

## Minutes



### AUDIT COMMITTEE

6 February 2019

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

	<p><b>Committee Members Present:</b> John Chesshire (Chairman) Councillors Tony Eginton, Martin Goddard, Cllr Ray Graham and Susan O'Brien</p> <p><b>LBH Officers Present:</b> Sian Kunert (Head of Pensions, Treasury and Statutory Accounts), James Lake (Lead Corporate Accountant), Muir Laurie (Deputy Director of Exchequer &amp; Business Assurance Services [Acting]), Sarah Hydrie (Internal Audit Service Manager), Zac O'Neil (Counter Fraud Manager), Stephanie Rao (Risk and Insurance Manager) and Anisha Teji (Democratic Services Officer)</p> <p><b>Others Present:</b> Adrian Balmer, John Craigmyle and Suresh Patel (External Audit - Ernst &amp; Young).</p>
23.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>Apologies for absence were received from Cllr Scott Seaman-Digby, with Cllr Ray Graham substituting.</p>
24.	<p><b>DECLARATIONS OF INTEREST</b> (<i>Agenda Item 2</i>)</p> <p>Councillor Tony Eginton declared a non-pecuniary interest in agenda item 5 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>Councillor Susan O'Brien, declared a non-pecuniary interest in agenda item 5 arising from the fact that she was a deferred member of the Local Government Pension Scheme. She also remained for the discussion of all items.</p>
25.	<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 – 2018/19 Quarter 2 Corporate Risk Register.</p>
26.	<p><b>MINUTES OF THE MEETING HELD ON 17 OCTOBER 2018</b> (<i>Agenda Item 4</i>)</p> <p><b>RESOLVED – That the minutes from the 17 October 2018 be approved, subject to the following addition:</b></p> <p><i>Following Members' request at the last Audit Committee meeting for further information</i></p>

*on a staffing matrix, the Deputy Director of Exchequer & Business Assurance Services (Acting) informed the Committee that details would be provided in the 2018/19 annual Internal Audit report and this would come to Committee in July 2019.*

27. **EY 2018/19 ANNUAL EXTERNAL AUDIT PLAN & PENSION FUND EXTERNAL AUDIT PLAN (Agenda Item 5)**

The Committee was provided with reports which set out the initial plans for the 2018/19 audit by Ernst & Young (EY), the Council's External Auditor. The plans set out the approach to the audit of the Council's Accounts and the Pension Fund Accounts and a broad timetable, to enable the whole process to be completed by the end of July 2019. EY took the Committee through the reports and provided a summary of the key issues.

Members were informed that the Key Financial Statement Risks on the External Audit Plan were:

- Risk of management override;
- Risk of in appropriate capitalization of revenue expenditure;
- PPE valuations; and
- IAS 19 valuations.

Other areas of audit focus not classified as significant risk, but still material when considering risks of misstatement included:

- Consideration of Group Boundary (Hillingdon First Ltd); and
- New accounting standards (IFRS 9 & IFRS 15).

For the Pension Fund Audit Plan, there was only one significant risk and two risks of fraud identified as follows:

- Risk of management override;
- Risk of misstatement of Investment Income and Valuation through journals; and
- Valuation of complex investments.

Other areas of audit focus not classified as significant risk, but still material when considering risk of misstatement included:

- New accounting standards; and
- Pooling of investments.

Members discussed the usefulness of the key questions for Audit Committee. Cllr Eginton requested further information on the low value errors and potential risks and whether a brief report could be provided to the Committee.

**RESOLVED – That the Committee noted the 2018/19 annual external audit plan and pension fund external audit plan.**

28. **INTERNAL AUDIT PROGRESS REPORT FOR 2018/19 QUARTER 3 (INCLUDING THE 2018/19 QUARTER 4 IA PLAN)** (*Agenda Item 6*)

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 3 IA Plan, together with assurance levels in this respect.

It was reported that since the last IA progress report to CMT and the Audit Committee, four assurance reviews had concluded, four consultancy reviews were finalised, one grant claim was certified and three follow up reviews had also been finalised.

Key assurance reviews finalised included Emergency Duty Team which received a no assurance opinion, Cyber Security and the Positive Behaviour Support team received a limited assurance and the Youth Offending Service received a reasonable assurance opinion over the management of key risks.

It was reported that positive action had been proposed by management to assess all of the high and medium risk recommendations raised within each respective reviews. It was also reported that the team was operating at a good pace with new staff and further recruitment underway.

Officers provided the Committee with details of the Cyber Security audit which was evaluated against the Cyber Essentials criteria. The review was performed by a specialist IT auditor from Mazars with oversight from the Council's IA management team. The Committee was informed that an IT auditor had now been appointed to the IA team.

It was noted that a follow up review was scheduled to be carried out on Early Years Centres. In July 2018, IA gave Early Years a no assurance opinion and raised 3 high and 5 medium risk recommendations. Members asked for clarification on the progress of this and it was confirmed that following a meeting with the relevant Service Manager, implementation for some of the recommendations had been extended to 31 March 2019. As a result, the follow-up would commence in early April 2019.

