



HILLINGDON
LONDON



Audit Committee

Members of the Committee

John Chesshire (Chairman)
Councillor Scott Seaman-Digby (Vice-Chairman)
Councillor Tony Eginton
Councillor Martin Goddard
Councillor Susan O'Brien

Date: THURSDAY 25 APRIL 2019

Time: 5.40 PM

Venue: COMMITTEE ROOM 6 -
CIVIC CENTRE, HIGH
STREET, UXBRIDGE

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

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Published: Monday 15 April 2019

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Putting our residents first

Lloyd White
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Terms of Reference

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

Introduction

The Audit Committee's role will be to:

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

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

Internal Audit

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

External Audit

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

Governance Framework

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

Accounts

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

Review and reporting

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

Agenda

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Minutes



AUDIT COMMITTEE

6 February 2019

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

	<p>Committee Members Present: John Chesshire (Chairman) Councillors Tony Eginton, Martin Goddard and Susan O'Brien</p> <p>LBH Officers Present: Sian Kunert (Head of Pensions, Treasury and Statutory Accounts), James Lake (Lead Corporate Accountant), Muir Laurie (Deputy Director of Exchequer & 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>Others Present: Adrian Balmer, John Craigmyle and Suresh Patel (External Audit - Ernst & Young).</p>
23.	<p>APOLOGIES FOR ABSENCE (<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>DECLARATIONS OF INTEREST (<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>TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 3</i>)</p> <p>It was 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>MINUTES OF THE MEETING HELD ON 17 OCTOBER 2018 (<i>Agenda Item 4</i>)</p> <p>RESOLVED – That the minutes from the 17 October 2018 be approved, subject to the following addition:</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 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

	noted.
31.	<p>ORAL UPDATE ON MEMBER TRAINING SESSIONS (<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 & 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>RESOLVED – That the oral update on Member training be noted.</p>
32.	<p>AUDIT COMMITTEE FORWARD PROGRAMME (<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>RESOLVED – That the forward work programme be noted.</p>
33.	<p>2018/19 QUARTER 2 CORPORATE RISK REGISTER (<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>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.</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.

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EY- ANNUAL GRANT AUDIT LETTER

Committee name

Audit Committee

Officer reporting

Sian Kunert, Finance

Papers with report

EY Annual Certification Report 2017/18

Ward

All

HEADLINES

This report provides a summary of the key findings on the grant work undertaken by EY for the year ended 31 March 2018.

RECOMMENDATION:

That the Committee notes this report.

SUPPORTING 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 2017/18 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 £143m. 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 the financial year 2017/18 was £40,945 (2016/17 £44,725)

For 2018/19, the Council is responsible for appointing its own reporting accountant to undertake the work on claims in accordance with the instructions determined by the relevant grant paying body. EY has been appointed to act as the reporting accountant for the Housing Benefits Subsidy claim.

LEGAL IMPLICATIONS

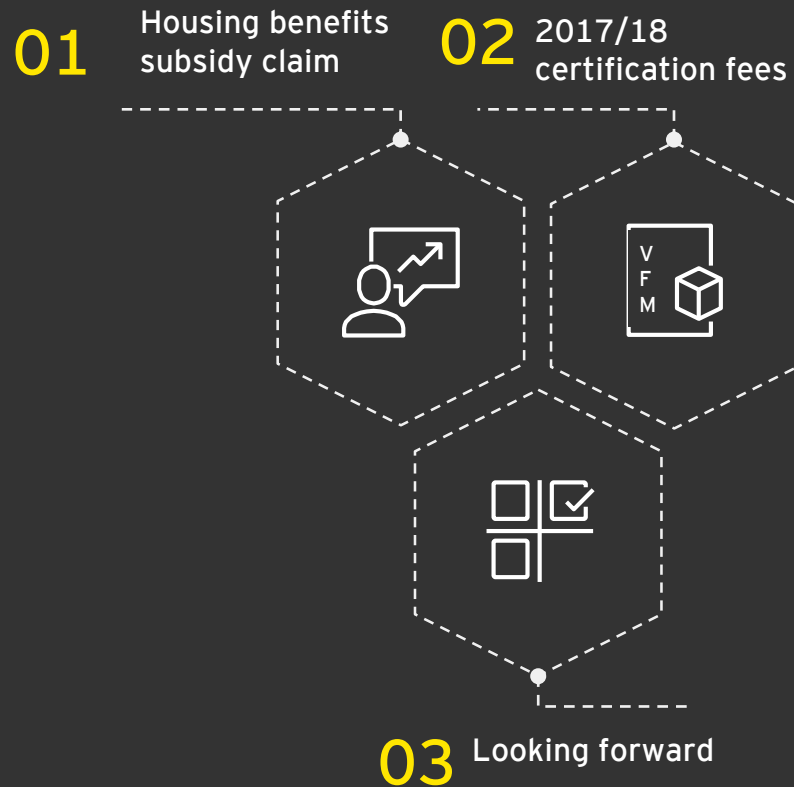
There are no legal implications arising from this report.

London Borough of Hillingdon

Certification of claims and returns annual report 2017/18

February 2019

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This report is made solely to the Audit Committee and management of London Borough of Hillingdon. Our work has been undertaken so that we might state to the Audit Committee and management of London Borough of Hillingdon those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of London Borough of Hillingdon for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 - Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£143,614,718
Amended/Not amended	Not amended
Qualification letter	Yes
Fee - 2017-18	£24,445
Fee - 2016-17	£28,725

The Council 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. The certification guidance requires reporting accountants to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years claims. We found errors and carried out extended testing in three areas, which is consistent with the level of error from the previous year.

Page 11 We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

11 We summarise the main issues we identified within this report.

As we identified errors in the calculation of earnings across all 3 headline cells in 2017/18 and also in previous years we recommend that London Borough of Hillingdon implement additional quality control procedures for all claims with earnings since 1 April 2018 to reduce the overall level of error in this area.

In addition to the Housing benefits subsidy claim the Council also engaged us to complete the certification of its:

- Teachers Pensions Return
- Housing Capital Pooling Return

We have concluded our work in respect of these other claims and we have no significant findings from our work that we need to report to members.



02 - Fees

Claim or return	2017-18	2017-18	2016-17
	Actual fee	Indicative fee	Actual fee
Housing benefits subsidy claim	£24,445	£24,445	£28,725
Teacher's Pensions	£10,000	£10,000	£10,000
Housing Capital Receipts	£6,500	£6,500	£6,000

The indicative fee for the housing benefits subsidy claim for 2017/18 is based on the actual fee for 2015/16 and is set by PSAA. The other claims and returns noted above are completed as non-code audit work.
All prices are exclusive of VAT.

