

## Minutes



### AUDIT COMMITTEE

26 July 2018

Meeting held at Committee Room 5 - Civic Centre, High Street, Uxbridge

	<p><b>Committee Members Present:</b> John Chesshire (Independent Chairman), Councillors Scott Seaman-Digby (Vice-Chairman), Martin Goddard, Tony Eginton and Susan O'Brien.</p> <p><b>LBH Officers Present:</b> Sian Kunert (Head of Pensions, Treasury and Statutory Accounts), Muir Laurie (Head of Business Assurance), Sarah Hydrie (Internal Audit Service Manager), Zac O'Neil (Counter Fraud Manager) Stephanie Rao (Interim Risk and Governance Manager) and Anisha Teji (Democratic Services Officer).</p> <p><b>Others Present:</b> Adrian Balmer and Maria Brindley (External Audit - Ernst &amp; Young).</p>
2.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>
3.	<p><b>DECLARATIONS OF INTEREST</b> (<i>Agenda Item 2</i>)</p> <p>Councillor Tony Eginton declared a non-pecuniary interest arising from the fact that he was a retired member of the Local Government Pension Scheme. He remained for the discussion of all items.</p> <p>Councillors Scott Seaman-Digby and Susan O'Brien, both declared non-pecuniary interests arising from the fact that they were deferred members of the Local Government Pension Scheme. They also remained for the discussion of all items.</p>
4.	<p><b>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</b> (<i>Agenda Item 3</i>)</p> <p>It was agreed that all the items on the agenda be considered in public with the exception of Agenda Item 11 – 2017/18 Quarter 4 Corporate Risk Register.</p>
5.	<p><b>MINUTES OF THE MEETING HELD ON 11 APRIL 2018 AND 10 MAY 2018</b> (<i>Agenda Item 4</i>)</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"><li>1. That the minutes from the meeting on 11 April 2018 be approved as an accurate record.</li><li>2. That the minutes from the meeting on 10 May 2018 be approved subject to recording apologies from Councillor Tony Eginton.</li></ol>

6. **APPROVAL OF THE 2017/18 STATEMENT OF ACCOUNTS, EXTERNAL AUDIT REPORT ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2018 AND EXTERNAL AUDIT REPORT ON THE PENSION FUND ANNUAL REPORT AND ACCOUNTS 2017/18** (*Agenda Item 5*)

The Committee was provided with reports which summarised the findings of Ernst & Young (EY), the External Auditor, on the external audit of the 2017/18 Statement of Accounts, including the Pension Fund Accounts. The reports summarised the Council's main financial statements and the Pension Fund accounts audit.

The Committee was informed that based on the work undertaken to date, EY anticipated issuing an unqualified opinion on the Council's financial statements, subject to the completion of outstanding work.

The Committee was provided with details of Key Audit Risks that were identified prior to audit and reported to Audit Committee on 11 April 2018.

It was reported that EY had substantially completed their audit of London Borough of Hillingdon's financial statement for the year ended 31 March 2018 and had performed the procedures outlined in the External Audit plan.

The statement of accounts was inclusive of the Pension Fund accounts, however, the Pension Fund accounts were audited separately due to the specialist nature. Subject to completion of the outstanding areas, the auditor had indicated that this part of the financial statements would receive an unqualified opinion.

During Member discussions, it was noted that Internal Audit and EY had a good working relationship where there was regular contact and a co-ordinated approach. Both teams kept each other up to date about work plans.

Further information in relation to amortisation rates of intangible assets was provided to the Committee by the Head of Pensions, Treasury and Statutory Accounts. The amortisation was over five to seven years, not five years. Five years was the default life for this asset class, however where there are specific licences that are longer the actual duration is taken into account. Wording in the accounting policy and the note would be updated in the next set of accounts and EY were happy with the approach and clarification in relation to signing off the statement of accounts for 2017/18.

**RESOLVED -**

- 1. That the Audit Committee approved the audited Statement of Accounts for 2017/18.**

7. **ANNUAL INTERNAL AUDIT REPORT AND OPINION STATEMENT 2017/18** (*Agenda Item 6*)

The Committee considered the Annual Internal Audit Report and Opinion Statement 2017/18.

