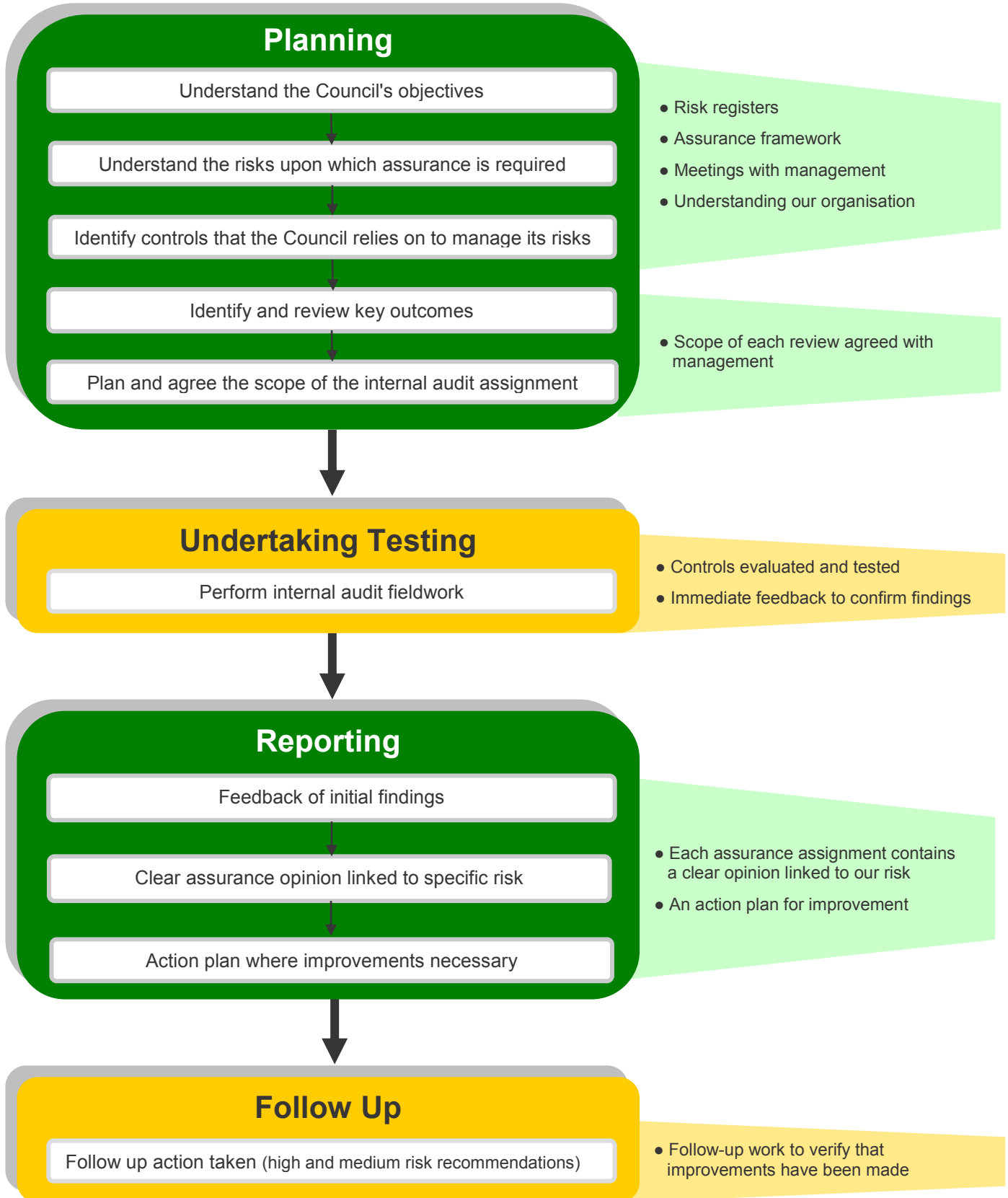
Muir Laurie ACCA CMIIA
Head of Business Assurance