Benefit type	Nature of error identified
Non HRA - Earnings	<p>Testing of the initial sample identified:</p> <ul style="list-style-type: none">- 1 case which failed (total error value £47.55) due to the incorrect assessment of earned Income. This resulted in an overpayment. <p>As issues were reported in the 2016/17 Qualification letter and the nature of the error is such that either an underpayment or overpayment may arise, we have undertaken the testing of an additional random sample of 40 cases selected from a sub population of claims containing earnings as a result of CAKE and identified the following errors:</p> <ul style="list-style-type: none">- 3 cases where the Authority had overpaid benefit as a result of incorrect calculation of weekly earnings (total error value of £32.77);- 2 cases where the Authority had underpaid benefit as a result of incorrect calculation of weekly earnings. <p>We reported the extrapolated error of £547 within our qualification letter.</p>
Rent Rebates - Earnings	<p>Testing of the initial sample identified:</p> <ul style="list-style-type: none">- 2 cases which failed due to the incorrect assessment of earned Income. Both cases resulted in an underpayment.- 1 case which failed due to the incorrect assessment of Capital Disregards. This resulted in an underpayment. We noted an issue with the treatment of capital but this was assessed as only resulting in an underpayment.- 1 case which failed due to the incorrect consideration of Passported Benefit. This resulted in an underpayment. <p>As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes.</p> <p>As issues were reported in the 2016/17 Qualification letter and the nature of the error is such that either an underpayment or overpayment may arise, we have undertaken the testing of an additional random sample of 40 cases selected from a sub population of claims containing earnings as a result of CAKE and identified the following errors:</p> <ul style="list-style-type: none">- 2 cases failed (total error value £186.97), 2 of which were where the Authority had overpaid benefit as a result of incorrect calculation of weekly earnings. <p>We reported the extrapolated error of £4,337 within our qualification letter.</p>

Benefit type

Nature of error identified

Rent Allowance - Earnings

Testing of the initial sample identified:

- 5 cases failed due to Earned Income. 2 of the errors (total error value of £315.83) identified resulted in an overpayment. 2 cases resulted in an understatement and 1 case was a mis-classification error.

As issues were reported in the 2016/17 Qualification letter and the nature of the error is such that either an underpayment or overpayment may arise, we have undertaken the testing of an additional random sample of 40 cases selected from a sub population of claims containing earnings as a result of CAKE and identified the following errors:

- 3 cases failed none of which were where the Authority had overpaid benefit as a result of incorrect calculation of weekly earnings.

We reported the extrapolated error of £42,842 within our qualification letter.

3. Looking forward

2018/19 and beyond

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim.

We welcome the opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.

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AUDIT COMMITTEE - Internal Audit Progress Report for 2018/19 Quarter 4 (including the 2019/20 Quarter 1 IA Plan)

Committee name	Audit Committee
Officer reporting	Muir Laurie, Deputy Director of Exchequer & Business Assurance Services (Acting)
Papers with report	Internal Audit Progress Report for Quarter 4 2018/19 & Internal Audit Plan for 2019/20 Quarter 1
Ward	All

HEADLINES

The attached report presents the Audit Committee with summary information on all Internal Audit (IA) work covered in 2018/19 Quarter 4 and assurance in this respect. It also provides an opportunity for the Deputy Director of Exchequer & Business Assurance Services (Acting) to highlight to the Audit Committee any significant issues that they need be aware of that have arisen since the last IA progress report. Further, it enables the Audit Committee to hold the Deputy Director of Exchequer & Business Assurance Services (Acting) to account on delivery of the IA Plan and facilitates in holding management to account for managing risk and control weaknesses identified during the course of IA activity. Appended to this report is the IA Plan for 2019/20 Quarter 1 which has been produced in consultation with senior managers and outlines the planned programme of IA work to be carried out within the next quarter.

RECOMMENDATIONS:

That the Audit Committee:

- 1. Notes the IA Progress Report for 2018/19 Quarter 4 and consider the 2019/20 Quarter 1 IA Plan and, subject to any further minor amendments, approve it; and**
- 2. 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 Deputy Director of Exchequer & Business Assurance Services (Acting).**

SUPPORTING INFORMATION

IA provides an independent appraisal and consultancy service that underpins good governance, which is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon.

BACKGROUND PAPERS

The Business Assurance service holds various background research documents in relation to the Quarter 1 IA Plan.

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BUSINESS ASSURANCE

Internal Audit Progress Report to Audit Committee: 2018/19 Quarter 4 (including the 2019/20 Quarter 1 Internal Audit Plan)

1st April 2019



Contents

The Internal Audit key contacts in connection with this report are:

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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, 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 or guidance.

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

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

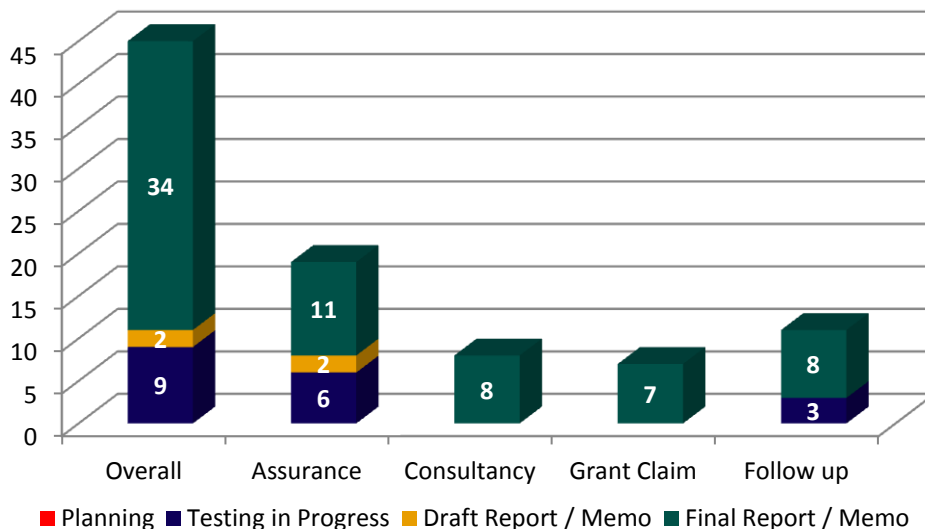
1.2.1 This Quarter 4 progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on IA work for the period 15th January to 1st April 2019. In addition, it provides an opportunity for the Deputy Director of Exchequer & Business Assurance Services (Acting) (DDEBA), 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 (refer to **Appendix B**).

1.2.2 A key feature of the Quarter 4 IA progress report is the inclusion of the 2019/20 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 Quarter 1 period (1st April to 30th June 2019).