The Head of Business Assurance reported that despite a reduction in Internal Audit capacity, the 2017/18 Internal Audit plan was 90% complete to draft stage report by stage 31 March 2018 and 98% complete to final report stage by 30 June 2018.

Members commented that it was an interesting report and congratulated officers for their work.

In the report, it was noted that for KPI 4 (Internal Audit recommendations where management actions was taken within agreed timescales) actual performance was 49% and for KPI 7 there was a 57% actual performance (for draft reports issued as a final report within 15 working days). Following Member questions, the Head of Business Assurance explained that in relation to KPI 4, managers were given three weeks to respond to reviews, which in most circumstances was a reasonable time frame. However, in cases where the recommendations were more complicated, sometimes several senior managers would need to be consulted which could impact timings. Improvements to actual performance in KPI 7 could potentially be made if managers were consistently put on notice of the areas of concern by the relevant lead auditor, prior to the draft report being issued. The Head of Business Assurance recognised that the Internal Audit service needs to improve consistency in this area, although it was noted that the KPIs are deliberately challenging for the Internal Audit service.

**RESOLVED – That the contents of the Annual Internal Annual Report and Opinion Statement 2017/18 be noted.**

8. **INTERNAL AUDIT PROGRESS REPORT FOR 2018/19 QUARTER 1 (INCLUDING THE QUARTER 2 INTERNAL AUDIT PLAN) (Agenda Item 7)**

The Internal Audit (IA) Service Manager presented the report which provided summary information on all IA work covered in relation to the 2018/19 Quarter 1, together with assurance levels in this respect.

The Committee was informed that in 2018/19 Quarter 1, one 2018/19 assurance review had concluded, one consultancy review had been finalised, one grant claim had been certified and nine pieces of 2017/18 work had been finalised. The planned IA consultancy review of CYPs Thematic Review Ofsted preparations had also concluded. In addition, the Council had recently been tasked with identifying at least 450 turned around families for the August 2018 Troubled Families submission. IA was liaising closely with officers given the tight timescale and backdrop of the current reduction in IA resource.

It was noted by the Committee that the IA team was operating at a significantly reduced capacity which had negatively impacted the number of 2018/19 reviews completed in Quarter 1. The Head of Business Assurance explained that the IA service had been victims of their own success by recruiting good people and training them up well. That coupled with the IA service being one of only several Councils to achieve 'Fully Conforms in its External Quality Assessment meant that staff from the Hillingdon IA service were highly sought after in the job market. Nevertheless, the Head of Business Assurance explained that there is a recruitment plan in place and following a recent restructure which deleted the size of the IA team by 1 trainee post, the salaries on offer for posts in the IA service at Hillingdon are now even more competitive with the salaries on offer elsewhere for similar roles. Two new roles (Senior Internal Auditor and a Principal Internal Auditor) were due to be advertised next week at significantly higher salary bandings. It was anticipated that this would attract more candidates with the relevant skills set and will help staff retention moving forward. There was also an agreement in place with Mazars to help support the in-house team during the interim period as much as is needed to deliver the IA plan.

Members requested further information or a matrix on the head count of IA staff and number of projects completed per individual. The Head of Business Assurance confirmed that this information could be provided. Members' attention was also drawn

to the Annual IA Report and Opinion Statement 2017/18, in which it was reported that 34 IA assurance reviews were undertaken in 2014/15, 33 in 2015/16, 30 in 2016/17 and 25 in 2017/18.

Members questioned the delay in the IA consultancy review of the introduction of Universal Credit. It was clarified that it had already been introduced in two postal areas and one area was due to go live in September 2018. It was noted that there had been a dispute about whether one postal area belonged to Uxbridge and IA had been requested (by the Tenancy Management team) to assist them in Q2 (early August) when the Tenancy Management team were more prepared for the rollout rather than rather than in Q1, as originally anticipated.

Since the Q1 Progress Report was published, two further assurance reviews had concluded. In relation to Early Years Centres a 'No' assurance opinion was given by Internal Audit. The details concerning this audit would be presented in 2018/19 Q2 Progress Report to the Audit Committee.