7th March 2017

APPENDIX A

THE INTERNAL AUDIT PROCESS

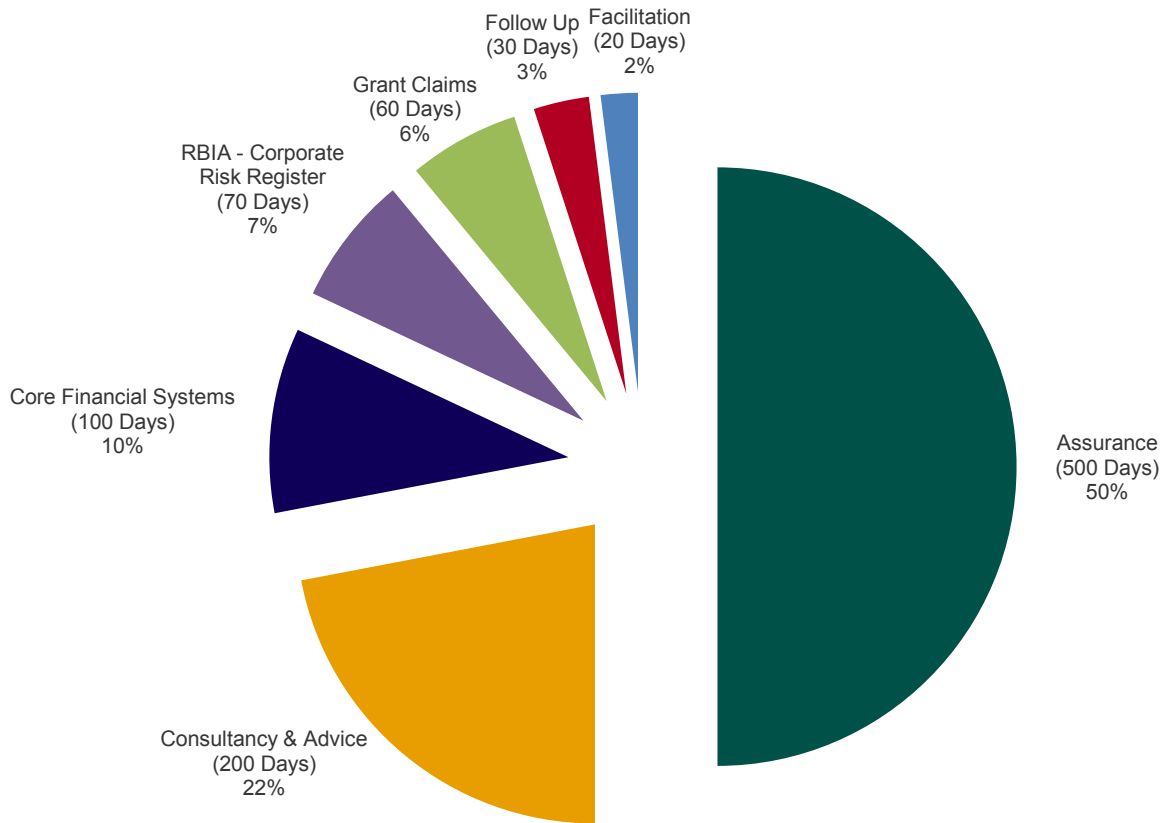
As per para 2.2.1, once total IA available IA resources have been determined, the overall IA process is summarised below:



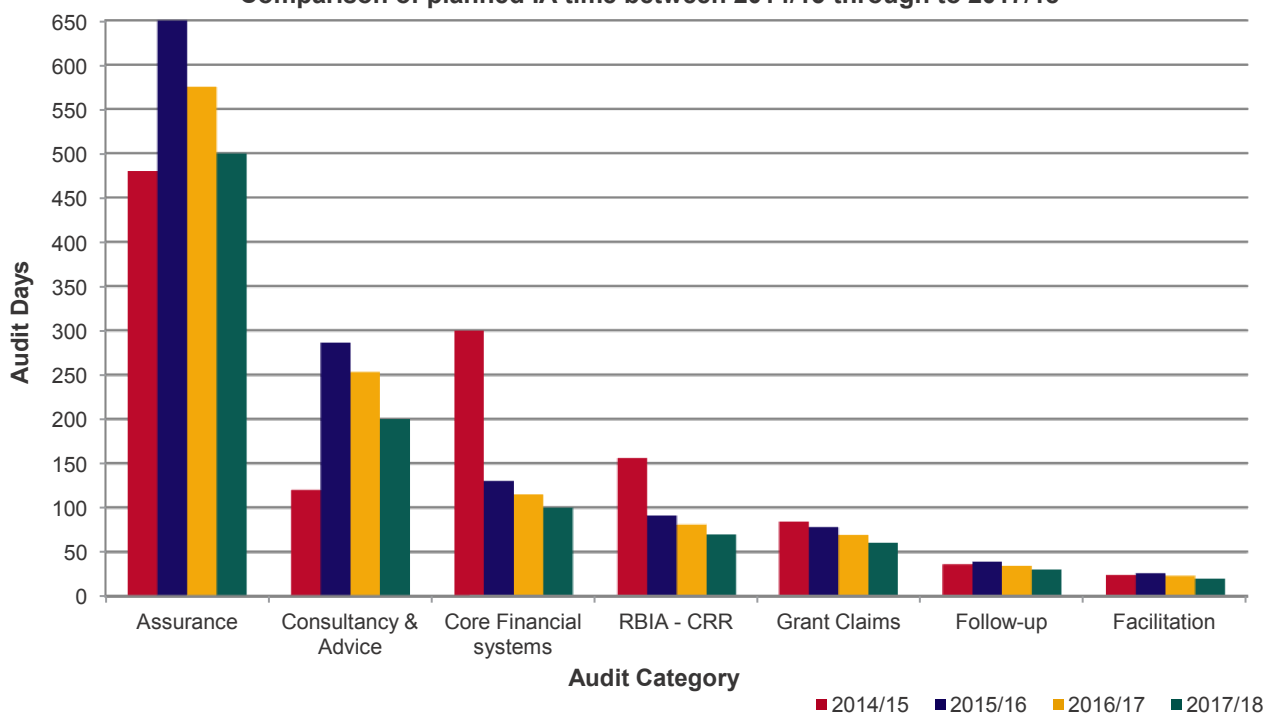
APPENDIX B

THE 2017/18 ANNUAL INTERNAL AUDIT PLAN ~ ESTIMATED ALLOCATION BY AUDIT TYPE

As per the definitions at para 3.4, the 2017/18 Annual IA Plan estimated allocation by audit type is as follows:



Comparison of planned IA time between 2014/15 through to 2017/18



APPENDIX C**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 is in need of some improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains some risk that objectives will not be achieved.
LIMITED	There is a limited level of assurance over the management of the key risks to the Council objectives. The control environment has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a significant risk that objectives will not be achieved.
NO	There is no assurance to be derived from the management of key risks to the Council objectives. There is an absence of several key elements of the control environment in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite and the residual risk to objectives. There is a high risk that objectives will not be achieved.




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 C (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.

APPENDIX D**INTERNAL AUDIT KEY PERFORMANCE INDICATORS 2017/18**

The Key Performance Indicators (KPIs) for IA quarterly reporting to CMT and the Audit Committee in 2017/18 are set out below:

KPI Ref.	Performance Measure	Target Performance 2017/18
KPI 1	HIGH risk IA recommendations where positive management action is proposed	98%
KPI 2	MEDIUM risk IA recommendations where positive management action is proposed	95%
KPI 3	HIGH risk IA recommendations where management action is taken within agreed timescale	90%
KPI 4	MEDIUM risk IA recommendations where management action is taken within agreed timescale	75%
KPI 5	Percentage of IA Plan delivered to draft report stage by 31 March	90%
KPI 6	Percentage of IA Plan delivered to final report stage by 31 March	80%
KPI 7	Percentage of draft reports issued as a final report within 15 working days	80%
KPI 8	Client Satisfaction Rating (from completed CFQs)	85%
KPI 9	IA work fully compliant with the PSIAS and IIA Code of Ethics	100%

All IA KPIs Target Performance for 2017/18 have been set at the same thresholds as it was for 2016/17.

Key for above:

- CFQs = Client Feedback Questionnaires.
- PSIAS = Public Sector Internal Audit Standards.
- IIA = Chartered Institute of Internal Auditors (UK).

Key for future reporting on actual KPI performance:

- **RED** = currently this performance target is not being met (significantly [**>5%**] short of target performance).
- **AMBER** = currently not meeting this performance target (just short [**<5%**] of target performance).
- **GREEN** = currently meeting or exceeding this performance target.

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Business Assurance - Anti Fraud and Anti Corruption Strategy 2017-20

Contact Officer: Muir Laurie
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REASON FOR ITEM

The attached report presents the Audit Committee with the draft Anti Fraud and Anti Corruption (AF&AC) Strategy 2017-20. The Strategy document, which was distributed by email to Audit Committee members as a draft on 11th January 2017, defines the London Borough of Hillingdon's (LBH's) approach to managing the risk of fraud and corruption against the Council. It sets out how the Council encourages best practice in AF&AC to help embed it across all of its services, projects and external partnerships. Any fraudulent or corrupt act committed against the Council effectively constitutes theft of taxpayers' money and is therefore unlawful. This criminal behaviour deprives the Council of vital resources which would otherwise be used to provide valuable public services.

OPTIONS AVAILABLE TO THE COMMITTEE

The Audit Committee is asked to approve the Council's AF&AC Strategy 2017-20 (dated 16th February 2017) which has also been circulated to other key stakeholders. The links to the supporting policies/documents in section 4 of the Strategy will be 'made live' once they each have been approved by CMT over the coming weeks.

INFORMATION

In order to deliver LBH's aims, vision and priority themes, the Council needs to maximise the available financial and non-financial resources. Therefore this strategy document is designed to:

- Reduce fraud and corruption losses to an absolute minimum;
- Include all areas of the organisation and external stakeholders in its approach to AF&AC; and
- Support the Council in defending itself against any prosecutions under the Bribery Act.

As part of its strategic risk management approach, the Council ensures that there is a robust framework in place to mitigate the risk of fraud and corruption. Its aim is to:

- Maintain a 'zero-tolerance' approach to fraud and corruption;
- Provide a strong deterrent effect;
- Prevent fraud and corruption through proper design of internal control systems including policies and procedures; and
- Continue to undertake the detection and investigation of fraud and corruption, including applying sanctions and recovery procedures where it is identified.

LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

BACKGROUND PAPERS

LBH AF&AC Strategy 2017-20.

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Anti-Fraud & Anti-Corruption Strategy

2017-20



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Version Control:

Version No.	Date	Revision History	Author
0.1	10/11/2016	First draft	Sarah Hydrie, Business Assurance Manager
0.2	18/11/2016	Revised draft	Muir Laurie, Head of Business Assurance
0.3	24/11/2016	Final review	Paul Whaymand, Corporate Director of Finance
0.4	11/01/2017	Draft to CMT and Audit Committee	Muir Laurie, Head of Business Assurance
1.0	16/02/2017	Final version to Audit Committee	Muir Laurie, Head of Business Assurance

1. Introduction

- 1.1 This Anti Fraud & Anti Corruption (AF&AC) Strategy document defines the London Borough of Hillingdon's (LBH's) approach to managing the risk of fraud and corruption against the Council. It sets out how the Council encourages best practice in AF&AC to help embed it across all of its services, projects and external partnerships. Any fraudulent or corrupt act committed against the Council effectively constitutes theft of taxpayers' money and is therefore unlawful. This criminal behaviour deprives the Council of vital resources which would otherwise be used to provide valuable public services.
- 1.2 The threat from fraud and corruption is both internal and external. The Council's expectation is that Members and Officers at all levels will lead by example to ensure the highest standards of probity and accountability are established and strictly adhered to, and that personal conduct is above reproach at all times.
- 1.3 The development of the strategy will be based upon comprehensive ongoing risk assessments in all areas of Council activity, to reduce losses from fraud and corruption to an absolute minimum, through:
- Reinforcing an organisational culture of zero tolerance to fraud and corruption;
 - Encouraging prevention;
 - Pro-actively detecting fraud and corruption; and
 - The instigation of legal, disciplinary and recovery action against any individual or organisation found to have acted fraudulently or corruptly in their relationship and dealings with the Council.
- 1.4 This holistic approach to tackling fraud and corruption will become an integral part of existing governance arrangements, policies and procedures in addition to providing a raft of measures, designed collectively to deter would be offenders, to reinforce the Council's key objective of putting our residents first.
- 1.5 As a living document it is envisaged that this strategy will continually evolve as the Council further develops its understanding of the potential threat from fraud and corruption and as new and existing partnerships develop. In practical terms, this strategy will be supported by a newly developed Fraud & Corruption Response Plan. [add link](#)

2. Defining Fraud and Corruption

- 2.1 The term '**fraud**' commonly includes activities such as theft, deception, bribery, forgery, extortion, conspiracy, and money laundering. These include, but are not confined to, the specific offences in the Fraud Act 2006. For the purposes of this strategy document, fraud can be an attempted or an actual act committed against the Council and/or its partners.
- 2.2 It is only really since the introduction of the Fraud Act 2006 that there has been a legal definition of fraud. Essentially fraud involves using deception to dishonestly make a personal gain for oneself and/or create a loss for another. Although definitions may vary, most are based around this general theme.
- 2.3 **Corruption** is 'the offering, giving, soliciting, or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly'. It is an offence under the Prevention of Corruption Act 1906 – and as amended by subsequent Acts and section 117 (3) of the Local Government Act 1972.

3. Purpose of the AF&AC Strategy

- 3.1 In order to deliver LBH's aims, vision and priority themes, the Council needs to maximise the available financial and non-financial resources. Therefore this strategy document is designed to:
- Reduce fraud and corruption losses to an absolute minimum;
 - Include all areas of the organisation and external stakeholders in its approach to anti-fraud and anti-corruption; and
 - Support the Council in defending itself against any prosecutions under the Bribery Act.
- 3.2 As part of its strategic risk management process, the Council ensures that there is a robust framework in place to mitigate the risk of fraud and corruption. Its aim is to:
- Maintain a 'zero-tolerance' approach to fraud and corruption;
 - Provide a strong deterrent effect;
 - Prevent fraud and corruption through proper design of internal control systems including policies and procedures; and
 - Continue to undertake the detection and investigation of fraud and corruption, including applying sanctions and recovery procedures where it is identified.

4. Corporate AF&AC Framework

- 4.1 The Council has already established a robust framework of procedures and internal controls which provide the major elements of its **AF&AC governance arrangements**. This strategy is an integral part of a series of interrelated policies, procedures and controls designed to deter any attempted fraudulent or corrupt act. These policies, procedures and controls include:
1. Fraud and Corruption Response Plan; [add link](#)
 2. Whistleblowing Policy [add link](#)
 3. Anti-Bribery Policy; [add link](#)
 4. Anti-Money Laundering Policy; [add link](#)
 5. Sanctions and Prosecutions Policy; [add link](#)
 6. Social Housing Fraud Policy; and [add link](#)
 7. Surveillance Policy. [add link](#)

A complete list of key documents which underpin the framework can be found at **Appendix A**.