2. Executive Summary

2.1 Since the last IA Progress Report to CMT and the Audit Committee dated 14th January 2019, **5 assurance reviews** (including 3 follow-ups) have concluded, **8 assurance reviews** are at an advanced stage, **1 consultancy review** has been finalised and **1 grant claim** (consisting of 3 memos) has been certified. We are therefore nearing completion of the programme of IA work for 2018/19, depicted below:

Table 1 - 2018/19 IA Work Undertaken To Date

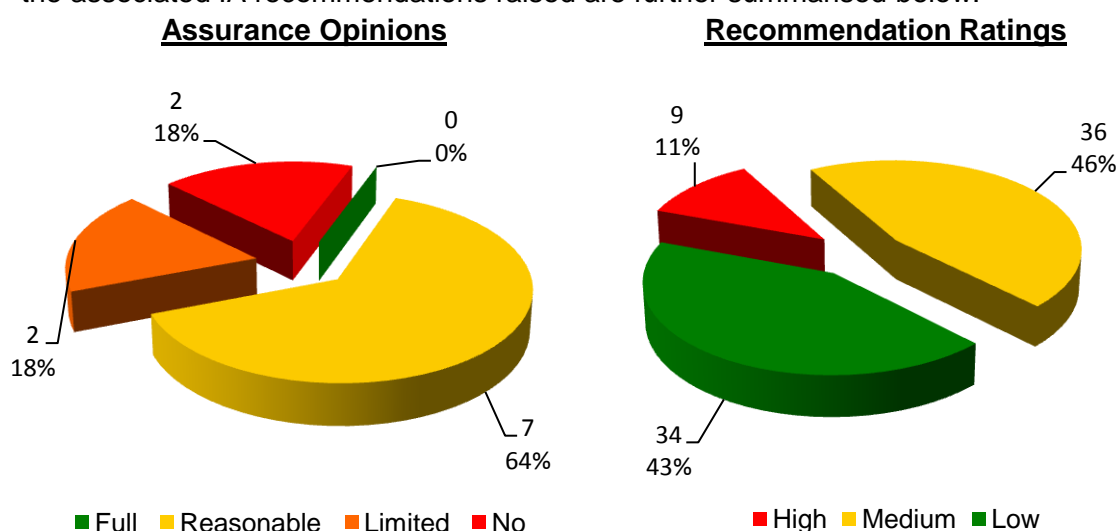


- 2.2 Our work on the 2018/19 Quarter 4 IA plan commenced on 2nd January 2019 and work is now underway on all Quarter 4 planned work (refer to **Appendix A**). Positive progress has been made this quarter, key assurance reviews finalised this quarter have included **Mortuary** which received a **REASONABLE** assurance opinion and **Gifts and Hospitality** which received **REASONABLE** assurance opinion over the management of the key risks.
- 2.3 These results are in line with our expectations and the risk-based approach which we deploy. Specifically, IA resources have been targeted in the areas of the highest risk as part of a reduced IA assurance programme. **Positive action has been proposed by management** to address all of the **HIGH** and **MEDIUM** risk recommendations raised within each respective review and these recommendations will be followed-up by IA in due course.
- 2.4 Within the quarter IA has also undertaken significant follow-up work, with individual reviews conducted of prior audits obtaining a **LIMITED** or **NO** assurance opinion. Further, we continue to undertake some IA advisory work which, in addition to grant claims, within the quarter includes a valuable piece of work in Private Sector Housing.
- 2.5 There has been one amendment to the Quarter 4 IA operational plan and three deferrals for work (refer to **Appendix B**). Further details of all IA work carried out in this period are summarised at section 3 of this report below.

3. Analysis of Internal Audit Activity

3.1 Assurance Work in Quarter 4

- 3.1.1 During this quarter, **5** 2018/19 IA assurance reviews (including 3 follow-up reviews) have been completed to final report stage, with a further **2** at draft report stage and **6** at advanced testing stage.
- 3.1.2 All IA assurance reviews carried out in the financial year to date are individually listed at **Appendix A**, detailing the assurance levels achieved as well as providing an analysis of recommendations made (in accordance with the assurance level definitions and recommendation risk categories outlined at **Appendix E**). Assurance opinions provided and the associated IA recommendations raised are further summarised below:



3.2 Consultancy Work in Quarter 4

- 3.2.1 The IA team continues to undertake some 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.

3.2.2 Attached at **Appendix A** is the list of consultancy work carried out this quarter with **1** consultancy review completed. The planned IA consultancy review of **Private Sector Housing** was concluded within the quarter. Following the Houses in Multiple Occupation follow-up and a request from the Director, IA have been asked to assist the Housing Team in Quarter 4, in preparation for the planned 2019/20 IA assurance review of Private Sector Housing. The Housing team have requested this advisory work continues in 2019/20 (refer to **Appendix C**).

3.3 Grant Claim Verification Work in Quarter 4

3.3.1 During this quarter IA has assisted the Council in certifying **1** grant claim. As detailed at **Appendix A**, IA continues to carry out verification work on the **Troubled Families (TF) Grant**. IA tested a sample of TF that had been identified as being 'turned around' by the Council's TF Team. At the conclusion of our work we issued 3 memos between January and March 2019 (total number of families claimed for in Quarter 4 was 195).

3.3.2 IA continues to work with the TF Co-ordinator to discuss their strategy for the programme. They have reiterated the need to continue with monthly submissions whilst also increasing the number of families eligible for the TF programme. IA is working closely with the TF Leadership Group and the TF Co-ordinator in relation to this work given the ambitious target and the very tight timescales. This scheduled work has been captured in the 2019/20 Quarter 1 IA Plan (refer to **Appendix C**).

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 actively follow-up on prior **LIMITED** or **NO** assurance reports within 6 to 12 months after their finalisation.

3.4.2 Within the quarter we have been verifying management's assertion that IA recommendations have been implemented, aimed at providing enhanced assurance to CMT and the Audit Committee that these are fully embedded within the control environment to mitigate the risks identified. Due to the large number of recommendations, this project has continued throughout the year and a detailed snapshot of progress against the implementation of IA recommendations will be in the annual report to CMT and the Audit Committee (refer to **Appendix A**) in July 2019.

3.4.3 Dedicated follow-up work within this quarter has been focused on previous IA reviews achieving a prior **LIMITED** or **NO** assurance opinion. Attached at **Appendix A** is a list of follow-up work carried out in Quarter 4, highlighting the **3 follow-up reviews** that have been completed within the period.

3.4.4 Our dedicated follow-up verification review found that **76%** (72) of the **95** recommendations followed-up within the quarter were deemed **Implemented**. Of the remaining recommendations we confirmed that **22%** (21) were **Partly Implemented** and **2%** (2) were deemed **Not Implemented**. Each of the 21 cases deemed partly or not implemented have been reopened on our dedicated follow-up system, TeamCentral, with new implementation dates applied for active monitoring and tracking. These recommendations will then be followed-up in due course as these revised dates fall due.

3.4.5 In preparation for the **Early Years Centre follow-up** which was due to commence in 2019/20 Quarter 1, IA met with the Head of Service to receive an update on the progress of the **3 HIGH** and **5 MEDIUM** risk recommendations. They confirmed that **2 MEDIUM** risk recommendations have been implemented and the remaining **6** have been extended to 30th June 2019. The reason for the extension to this work is that following a restructure of the function, it is now part of a wider Business Improvement Delivery (BID) review of early support services. This BID review needs to be completed before the IA recommendations can be confirmed as implemented.

