

## Minutes



### AUDIT COMMITTEE

25 April 2019

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

	<p><b>Committee Members Present:</b> John Chesshire (Chairman) Councillors Scott Seaman-Digby (Vice-Chairman), Tony Eginton, Martin Goddard 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), Paul Whaymand (Corporate Director of Finance), Muir Laurie (Deputy Director of Exchequer &amp; Business Assurance Services (Acting)), Sarah Hydrie (Internal Audit Service Manager), Zac O'Neil (Head of Counter Fraud), Stephanie Rao (Risk and Insurance Manager) and Anisha Teji (Democratic Services Officer)</p> <p><b>Others Present:</b> Adrian Balmer (External Audit - Ernst &amp; Young)</p>
34.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>
35.	<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>
36.	<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 – Business Assurance - Draft Counter Fraud Strategic Plan 2019/20 Draft and Agenda Item 12 – Corporate Risk Register 2018/19 Quarter 3.</p>
37.	<p><b>MINUTES OF THE MEETING HELD ON 6 FEBRUARY 2019</b> (<i>Agenda Item 4</i>)</p> <p><b>Matters arising from the minutes from the meeting on 6 February 2019</b></p> <p>The Deputy Director of Exchequer &amp; Business Assurance Services (Acting) informed the Committee that feedback had been provided to the relevant Housing team in relation to the leaflet entitled “<i>Your Guide to Universal Credit</i>” and amendments would be made by them. It was also confirmed that an update on the Early Years Centre</p>

would be provided later at the Committee meeting. The Counter Fraud related policies had not come into full effect yet due to still being in the process of being finalised.

**Committee approval of the minutes from 6 February 2019**

The Committee agreed the insertion of Cllr Ray Graham's name to be listed in the Committee Members present and to insert the word "some" in minute 28 final paragraph to now read "It was confirmed that some IA resourcing would still be outsourced to Mazars until the end of the financial year."

**RESOLVED – That the updates be noted and the minutes be approved subject to the amendments stated above.**

38. **EY- ANNUAL GRANT AUDIT LETTER** (*Agenda Item 5*)

The Committee considered the External Audit Annual Grant Audit Letter, which provided a summary of the key findings on the grant certification work undertaken by Ernst & Young (EY) for the year ended 31 March 2018.

The report highlighted three areas of grant certification work as Housing Benefits Subsidy Claim, Teacher's Pension and Housing Capital Receipts. It was noted that 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.

It was confirmed that given the nature of benefits and the high volume of transactions there would always be a certain element of error. However, it was explained that the benefits subsidy system was such that all errors no matter how small resulted in qualification.

In addition, it was noted that 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 the financial year 2017/18 was £40,945 (2016/17 £44,725)

**RESOLVED – That the findings contained in the Annual Grant Audit Letter be noted.**

39. **ANNUAL GOVERNANCE STATEMENT 2018/19 - ORAL UPDATE** (*Agenda Item 6*)

The Committee was provided with an update on the preparation of the Annual Governance Statement (AGS) for 2018/19. It was reported that work was progressing well, the Management Assurance Statements had been completed and the first draft of the AGS had been reviewed by the Corporate Governance Working Group.

It was reported that dates had been scheduled for the entire process which factored in time for the Leader and EY to review. The AGS was on track to be submitted to the Audit Committee's July reporting deadline.

It was also noted that the format of the draft AGS had been updated in line with best practice. Current guidance had also been considered when drafting the AGS such as the new CIPFA Statement on the Head of Internal Audit which was published in April

2019.

**RESOLVED – That the update on the AGS 2018/19 be noted.**

40. **INTERNAL AUDIT PROGRESS REPORT FOR 2018/19 QUARTER 4 (INCLUDING THE 2019/20 QUARTER 1 IA 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 4 IA Plan, together with assurance levels in this respect.

It was highlighted that since the last IA progress report to CMT and the Audit Committee on 14 January 2019, five assurance reviews (including three follow ups) had concluded, one consultancy reviews had finalised and one grant claim (consisting of three memos) had been certified.

Key assurance reviews finalised included Mortuary which received a reasonable assurance opinion and Gifts and Hospitality which received a reasonable assurance opinion over the management of key risks. One consultancy review of Private Sector Housing had completed during this quarter.

It was reported that the Early Years Centre follow up was due to commence and in preparation for this, IA had met with the Head of Service to receive an update on the progress of the three high and five medium risk recommendations. It was confirmed that two medium risks recommendations had been implemented but the remaining six had been extended to 30 June 2019. The reason for the extension was to allow a Business Improvement Delivery review to conclude before recommendations could be implemented.

It was confirmed that three KPIs 5, 6, and 7 were reported as Red as reports were still in progress. This target was a challenge and a number of factors had impacted this including a restructure, recruitment campaign and staff members leaving the team. Officers explained the progress was being regularly monitored and discussed at team meetings.

During Member discussions, it was noted that the four high risks in the Emergency Duty Team were issued in December 2018 and they would be followed up once they reached their implementation deadline. In relation to Olympic House, IA and senior management in Social Care agreed to cease testing as review of the provision, staffing and site was being commissioned by the Director of Provider and Commissioned Care and to progress the audit would not add sufficient value or provide assurance to management or the Audit Committee.

It was also noted during Member discussions that the Review of the Effectiveness of the Audit Committee was based on CIPFA guidance, IA had met with the Chairman and testing had concluded. Agenda dispatch, minutes, skills matrix and training was also reviewed as part of the audit. The results would be published in June 2019. When planning for audit reviews, intelligence such as corporate and directorate risk registers are used to inform IA planning meetings.