- 4.2 Staff and Members are expected to read this strategy, seek clarification where necessary and apply its principles fairly and consistently in the conduct of their duties.

Identifying the risk of fraud and corruption

- 4.3 Corporate Directors, Deputy Directors and Heads of Service should ensure that they, as part of the risk management approach within the authority, seek to accurately identify the risk of fraud and corruption within their service delivery areas.

Taking action to counter fraud and corruption

- 4.4 In order to counter act the risk of fraud and corruption at the Council, all Officers and Members are required to uphold the seven principles of public life, known as "**The Nolan Principles**".

- 4.5 Special responsibility rests with all Members and Senior Managers to lead by example and set ‘the tone from the top’. They should set an example by their own behaviour, in accordance with Nolan’s Seven Principles of Public Life.
1. **Selflessness** – Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
 2. **Integrity** – Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
 3. **Objectivity** – In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
 4. **Accountability** – Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
 5. **Openness** – Holders of public office should be as open as possible about all the decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
 6. **Honesty** – Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
 7. **Leadership** – Holders of public office should promote and support these principles by leadership and example.

4.6 Members and Officers must act with integrity at all times and comply with the relevant Codes of Conduct, legal requirements, as well as policies, procedures and good practice. All individuals and organisations (for e.g. suppliers, contractors, service providers, agencies and partner councils) with whom the Council deals with, are expected to act with integrity in all transactions with the Council. The Council is committed to the highest ethical standards; high standards of corporate and personal conduct are a requirement throughout the Council. The three fundamental public service values are:



4.7 The Head of Business Assurance will, in consultation with key stakeholders including the Corporate Management Team, regularly review the corporate framework designed to promote an overriding anti-fraud and anti-corruption culture. They will help ensure that a system to monitor and evaluate arrangements is in place.

Developing and maintaining a strong framework

4.8 Those charged with governance are responsible for ensuring that officers engaged in countering fraud and corruption have the appropriate authority, are professionally trained and accredited. They should ensure that the necessary framework is in place to facilitate working with other organisations. A more detailed summary of roles and responsibilities is outlined in the Council's Fraud and Corruption Response Plan. [add link](#)

5. Approach to AF&AC

5.1 The Council’s approach is to utilise the above framework by designing and regularly reviewing policies, procedures and systems in order to create a strong deterrent, preventative and detective effect. The Council will fulfil its aim to reduce fraud and corruption to an absolute minimum through a strategic approach consistent with that outlined in the Local Government Fraud Strategy ‘*Fighting Fraud & Corruption Locally*’. The three key themes of this approach are Acknowledge, Prevent and Pursue:



The local government counter fraud and corruption strategy 2016-2019

5.2 This approach is further supported by the Council’s proactive work to detect both internal and external fraud and corruption. The Council is committed to investigate, discipline, prosecute, publicise successes, apply sanctions and recover losses where fraud or corruption is identified.

5.3 The strategy centres on a very strong corporate AF&AC culture and robust corporate framework which includes:



5.4 Responsibilities in each area and details of the Council's approach are outlined in the Fraud and Corruption Response Plan [add link](#).

6. Preventing Fraud and Corruption

6.1 Enhancing Fraud and Corruption Controls and Processes

6.1.1 The best way to fight fraud and corruption is to prevent it happening in the first place. The Council will continually work towards realigning counter fraud and corruption resources away from enforcement towards prevention; ultimately, aiming to deter all would be offenders.

6.1.2 An effective internal control framework covering all the Council’s systems (both financial and non-financial) is essential in the fight against fraud and corruption. The governance and risk management arrangements referred to in section 4 of this document form an integral part of this arrangement. The Corporate Fraud Investigation Team will support the existing framework by working alongside Business Assurance and policy makers to ensure new and existing systems are resident focused, efficient, secure and provide value for money.

6.1.3 Preventative measures will be supported by the ongoing assessment of those areas most vulnerable to the risk of fraud and corruption, in conjunction with risk management arrangements and risk based internal audit reviews. The annual publication *'Protecting the Public Purse'* provides details of the key fraud and corruption risks faced by local government. The Council plans to undertake a review of the high risk areas identified in this publication. The review will support the development of effective, value for money counter fraud and corruption measures that also enhance the quality of the Council's customer services.

6.2 Making Better use of Technology

6.2.1 A key feature in the drive towards preventing fraud and corruption at the outset will be the ongoing use and development of information sharing as well as better use of data to verify and validate transactions.

6.2.2 The sheer diversity of the services the Council and its partners provide, in addition to the variety of systems used to manage them, generate huge volumes of records and data. The Council will re-engineer its fraud detection processes by comparing data from a variety of its systems, as well as, partners systems to identify anomalies, improve information sharing across services and inform the risk management processes.