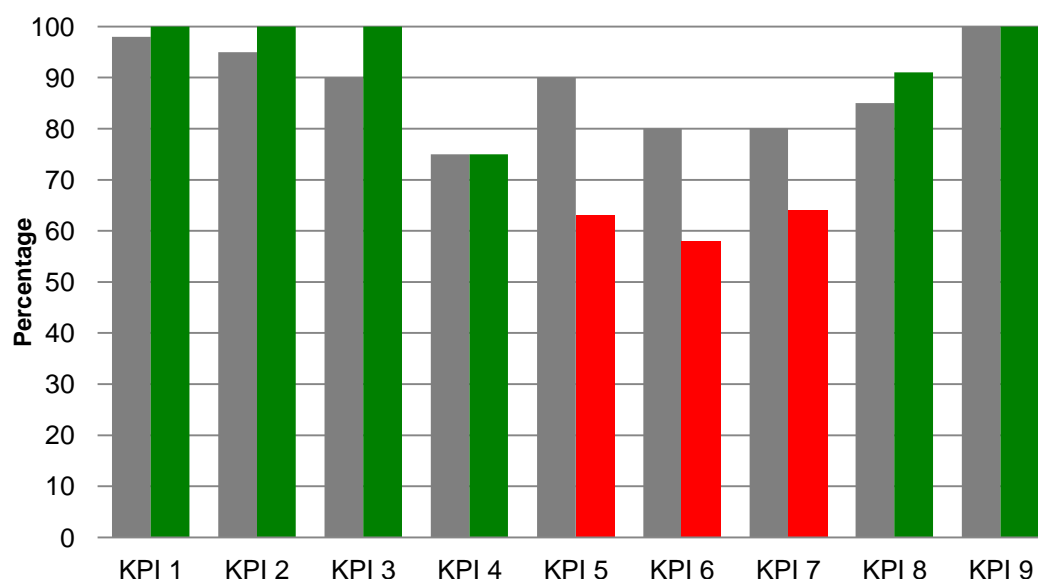
3.5 Other Internal Audit Work in Quarter 4

- 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.
- 3.5.2 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 2019/20 (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.
- 3.5.3 The quarterly planning cycle has been informed by the '**Assurance Mapping**' exercise performed by the Risk and Insurance Manager. The process identifies and records the main sources of assurance that inform key stakeholders of the effectiveness of how this risk is managed and the associated controls and processes relied upon. To date 10 corporate risks have been mapped which is a significant achievement.
- 3.5.4 The **Quality Assurance and Improvement Programme (QAIP)** exercise has progressed this quarter, with a review of all outstanding actions assigned new deadlines. 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.

4. Analysis of Internal Audit Performance

- 4.1 The IA 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 that these KPIs, detailed at **Appendix D**, are meaningful and provide sufficient challenge to the service. 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.
- 4.2 Cumulative performance against the 9 KPIs in the 1st April 2018 to 31st March 2019 period is summarised within the **Bar Chart** below:

Chart 1 - 2018/19 IA Key Performance Indicators



Key:

- Target Performance
- Above target
- Within 5% tolerance of target
- Greater than 5% tolerance of target

- 4.3 Whilst performances for 6 out of the 9 KPIs have met their target, KPIs 5, 6 and 7 have not been achieved and are reported as **RED** this quarter. The performance of KPIs 5 and 6 are primarily due to the 6 audit reports which are still in progress and were not at draft report stage or final report stage by 1st April 2019. This has been disappointing, but several factors this year have made achieving this target a challenge. These include a number of staff members leaving the IA team, a restructure and recruitment campaign which has seen 4 new staff members join IA. We anticipate that 2019/20 will show a marked improvement once the team is well established and at full complement.
- 4.4 Further, KPI 7 shows a slight improvement from the last quarter (previously reported at 63%) but is still not meeting targeted performance. We have discussed ways of improving this process during recent IA team meetings and are taking a more proactive approach in acquiring management responses in a timely manner. For all remaining IA reports which are still in progress we will be closely monitoring management responses with the aim of meeting this KPI for the annual IA report.

5. Forward Look

- 5.1 Moving forward, the priority for the IA team in Quarter 1 will be completion of the 2018/19 IA Plan and commencing work on 2019/20 IA work. Alongside this will be helping the 4 recently recruited IA staff further embrace the methodology and approach used by the IA team at Hillingdon. We are confident the staffing and structure changes will help further improve IA effectiveness in 2019/20.
- 5.2 IA would like to take this opportunity to formally thank all staff throughout the Council with whom it had contact during the quarter. There has been a continued collaborative approach in IA's working relationship with staff and management who have generally responded very positively to IA findings.
- 5.3 There are no other matters that the DDEBA needs to bring to the attention of the Council's CMT or Audit Committee at this time.

Muir Laurie FCCA CMIIA
Deputy Director of Exchequer & Business Assurance Services (Acting)
(& Head of Internal Audit)

1st April 2019

APPENDIX A**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2018/19**

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

2018/19 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 1 st April 2019	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
18-A8	Early Years Centres	Final report issued on 10 th Jul 2018	No	3	5	2	0	✓
18-A13	Emergency Duty Team	Final report issued on 3 rd Dec 2018	No	4	3	1	0	✓
18-A1	Cyber Security	Final report issued on 13 th Dec 2018	Limited	2	3	2	0	✓
18-A6	Positive Behaviour Support Team	Final report issued on 7 th Jan 2019	Limited	0	4	4	0	Not yet due
18-A3 (17-A33)	Corporate Payments	Final report issued on 29 th Jun 2018	Reasonable	0	2	4	0	✓
18-A5	Complaints	Final report issued on 27 th Jul 2018	Reasonable	0	4	6	0	✓
18-A4	Symology Data Quality	Final report issued on 4 th Sep 2018	Reasonable	0	2	2	0	✓
18-A2	Declarations of Interests	Final report issued on 12 th Sep 2018	Reasonable	0	3	2	0	✓
18-A12	Youth Offending Service	Final report issued on 12 th Nov 2018	Reasonable	0	3	5	0	✓
18-A17	Mortuary	Final report issued on 5 th Feb 2019	Reasonable	0	2	3	0	✓
18-A18	Gifts and Hospitality	Final report issued on 26 th Feb 2019	Reasonable	0	5	3	0	✓
18-A21	Financial Resilience and Appetites for Public Sector Contracts	Draft report issued on 20 th Mar 2019						
18-A19	General Data Protection Regulation	Draft report issued on 1 st Apr 2019						
18-A20	Merchiston House	Testing in progress						
18-A27	Traffic Management - Order Making Process	Testing in progress						