It was highlighted that a consultancy review of Introduction of Universal Credit (UC) had concluded within the quarter and a significant amount of work had been undertaken to ensure that the Council was prepared for the introduction of UC. The review found that satisfactory, interim measures were in place but a greater focus needed to be on establishing sustainable long term measures. During the Social Care, Housing and Public Health's Policy Overview Committee's review into Universal Credit, it was highlighted that a leaflet entitled "Your Guide to Universal Credit" was published giving residents the wrong information about making claims. Officers informed the Committee communications in relation to UC formed part of the review and improvement actions had been identified. Further, the Deputy Director of Exchequer & Business Assurance Services (Acting) agreed to review the aforementioned leaflet and take corrective action if required.

Officers drew Members attention to the 2018/19 Quarter 4 IA Plan, which was circulated to the Committee (in advance of this meeting) and agreed by the Chairman on the 21 January 2019.

Following recent changes in staffing, Members were assured that independence would be maintained during audit processes and results and action would be reported to the relevant bodies. Although lack of resource had been a challenge, the Deputy Director of Exchequer & Business Assurance Services (Acting) reiterated that this was as a

result of successfully appointing good people and training them up well. Members were pleased with the progress of the successful appointments to a number of IA vacancies. It was confirmed that some IA resourcing would still be outsourced to Mazars until the end of the financial year.

**RESOLVED –**

1. **That the Internal Audit Progress Report for 2018/19 Quarter 3 be noted and approval be given to the Quarter 4 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.**

29. **ORAL UPDATE ON COUNTER FRAUD POLICIES** (*Agenda Item 7*)

The Committee was provided with an oral update on Counter Fraud Policies. These were circulated to Members prior to the meeting for comment.

The Committee was informed that the policies had undergone the proper process and had been signed off by the relevant Directors. Subject to any Committee amendments, the policies would come into effect immediately and teams would be required to adhere to these policies going forward.

**RESOLVED – The Committee noted the policies, with no additional comments or amendments.**

30. **2018/19 QUARTER 3 COUNTER FRAUD PROGRESS REPORT** (*Agenda Item 8*)

The Counter Fraud Manager presented a report giving details on the work being undertaken by the Business Assurance Counter Fraud Team (BACFT) in relation to 2018/19 Quarter 3 and assurances in this respect.

In summary, it was reported that during this quarter the team had achieved three successful prosecutions relating to Housing Fraud, Council Tax Reduction and Blue Badge misuse. The Committee was informed that one of the cases was prosecuted jointly with the Department of Work and Pensions and Home Office Immigration Service resulting in the defendant receiving a three and half years custodial sentence. The other two cases also required the defendants to pay considerable costs. There was an emphasis on the ability to be able to publicise these outcomes to raise awareness and act as a deterrent to potential fraudsters.

It was highlighted that since 16 April 2018, the BACFT had a Home Office IEO working as part of the team and this provided invaluable assistance in counter fraud work and other service areas in the Council.

It was confirmed that in 2018/19, the BACFT had successfully recovered 14 Council properties and were actively pursuing a further two cases for eviction. A further 29 investigations for suspected tenancy fraud were ongoing.

Members welcomed the news that a further principal officer had completed their BTEC 'level 7' in investigations, two other officers had commenced professional studies and ten officers had completed professional studies to become accredited counter fraud technicians. Members commented that the prosecutions were a good result and commended officers on their hard work.

**RESOLVED – That the Counter Fraud Progress Report for 2018/19 Quarter 3 be**

	<b>noted.</b>
31.	<p><b>ORAL UPDATE ON MEMBER TRAINING SESSIONS</b> (<i>Agenda Item 9</i>)</p> <p>The Committee received an oral update from Democratic Services on Member training sessions. The first Member training session took place prior to the meeting and was conducted by Ernst &amp; Young. The training session focussed on the role of external audit.</p> <p>The next training session would cover the area of Financial Reporting including Pension Requirements. This would take place on 25 April 2019 and be conducted by the Head of Pensions, Treasury and Statutory Accounts.</p> <p>Democratic Services would email Members the proposed topics for upcoming meetings. Any feedback and particular areas to be covered should be reported to Democratic Services.</p> <p><b>RESOLVED – That the oral update on Member training be noted.</b></p>
32.	<p><b>AUDIT COMMITTEE FORWARD PROGRAMME</b> (<i>Agenda Item 10</i>)</p> <p>It was noted that the meeting on Thursday 17 October 2019 would be moved to Monday 21 October 2019.</p> <p><b>RESOLVED – That the forward work programme be noted.</b></p>
33.	<p><b>2018/19 QUARTER 2 CORPORATE RISK REGISTER</b> (<i>Agenda Item 11</i>)</p> <p><i>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).</i></p> <p>The Corporate Risk Register for Quarter 2 (July to September 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.</p> <p><b>RESOLVED – That the Committee reviewed the Corporate Risk Register for Quarter 2 (July to September 2018), as part of the Committee’s role to independently assure the strategic risk management arrangements in the Council.</b></p>
	The meeting, which commenced at 5.40 pm, closed at 6.52 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.