6.3 Anti-Fraud & Anti-Corruption Culture

6.3.1 The Council is resolute that the culture and tone of the authority is one of honesty with zero tolerance towards fraud and corruption. This is already demonstrated through its behavioural framework and codes of conduct for Officers and Members. The right organisational culture will be continually reinforced by:

- Raising awareness of this strategy to new and existing employees; and
- Publicising the results of all proactive work, sanctions and recovery of losses due to fraud and corruption which will increase and maintain the general public awareness of the facilities available to report concerns about fraud and corruption.

7. Detecting Fraud and Corruption

7.1 Prioritising Fraud Recovery and the use of Civil Sanctions

7.1.1 Fraud must not pay, where fraud or corruption is discovered the full range of sanctions will be deployed, including civil, disciplinary and criminal action. Every effort will be made to recoup losses and confiscate assets gained as a result of criminal activity.

7.2 Developing Capability to Punish Fraudsters

7.2.1 Criminal prosecutions deter offenders and reinforce a culture of zero tolerance towards fraud, corruption and bribery. Successful prosecutions require cases to be professionally investigated ensuring all evidence is collected within the law. Investigative staff must be adequately trained with the appropriate skills and access to specialist resources to secure effective prosecutions.

7.3 Collaborating across Local Authorities, other Organisations and with Law Enforcement

7.3.1 Organised fraud has no respect for boundaries and can cross a range of organisations and services. Effective cooperation and joint working between local authorities and with other agencies including the Police and NHS Providers will be essential in the ongoing development of the Council's strategic response.

8. The role of staff in preventing Fraud and Corruption

- 8.1 Council staff are the first line of defence against most acts of attempts of fraud, corruption or bribery. The Council expects and encourage them to be alert to the possibility of acts of fraud, corruption or bribery and to raise any such concerns at the earliest opportunity.
- 8.2 Staff have a duty to protect the assets of the Council, including information, as well as property. Employees are urged to consider the nature of the concern, whether it involves immediate management and the seriousness and sensitivity of the issues involved. When an employee suspects that there has been fraud or corruption, they must report the matter to:

Paul Whaymand

Corporate Director of Finance (& Section 151 Officer)

t: 01895 556579

e: pwhaymand@hillingdon.gov.uk

and/or

Muir Laurie

Head of Business Assurance (& Head of Internal Audit)

t: 01895 556132

e: mlaurie@hillingdon.gov.uk

and/or

Garry Coote

Corporate Fraud Investigations Manager

t: 01895 250369

e: gcoote@hillingdon.gov.uk

9. Raising Awareness of AF&AC

- 9.1 Effective implementation of the strategy will be intrinsically linked to the right organisational culture, robust corporate governance framework and effective use of legislation. To support the development of a robust approach to AF&AC in the Council, all senior managers are encouraged to complete the e-learning training module. All new managers joining the London Borough of Hillingdon are also encouraged to complete the e-learning module as part of their induction. Business Assurance and the Learning and Development team will monitor training and support. Further information about AF&AC as well as briefings is produced as needed.

Reporting fraud and corruption

- 9.2 There are a number of ways that individuals may raise a concern or report suspected fraud or corruption. The Council offers several mechanisms for reporting fraud and corruption. There is a dedicated 24 hour fraud hotline (**contact tel no: 0800 389 8313**) as well as a dedicated web page <http://www.hillingdon.gov.uk/reportfraud>. You can also email the Council on internal-audit@hillingdon.gov.uk or fraud@hillingdon.gov.uk or write to the key AF&AC contacts at the Council; Head of Business Assurance, 4N/12, or Corporate Fraud Investigations Manager 1S/10 (both at Civic Centre, High Street, Uxbridge UB8 1UW).
- 9.3 If employees feel that they are unable to use internal routes then they can contact the Council's External Auditors (Ernst and Young):
- Ernst and Young LLP
Maria Grindley
Apex Plaza, Forbury Road, Reading RG1 1YE
t: 0118 928 1243
e: mgrindley@uk.ey.com

10. Review Cycle of the AF&AC Strategy

- 10.1 The Council needs to ensure that the provisions within this strategy remain relevant to the provision of modern local authority services and that the arrangements put in place continue to contribute to a strong control environment and good corporate governance within the authority. It is vital that these arrangements remain appropriate and adequate for the prevention and detection of fraud and corruption. Regular review of the AF&AC Framework will be undertaken by the Head of Business Assurance on a minimum three yearly cycle so that it remains current and effective.