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2018/19****2018/19 IA Assurance Reviews (cont'd):**

IA Ref.	IA Review Area	Status as at 1 st April 2019	Assurance Level	Risk Rating				CFQ Received?
18-A28	Estates Management - Selling Assets	Testing in progress						
18-A30	Effectiveness of the Audit Committee	Testing in progress						
18-A31	Corporate Equifax Arrangements	Testing in progress						
18-A32	Debtors	Testing in progress						
Total Number of IA Recommendations Raised				9	36	34	-	
Total % of IA Recommendations Raised				11%	46%	43%	-	

2018/19 IA Follow-Up Reviews:

IA Ref.	IA Follow-Up Review Area	Status as at 1 st April 2019	Recommendations				CFQ Received?
			Implemented	Partly Implemented	Not Implemented	Total	
18-A14	Follow-up of implemented rec's	Verification testing concluded	48	0	0	48	N/A
18-A9	Physical Access Controls	Memo issued on 31 st Jul 2018	8	0	0	8	✓
18-A10	Extra Care	Memo issued on 9 th Aug 2018	2	4	1	7	✓
18-A15	Houses in Multiple Occupation	Memo issued on 20 th Dec 2018	0	6	0	6	✓
18-A23	Housing Planned Maintenance & Repairs	Memo issued on 9 th Jan 2019	3	4	0	7	✓
18-A24	Housing Needs Allocations & Assessments and Tenancy Mgmt	Memo issued on 9 th Jan 2019	0	4	0	4	✓
18-A22	Extra Care - 2 nd review	Memo issued on 15 th Jan 2019	1	1	1	3	✓
18-A16	Anti-Social Behaviour and Env. Team	Memo issued on 22 nd Feb 2019	3	2	0	5	✓
18-A35	Harefield Junior School	Memo issued on 26 th Feb 2019	7	0	0	7	✓
Total Number			72 76%	21 22%	2 2%	95	

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2018/19****2018/19 IA Consultancy Reviews:**

IA Ref.	IA Review Area	Status as at 1 st April 2019	CFQ Received?
18-C3	CYPS Thematic Review - Ofsted Preparations	Memo issued on 9 th May 2018	✓
18-C4	Recruitment and Retention of Foster Carers	Memo issued on 4 th July 2018	✓
18-C5	Financial Assessments	Memo issued on 12 th July 2018	✓
18-C6	Adult and Community Learning	Memo issued on 17 th July 2018	✓
18-C2	Client Financial Affairs	Memo issued on 3 rd October 2018	✓
18-C9	Mayor of Hillingdon's Charitable Trust Accounts 2017/18	Memo issued on 10 th December 2018	N/A
18-C1	Introduction of Universal Credit	Memo issued on 20 th December 2018	✓
18-C8	Parking Penalty Charge Notices	Memo issued on 3 rd January 2019	✓
18-C12	Private Sector Housing	Memo issued on 11 th March 2019	✓

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2018/19 IA Grant Claim Verification Reviews:

IA Ref.	IA Review Area	Status as at 1 st April 2019
18-GC1	Troubled Families Grant - Quarter 1	Certified, memos issued on 25 th Apr, 17 th May and 12 th Jun 2018
18-GC3	Troubled Families Grant - Quarter 2	Certified, memos issued on 26 th July, 30 th Aug and 26 th Sep 2018
18-GC4	Disabled Facilities Grant	Certified and memo issued on 28 th August 2018
18-GC2	Housing Benefit Subsidy Grant	Certified and memo issued on 3 rd September 2018
18-GC6	Pothole Action Fund	Certified and memo issued on 13 th September 2018
18-GC5	Bus Subsidy Grant	Certified and memo issued on 18 th September 2018
18-GC7	Troubled Families Grant - Quarter 3	Certified, memos issued on 30 th Oct, 30 th Nov and 21 st Dec 2018
18-GC8	Troubled Families Grant - Quarter 4	Certified, memos issued on 23 rd Jan, 1 st Mar and 26 th Mar 2019

APPENDIX B**REVISIONS TO THE 2018/19 INTERNAL AUDIT PLAN ~ QUARTER 4****Amendments to the 2018/19 Operational IA Plan for Quarter 4:**

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
18-A36	Estates Management - Leases Follow-Up	Follow-Up (Assurance)	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Following a request by the Director, IA was asked to carry out a review of the 2016/17 IA assurance audit of Estates Management - Leases which received a LIMITED assurance opinion, we will check that the 3 MEDIUM risk recommendations marked as Implemented by management have been verified.

IA work DEFERRED from the 2018/19 Operational IA Plan for Quarter 4:

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
18-A26	Special Educational Needs (SEN) Specialist Resource Provision	Assurance	HIGH	Tony Zaman Corporate Director of Social Care	The IA review has not progressed in Quarter 4 due to organisational and strategic changes within Social Care. An SEN BID review was commissioned by the Corporate Director of Social Care to assist with the changes. The review has now concluded and is going into implementation phase, as agreed by the Leader of the Council.
18-A29	Olympic House	Assurance	MEDIUM	Tony Zaman Corporate Director of Social Care	Following a change in management within the Social Care team, IA was requested to cease testing as a review of the provision, staffing, site, etc was being commissioned by the Director, Provider and Commissioned Care. The results of our testing, to date, are available to the Director if required.
18-C10	ICT Application Support	Consultancy	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Due to resource constraints within the ICT team, it was decided that it would be prudent to defer this review to Quarter 2 of 2019/20.

IA work ADDED to the 2018/19 Operational IA Plan for Quarter 4:

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
No work added to the Q4 IA Plan					

APPENDIX C**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 1****IA work scheduled to commence in the 1st April to 30th June 2019 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-A1	Thematic Review of Schools Payroll Arrangements	Assurance	HIGH	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	From April 2012 all schools in the borough became responsible for managing their own HR and payroll arrangements. Staff costs account for a considerable proportion of a school's budget. Schools have a duty to demonstrate that funding is used appropriately and for the optimum benefit of their pupils. It is therefore vital that payroll arrangements including starters, leavers and change in circumstances are being recorded, authorised, paid appropriately and in a timely manner.
19-A2	Compliance with the Criminal Finances Act 2017	Assurance	MEDIUM	Paul Whaymand Corporate Director of Finance	The Council has a legal obligation to comply with the Criminal Finances Act 2017. There are 6 areas that the Authority must comply with. IA has been asked to check our conformity with these areas and give independent assurance over the risk.
19-A3	Grounds Maintenance - Spend on High Value Equipment	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	This is a best value assurance audit which will look at the processes and procedures in place for spend on high value equipment within the Grounds Maintenance service. The scope of this review will also look at the maintenance and security of said equipment.
19-A4	Battle of Britain Bunker	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	On the one year anniversary of the opening of the Welcome Centre at the Battle of Britain Bunker, management have requested IA to carry out an assurance review of internal controls focusing on site security, cash handling, safeguarding, volunteers and health and safety.
19-A5	CCTV Control Room Arrangements	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	The Council's CCTV arrangements have undergone significant strategic, operational and staffing changes with recent budget approval for 24/7 operation of the CCTV control room. The Director has requested an audit be performed which focuses on control room operations, General Data Protection Regulations and privacy.