#### **RESOLVED –**

- 1. That the Internal Audit Progress Report for 2018/19 Quarter 1 be noted and approval be given to the Quarter 2 Internal Audit Plan for 2018/19.**
- 2. That the Committee noted that the coverage, performance and results of Business Assurance Internal Audit activity within this quarter.**

9. **2018/19 QUARTER 1 COUNTER FRAUD PROGRESS REPORT** (*Agenda Item 8*)

The Committee was provided with a report which gave details on the work being undertaken by the Business Assurance Counter Fraud Team (BACFT) in relation to 2018/19 Quarter 4 and assurances in this respect. The Counter Fraud Manager provided an oral summary of the report.

It was reported that the major restructure was now completed with all permanent posts recruited to and all new members of staff in place. The Committee were informed there are 17 members of staff in the BACFT plus the Counter Fraud Manager, and the new structure would help to ensure that the team had the right mix of skills, qualifications and experience to meet the changing needs of the Council moving forward. It was noted that a Home Office Immigration Enforcement Officer also joined the BACFT in April 2018 and positive results had already been seen from this work in terms of loss prevention.

Other key points reported included more engagement and fraud awareness work with managers around the Council being undertaken. In terms of housing tenancy fraud cases, seven properties had been recovered to the Council this quarter. Three cases of fraudulent right to buy applications (RTB) had been identified. There had also been a prosecution in the Crown Court of a fraudulent RTB application where a suspended sentence and community service was issued along with costs being rewarded to the Council. Further details of this would be provided in the next quarter report.

A proactive Blue Badge misuse operation was carried out in Uxbridge with eight parking contraventions notices being issued, three blue badges being seized for misuse and three criminal investigations being opened following badge seizures.

Three cases had been identified to discontinue funding for Section 17 emergency accommodation and two cases of prevention of first time buyer scheme fraud resulted in loss savings of approximately £36,000.

Key performance indicators have been developed by the Counter Fraud Manager this quarter and were reported to the Committee for the first time. Although they were not currently being met (i.e. at green status) major improvement work was ongoing by the Counter Fraud Team to modernise their ways of working to a risk based approach. The Counter Fraud Manager also made the point that the performance indicators were deliberately stretching to help the team focus on the improvements required.

Members were pleased to be provided with Counter Fraud benchmarking data for the first time. Whilst it has been difficult for the team to obtain comparative data, it was not impossible and the Head of Business Assurance highlighted that this was the first step in providing the Audit Committee with transparency on the actual performance of the Counter Fraud team. Moving forward increased benchmarking data will be provided to the Audit Committee. This will include the recovery of council properties against the total number of tenancies for each London Borough (where the information is publicly available). The Head of Business Assurance stated that a number of London authorities had been reluctant to share performance data with Hillingdon.

**RESOLVED – That the Counter Fraud Progress Report for 2018/19 Quarter 1 be noted.**

10. **AUDIT COMMITTEE SKILLS MATRIX/ TRAINING AND DEVELOPMENT PLAN**  
*(Agenda Item 9)*

Members were asked to review the draft skills matrix and make any amendments. Councillor Eginton suggested that Pensions should be added to the matrix.

Members were informed that once the draft skills matrix was approved, it would be sent to them to complete on a confidential basis. Relevant training sessions would then be arranged in consultation with other teams across the Council.

**RESOLVED – That the draft Member skills matrix be approved.**

11. **AUDIT COMMITTEE FORWARD PROGRAMME 2017/18** *(Agenda Item 10)*

**RESOLVED – That the forward work programme be noted.**

12. **2017/18 QUARTER 4 CORPORATE RISK REGISTER** *(Agenda Item 11)*

*This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).*

The Corporate Risk Register for Quarter 4 (January 2018 – March 2018) report was presented to Members. The report provided evidence about how identified corporate risks were being managed and the actions which were being taken to mitigate those risks.

**RESOLVED –**

**That the Committee reviewed the Corporate Risk Register for Quarter 4 (January**

<b>to March 2018), as part of the Committee's role to independently assure the risk management arrangements in the Council.</b>
The meeting, which commenced at 5.10 pm, closed at 6.25 pm.

These are the minutes of the above meeting. For more information on any of the resolutions please contact Anisha Teji, Democratic Services Officer on 01895 277655. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.