Members were pleased with the progress of the successful appointments to a number of IA vacancies and that the team was fully recruited. It was confirmed that IA would continue to have a partnership with Mazars.

**RESOLVED –**

- 1) That the Audit Committee noted the IA Progress Report for 2018/19 Quarter 4 and approval be given to the Quarter 1 Internal Audit Plan for 2019/20.
- 2) That the Committee noted that the coverage, performance and results of Business Assurance Internal Audit activity within this quarter.

41. **DRAFT ANNUAL INTERNAL AUDIT PLAN FOR 2019/20** (*Agenda Item 8*)

The Committee was provided with the Draft Annual Internal Audit Plan 2019/20 that set out the Internal Audit's (IA) approach and activity type for the forthcoming year. The plan sought to provide key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes were being effectively managed; allow the Council to demonstrate that it was 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 Internal Audit resources were being properly utilised.

It was noted that after deducting an appropriate amount of allocated time for IA planning, reporting staff training etc, the calculated total available IA chargeable time for 2019/20 was 765 IA days. This represented a 135 day reduction on the 2018/19 IA Plan. It was reported this was mainly due to change in the composition and skills mix of the IA team.

It was noted that the IA had consulted with the Leader of the Council to seek his views on the key risks facing the Council and comments had been invited from all Cabinet Members. Members enquired what other steps were taken to identify potential risks and it was confirmed that key committee papers were reviewed.

Members expressed some concern in the decrease in the number of audits days however recognised that, despite this, better quality reviews were being undertaken and a higher level of resource was being allocated to IA assurance work which positively increased the effectiveness of the IA service.

**RESOLVED – That the Audit Committee noted the Draft Internal Audit plan for 2019/20.**

42. **COUNTER FRAUD PROGRESS REPORT 2018/19 QUARTER 4** (*Agenda Item 9*)

The Head of Counter Fraud presented a report giving 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.

An updated appendix B and figure in relation to Table 1 – Housing Tenancy Fraud Cases was provided to the Committee.

In summary, it was reported that during this quarter the team had achieved successful loss prevention outcomes relating to Housing Fraud, Disabled Facilities Grants and Social Care. The Committee was informed that five Council properties had been recovered and two council tenants had downsized.

During this quarter, there had been a focus on completion of a successful tenancy fraud project which had generated a number of criminal investigations into suspected subletting and achieved the direct saving of £40k in home adaptation costs. The Home

Office Immigration Enforcement Officer had helped the Council with loss prevention work of £233k to date for 2018/19 and, as a result, the contract had been extended for another year.

In relation to, Appendix A: Table 3 – BACFT Quarter 4 KPIs and Actual Performance, it was confirmed that KPIs had improved since the beginning of the year but that there was still work to be done to make improvements. An ongoing issue for the meeting of KPIs had been the Intelligence sub-team not yet being fully resourced.

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

It was noted that the next NFI exercise data match for Hillingdon was received in the first week of February 2019. The BACFT was continuing to work through the data matches identified for 2017 as well as working on matches for 2019, and this had resulted in cashable savings of £6,685.82. Further to Member questions, officers confirmed that this was a lower savings figure than expected. However, this data was still being reviewed and the Committee would be updated next quarter on progress.

It was highlighted that in Quarter 4, one proactive Blue Badge misuse operation was carried out in Uxbridge High Street. 59 badges were checked by BACFT officers, 1 criminal investigation had opened following badge seizure and 5 expired badges were seized. It was noted that as more awareness was being raised, results for operations would likely reduce meaning that blue badge operations were having a deterrent effect. Further to Member concerns about Blue Badges being sold, it was confirmed that residents who lost their blue badges regularly were monitored by the Contact Centre.

The Committee commended officers on their positive work.

**RESOLVED – That the Counter Fraud Progress Report for 2018/19 Quarter 4 be noted.**

43. **WORK PROGRAMME** (*Agenda Item 10*)

It was confirmed that the meeting on Thursday 17 October 2019 had been moved to Monday 21 October 2019.

The next training session would take place on 22 July 2019 and would cover the work of the Business Assurance Counter Fraud Team.

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

44. **BUSINESS ASSURANCE - DRAFT COUNTER FRAUD STRATEGIC PLAN 2019/20**  
(*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 7 of the schedule to the Act).*

The report presented to Members the draft Counter Fraud Strategic Plan for 2019/20, which set out the planned approach and activity type for the forthcoming year. The

report defined the strategic approach that the Business Assurance Counter Fraud Team (BACFT) would take to manage the various risks of fraud against the Council, set out the BACFT's Operational Work Plan for 2019-20, demonstrated the Council's zero tolerance on fraud and showed resources were being properly utilised.

**RESOLVED –**

- 1) That the Draft Counter Fraud Strategic Plan 2019/20 be endorsed by the Audit Committee**
- 2) That the draft plan be recommended to the appropriate Council body for approval, noting the Operational Work Plan 2019/20, in line with its role to provide independent oversight of the Council's governance and risk management arrangements.**

45. **CORPORATE RISK REGISTER 2018/19 QUARTER 3** (*Agenda Item 12*)

*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 3 (October to December 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 3 (October to December 2018), as part of the Committee's role to independently assure the strategic risk management arrangements in the Council.**

The meeting, which commenced at 5.43 pm, closed at 6.56 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.