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APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 1 (cont'd)****IA work scheduled to commence in the 1st April to 30th June 2019 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-A6	Imported Food Office - Mock Inspection	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	The Food Standards Agency has announced that they will be carrying out an inspection of the Council's Imported Food Office, based at Heathrow airport. Management have requested IA carry out an assurance review based on the FSA inspection criteria in preparation of their visit.
19-A7	Food Health and Safety (H&S) - Site Inspection Arrangements	Assurance	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	This review will focus on the effectiveness of the Food H&S team in relation to site inspections. The team must carry out a specific number of annual site inspections for grades A-E and report these to the Food Standards Agency. This review will look at policies and procedures in place for carrying out site inspections, performance management, management of strategic objectives (such as the Food Service Plan) and staffing arrangements.
19-A8	Cash Handling in Registrar's Office	Assurance	MEDIUM	Fran Beasley Chief Executive	The Registrar's office is one of the remaining areas in the Council which is still accepting cash. The Head of Democratic Services would like assurance that the internal controls in relation to cash handling are robust, secure and working effectively.
19-A9	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 IA recommendations (from 2015/16 onwards) where management have self certified that the recommendation has been implemented via the Team Central System.
19-A10	Trading Standards Follow-Up	Assurance (Follow-Up)	MEDIUM	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Following the 2017/18 IA assurance review of Trading Standards which received a LIMITED assurance opinion we will check that the 3 HIGH and 4 MEDIUM risk recommendations marked as Implemented by management have been verified.
19-A11	Volunteering Follow-Up	Assurance (Follow-Up)	MEDIUM	Fran Beasley Chief Executive	Following the 2017/18 IA assurance review of Volunteering which received a LIMITED assurance opinion we will check that the 3 MEDIUM risk recommendations marked as Implemented by management have been verified.

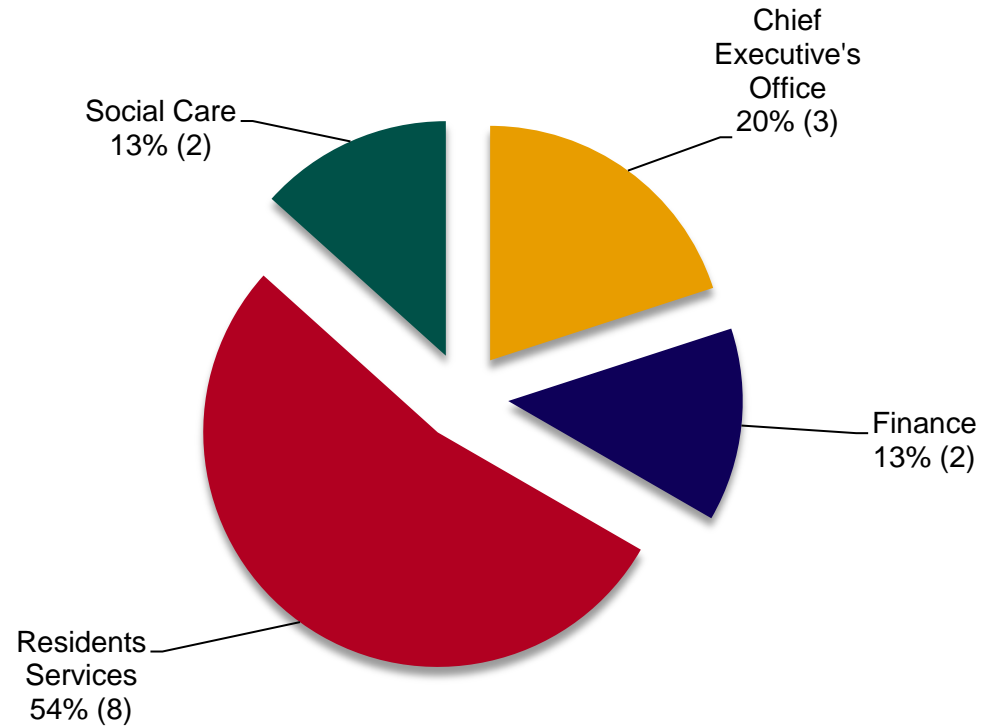
APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 1 (cont'd)****IA work scheduled to commence in the 1st April to 30th June 2019 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-C1	Private Sector Housing	Advisory	N/A	Jean Palmer Deputy Chief Executive & Corporate Director of Residents Services	Following the Houses in Multiple Occupation Follow-Up and a request from the Director, IA has been asked to assist the Housing Team over three Quarters, in preparation for the planned 2019/20 IA assurance review of Private Sector Housing in Quarter 4.
19-C2	Inquest Hearing Preparation	Advisory	N/A	Tony Zaman Corporate Director of Social Care	The Director, Children's Services has requested IA to scrutinise the papers they (and other departments in the Council) are submitting for an inquest hearing. They would like IA to check that all the evidence is robust.
19-C3	HR IT Projects	Working Group	N/A	Fran Beasley Chief Executive	The Head of HR has requested the IT Auditor to assist with the development of the Council's new HR and case management system. This work was due to start in 2018/19 Quarter 4 but it is still in the development phase and has been slow to progress to the testing phase (where IA assistance has been requested). The auditor will now advise on control and security issues in 2019/20 Quarter 1.
19-GC1	Troubled Families (TF) Grant - Quarter 1	Grant Claim	N/A	Tony Zaman Corporate Director of Social Care	The TF programme is a govt 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 from the DCLG for each identified 'turned around' troubled family. As per the grant conditions, IA will undertake verification work to confirm identified TF have been 'turned around'.