Paul Whaymand

Corporate Director of Finance

LBH Strategic Lead Officer on Anti-Fraud & Anti-Corruption

16th February 2017

Corporate AF&AC Framework

The corporate framework which underpins this AF&AC Strategy includes the following:

- Members and Officers who set the tone from the top by leading by example and complying with the relevant Codes of Conduct;
- The Council's Constitution, including the Financial Regulations, Contract Standing Orders and the Scheme of Delegation;
- Code of Conduct for Employees;
- Staff Disciplinary Policy and Procedures;
- Code of Conduct for Members;
- Gifts and Hospitality Policy;
- Register of Interests;
- Other Council policies and procedures;
- Recruitment procedures;
- The Fraud & Corruption Response Plan;
- Monitoring of and testing of the ethical framework;
- The Whistleblowing Policy;
- The Complaints procedure;
- The Anti-Money Laundering Policy;
- The work of Internal Audit, Corporate Fraud Investigation Team, Trading Standards, etc;
- Participation in National Fraud Initiatives (NFI) data matching and targeted in-house data matching; and
- Links with the National Anti-Fraud Network (NAFN), London Boroughs Fraud Investigation Group (LBFIG), Local Authority Investigation Officers Group (LAIOG), Department of work and Pensions (DWP), the Borders Agency, the Metropolitan Police and the National Fraud Authority.

Audit Committee - Review of Terms of Reference

Contact Officer: Khalid Ahmed
Telephone: 01895 250833

REASON FOR ITEM

This report provides the Committee with an opportunity to review the Terms of Reference of the Committee.

OPTIONS AVAILABLE TO THE COMMITTEE

1. **To consider the Terms of Reference of the Audit Committee and to make suggestions for changes to be recommended to the Council for approval.**

INFORMATION

1. One of the recommendations of last year's Internal Audit review on the effectiveness of the Audit Committee was that the Audit Committee's Terms of Reference should be subject to annual review against relevant guidance to ensure that they are up to date, that they include all mandatory responsibilities and take into consideration best practice.
2. To enable this to happen, key participating officers and Members of the Audit Committee were requested to consider changes which needed to be made to the existing Terms of Reference (appendix 1). The suggested changes are indicated as tracked changes on appendix 2 and have been made in consultation with the External Auditors, the Corporate Director of Finance, the Head of Business Assurance, the Corporate Fraud Investigations Manager and the Head of Policy.
3. Subject to any suggested changes and amendments, the Terms of Reference will then be recommended for approval to the Council.

APPENDIX 1

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 monitor, but not direct, Internal Audit's work programmes, summaries of Internal Audit reports, their main recommendations and whether such recommendations have been implemented within a reasonable timescale, ensuring that work is planned with due regard to risk, materiality and coverage.
2. Make recommendations to the Leader of the Council and Cabinet Member for Finance, Property and Business Services on any changes to the Council's Internal Audit Strategy and plans.
3. Review the Annual Report and Opinion and Summary of Internal Audit Activity (actual and proposed) and the level of assurance this can give over the Council's corporate governance arrangements.
4. Consider reports dealing with the management and performance of internal audit services.
5. Following a request to the Corporate Director of Finance, and subject to the approval of the Leader of the Council and Cabinet Member for Finance, Property and Business Services, to commission work from Internal Audit.

External Audit

6. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
7. Monitor management action in response to issues raised by External Audit.
8. Receive and consider specific reports as agreed with the External Auditor.
9. 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.
10. Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
11. Following a request to the Corporate Director of Finance, and subject to the approval of the Leader of the Council / Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.
12. Monitor effective arrangements for ensuring liaison between Internal and External audit, in consultation with the Corporate Director of Finance.

Governance Framework

13. 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.
14. Review any issue referred to it by the Chief Executive, a Deputy Chief Executive, Corporate Director, or any Council body.
15. Monitor and review, but not direct, the authority's risk management arrangements, including regularly reviewing the corporate risk register and seeking assurances that action is being taken on risk related issues.
16. Review and monitor Council policies on 'Raising Concerns at Work' and anti-fraud and anti-corruption strategy and the Council's complaints process, making any recommendations on changes to the Leader of the Council and the Deputy Chief Executive and Corporate Director of Residents Services.
17. Oversee the production of the authority's Statement of Internal Control and recommend its adoption.
18. Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on necessary actions to ensure compliance with best practice.
19. Where requested by the Leader of the Council, Cabinet Member for Finance, Property and Business Services or Corporate Director of Finance, provide

PART I – MEMBERS, PUBLIC AND PRESS

Audit Committee – 16 March 2017

recommendations on the Council's compliance with its own and other published standards and controls.

Accounts

20. 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 auditor that need to be brought to the attention of the Council.
21. Consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Review and reporting

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

APPENDIX 2

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.

4. 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.

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Audit Committee Forward Programme 2016/17 and 2017/18

Contact Officer: Khalid Ahmed
Telephone: 01895 250833

REASON FOR ITEM

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

OPTIONS AVAILABLE TO THE COMMITTEE

1. To confirm dates for Audit Committee meetings; and
2. To make suggestions for future agenda items, working practices and/or reviews.