APPENDIX C (cont'd)

DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 1 (cont'd)

IA work scheduled to commence in the 1st April to 30th June 2019 period – Analysis by Corporate Director:



- The relevant Audit Sponsor (Corporate Directors, Directors, Deputy Directors and Heads 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 KEY PERFORMANCE INDICATORS**

KPI Ref.	Performance Measure	Target Performance	Actual Performance	RAG Status
KPI 1	2018/19 HIGH risk IA recommendations where positive management action is proposed	98%	100%	GREEN
KPI 2	2018/19 MEDIUM risk IA recommendations where positive management action is proposed	95%	100%	GREEN
KPI 3	2018/19 HIGH risk IA recommendations where management action is taken within agreed timescale	90%	100%	GREEN
KPI 4	2018/19 MEDIUM risk IA recommendations where management action is taken within agreed timescale	75%	75%	GREEN
KPI 5	Percentage of annual (Q1 to Q4) IA Plan delivered to draft report stage by 31 st March	90%	63%	RED
KPI 6	Percentage of annual (Q1 to Q4) IA Plan delivered to final report stage by 31 st March	80%	58%	RED
KPI 7	Percentage of draft reports issued as a final report within 15 working days	80%	64%	RED
KPI 8	Client Satisfaction Rating (from CFQs)	85%	91%	GREEN
KPI 9	IA work fully compliant with the UK PSIAS and IIA Code of Ethics	100%	100%	GREEN

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

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

RISK	DEFINITION
<p>HIGH</p> <p>●</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>MEDIUM</p> <p>●</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>LOW</p> <p>●</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>NOTABLE PRACTICE</p> <p>●</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>

AUDIT COMMITTEE - Draft Annual Internal Audit Plan for 2019/20

Committee name	Audit Committee
Officer reporting	Muir Laurie, Deputy Director of Exchequer & Business Assurance Services (Acting)
Papers with report	Draft Annual Internal Audit Plan for 2019/20
Ward	All

HEADLINES

The attached report presents the Audit Committee with the planned Internal Audit (IA) approach and activity type for the forthcoming financial year and seeks to:

- Provide all Business Assurance IA 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.

RECOMMENDATIONS:

That the Audit Committee:

1. **Notes the Draft Annual Internal Audit Plan for 2019/20 and, subject to any further minor amendments, approve it.**

SUPPORTING INFORMATION

The outcomes from the work proposed in the 2019/20 IA Plan underpin the Deputy Director of Exchequer & Business Assurance Services (Acting) 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 2019/20, 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 2019/20 has been linked to the organisational objectives and strategic priorities, whilst also taking account of the Council's wider assurance framework.

In preparing the draft Annual IA Plan 2019/20, 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 Annual IA Plan has been developed in accordance with the IA Charter and the IA Strategy. We have also consulted with External Audit 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 the Corporate Management Team 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.

BACKGROUND PAPERS

The Business Assurance service holds various background research papers in relation to the Annual IA Plan 2019/20.



BUSINESS ASSURANCE

Internal Audit Plan 2019/20: Draft for Audit Committee

4th April 2019

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 2019/20 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 Deputy Director of Exchequer & Business Assurance Services (Acting), 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 2019/20 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 2018/19 has been developed in accordance with the IA Charter, the IA Strategy and also gives consideration to the Counter Fraud Strategic Plan 2019/20.

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 auditing qualification.**
- 2.1.2 As per the IA strategy, we continue to invest in the training and development of all our staff, including identifying opportunities for further development in associated areas of assurance. The recent recruitment exercise within the IA service has provided the Head of Internal Audit with an opportune time to reflect on the structure and skills mix across the Internal Audit team. This has enabled internal promotion, training and development opportunities, in line with our IA recruitment strategy and model, providing additional responsibility where merited and as a result of high performance.

- 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, staff training, etc, the calculated **total available IA chargeable time for 2019/20** at Hillingdon is **765 IA Days**. For comparison, this represents a 135 day reduction on the 2018/19 IA Plan as detailed at **Appendix B**. This decrease in days is primarily due a change in the composition and skills mix of the IA team.
- 2.1.5 Nevertheless, overall available IA resources fulfil the PSIAS requirements in terms of the combination of professionally qualified and experienced staff. In addition, the level of IA resources at Hillingdon is broadly in line with similar size and types of local authority in England. As a result, we are confident that there will be sufficient IA resources available to meet the skills and resource requirements needed to deliver the 2019/20 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** – Review of the Council's Corporate Risk Register to establish those charged with governance's view of the main 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 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 2019/20;
 - **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 25th April 2019. 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;
 - **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 and regulatory changes emerging elsewhere, effecting 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 sufficiently 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 2019/20 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 therefore introduced a revised method to IA planning four years ago. 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 2019/20. 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. 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	2019/20 Allocation	2018/19 Allocation
Assurance	Work which provides comfort to CMT and the Audit Committee that key risks to the achievement of objectives (including transformation projects) are being effectively mitigated and arrangements are operating as expected.	56%	425 Days	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.	21%	161 Days	190 Days
Core Financial Systems	Assurance coverage of the core financial processes that have a material impact on the financial position of the Council.	9%	68 Days	80 Days
RBIA - CRR	Risk-based IA (RBIA) reviews that provide assurance on the Council's strategic risks identified in the <u>Corporate Risk Register (CRR)</u> .	5%	42 Days	50 Days
Grant Claims	Grant work on behalf of the Council including the Housing Subsidy and Troubled Families claims.	6%	43 Days	50 Days
Follow Up	Activity which ascertains the implementation of agreed management actions.	2%	17 Days	20 Days
Facilitation	Activity which supports CMT in their management of risk and the production of the Annual Governance Statement (AGS).	1%	9 Days	10 Days
		100%	765 Days	900 Days

- 3.4 Despite the decrease in IA days, **it should be noted there has been no reduction in IA budget in 2019/20**, purely a change in IA team structure and skills mix of resource. As a consequence, there is now a higher level of resource being allocated to IA assurance work than in the past, which should positively increase the effectiveness of the IA service. Also, IA will **carry out a quarterly planning cycle** behind the high-level annual plan to ensure that it has 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 IA planning will be conducted quarterly, ensuring it remains aligned with the Council's objectives and emerging risks impacting their achievement.
- 3.5 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.

3.6 Appended to the 2018/19 Quarter 4 IA Progress report presented to the Audit Committee, is the detailed operational IA plan for **2019/20 Quarter 1** as agreed with the relevant senior managers. The detailed IA Plan has a number of **key features** as detailed below:

- **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 161 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.
- **Counter Fraud** – Whilst the Business Assurance Counter Fraud Team (CFT) 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. IA will review the Council’s counter fraud and corruption key controls as part of its ‘assurance’ coverage whilst, as a result of business transformation, closer working and liaison with the CFT is now in place, providing critical risk intelligence in order to focus IA resources.
- **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. 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 68 days have been allocated for coverage of the core financial systems. This represents a reduction of the previous year’s coverage (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 and the fact that there are no major changes in the key financial systems planned for 2019/20.
- **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.

- 3.7 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 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 assessment every quarter.

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 through key performance indicators and the Quality Assurance and Improvement Programme (QAIP).