INFORMATION

All meetings to start at 5.00pm

Meetings	Room
12 July 2016	CR3
22 September 2016	CR4
15 December 2016	CR5
16 March 2017	CR4
29 June 2017	CR5
27 September 2017	CR3
13 December 2017	CR3

AUDIT COMMITTEE

Forward Programme 2016/17 and 2017/18

Meeting Date	Item	Lead Officer
16 March 2017	*Private meeting with External Audit (Ernst & Young) to take place before the meeting	
	EY 2016/17 Annual Audit Plan; 2016/17 Pension Fund Audit plan; and Information on Their Detailed Work Plan	Corporate Director of Finance / Ernst & Young
	EY - Annual Grant Audit Letter	Corporate Director of Finance /Ernst & Young
	Annual Governance Statement 2015/16 – Interim Report	Head of Policy
	Business Assurance Anti Fraud & Anti Corruption Strategy 2017-20	Head of Business Assurance
	Balances and Reserves Statement	Corporate Director of Finance
	Business Assurance - Internal Audit Progress Report Quarter 4 2016/17 & Quarter 1 2017/18 Internal Audit Plan	Head of Business Assurance
	Business Assurance Draft Internal Audit Plan 2017/18	Head of Business Assurance
	Corporate Fraud Investigation Team Progress Report April 2016 to February 2017	Corporate Fraud Investigations Manager
	Risk Management Report & Q3 Corporate Risk Register - Part II	Head of Business Assurance
	Audit Committee Terms of Reference	Democratic Services Manager / Head of Business Assurance
	Audit Committee Forward Programme	Democratic Services Manager

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Audit Committee – 16 March 2017

Meeting Date	Item	Lead Officer
29 June 2017	*Private meeting with Head of Business Assurance to take place before the meeting	
	Appointment of Chairman	
	Training Item - TBC	Chief Accountant
	Draft Annual Governance Statement 2016/17	Head of Policy
	External Quality Assessment of Internal Audit 2017/18	Head of Business Assurance
	Annual Internal Audit Report & Head of Internal Audit Opinion Statement 2016/17	Head of Business Assurance
	Internal Audit 2017/18 Quarter 1 Progress Report & Quarter 2 Operational Internal Audit Plan	Head of Business Assurance
	Corporate Fraud Team Progress Report	Corporate Fraud Investigations Manager
	Risk Management Report & Q4 Corporate Risk Register - Part II	Head of Business Assurance
	Audit Committee's Annual Report	Head of Business Assurance
	Audit Committee Forward Programme	Democratic Services Manager

Meeting Date	Item	Lead Officer
27 September 2017	*Private meeting with the Corporate Director of Finance to take place before the meeting	
	Training Item - TBC	
	Approval of the 2015/16 Statement of Accounts and External Audit Report on the Audit for the year ended 31 March 2017	Corporate Director of Finance /Ernst & Young
	External Audit Report on the Pension Fund Annual Report and Accounts 2016/17	Ernst & Young

PART I – MEMBERS, PUBLIC AND PRESS

Audit Committee – 16 March 2017

	Internal Audit Progress Report 2017/18 Quarter 2 & Operational Internal Audit Plan Quarter 3	Head of Business Assurance
	Annual Review on the Effectiveness of Internal Audit 2017/18	Head of Business Assurance
	Corporate Fraud Team Progress Report	Corporate Fraud Investigations Manager
	Risk Management Report & Q1 Corporate Risk Register - Part II	Head of Business Assurance
	Audit Committee Forward Programme	Democratic Services Manager

Meeting Date	Item	Lead Officer
13 December 2017	*Private meeting with the Head of Business Assurance to take place before the meeting	
	External Audit Annual Audit Letter	Ernst & Young
	Internal Audit Charter 2017/18	Head of Business Assurance
	Internal Audit Progress Report 2017/18 Quarter 3 & Operational Internal Audit Plan Quarter 4	Head of Business Assurance
	Corporate Fraud Team Progress Report	Corporate Fraud Investigations Manager
	National Scheme for Auditor Appointments	Deputy Director Strategic Finance
	Risk Management Report & Q2 Corporate Risk Register - Part II	Head of Business Assurance
	Annual Review of the Effectiveness of the Audit Committee 2017/18	Head of Business Assurance
	Audit Committee Terms of Reference	Democratic Services
	Audit Committee Forward Programme	Democratic Services
	Risk Management Report and Q2 Corporate Risk Register	Head of Business Assurance

PART I – MEMBERS, PUBLIC AND PRESS

Audit Committee – 16 March 2017

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of the Local Government (Access to Information) Act 1985 as amended.

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of the Local Government (Access to Information) Act 1985 as amended.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government (Access to Information) Act 1985 as amended.

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