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 2019/20. 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.
- 6.4.3 The IA KPI targets remain ambitious, but they are achievable and realistic for a high performing IA service working collaboratively with exceptional managers, 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 assessment 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 follows 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 3rd April 2019 and is due to be presented to the Audit Committee at its planned meeting on 25th April 2019. It will then be finalised and circulated to key stakeholders including all senior managers across the Council.
- 7.2 The IA team 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 FCCA CMIIA

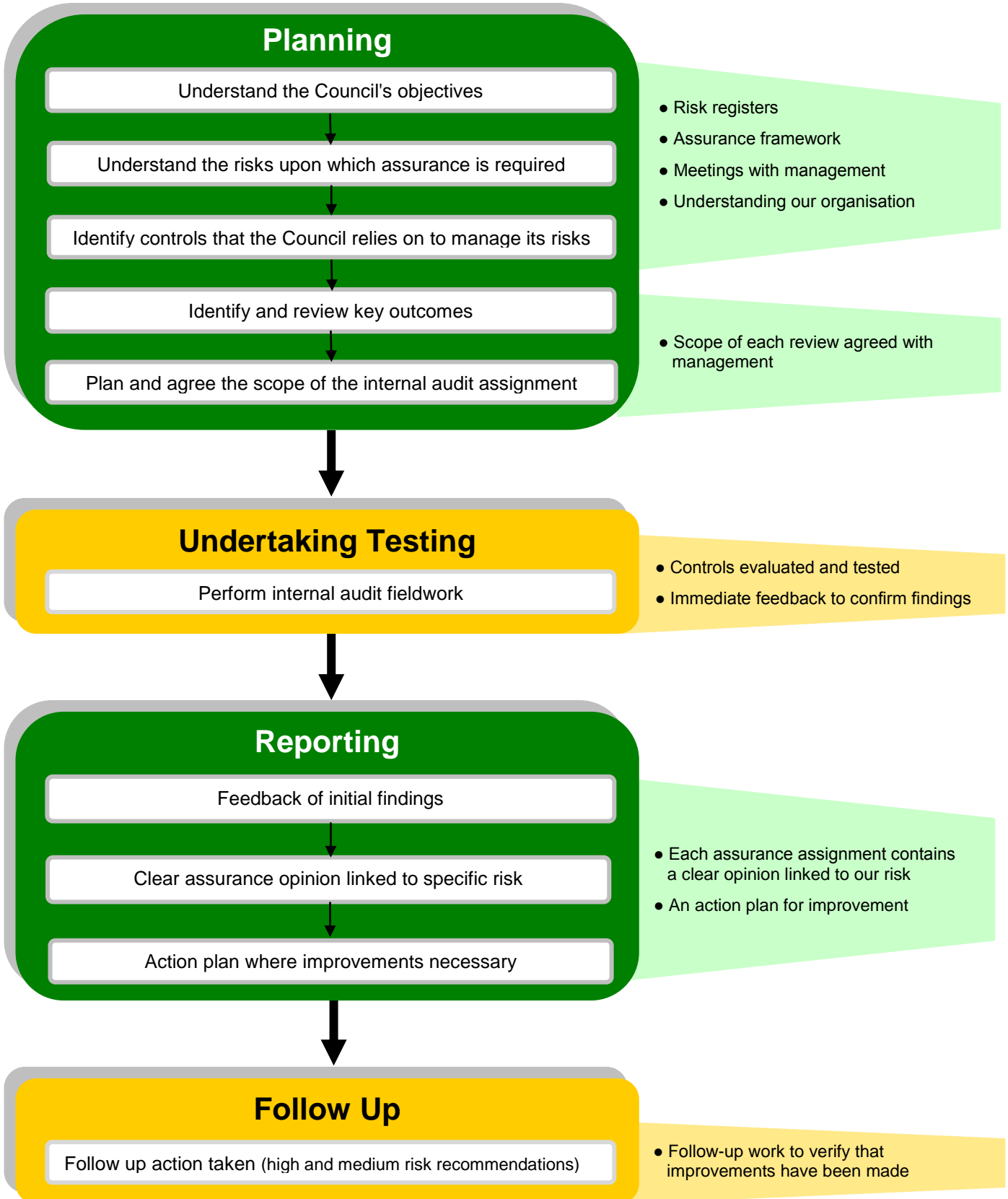
Deputy Director of Exchequer & Business Assurance Services (Acting)

4th April 2019

APPENDIX A

THE INTERNAL AUDIT PROCESS

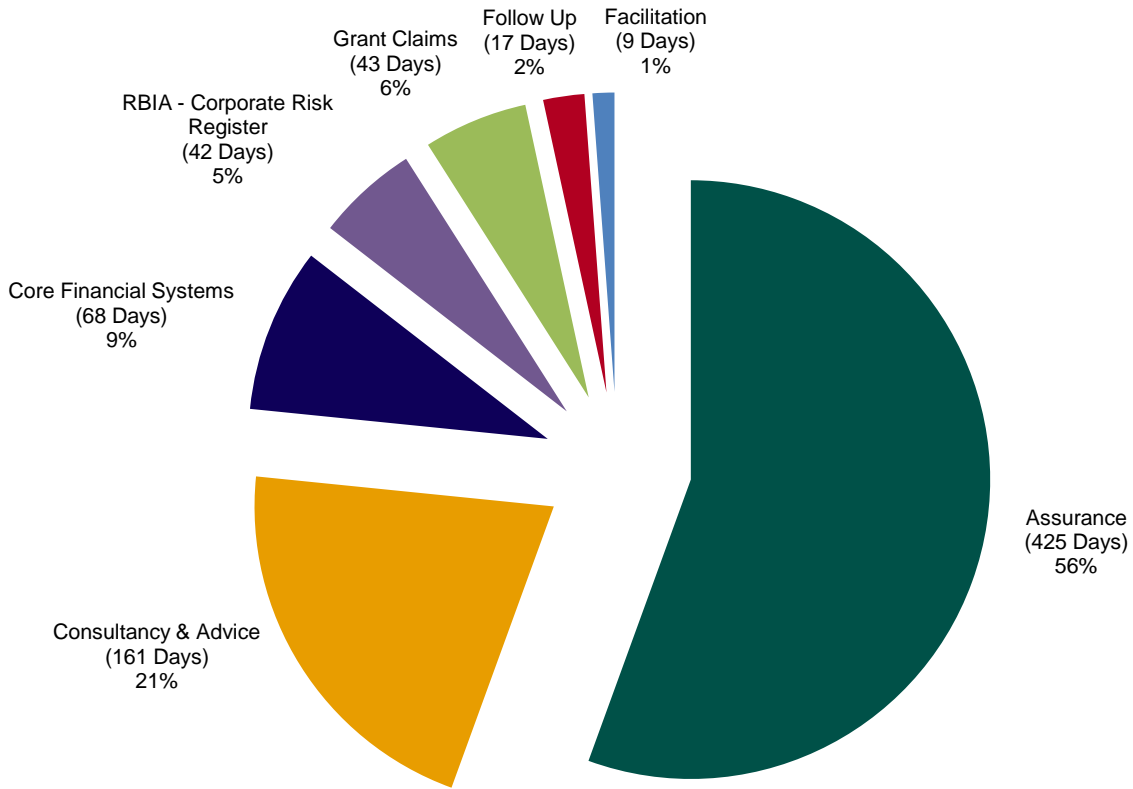
As per para 2.2.1, once total IA available IA resources have been determined, the overall IA process is summarised below:



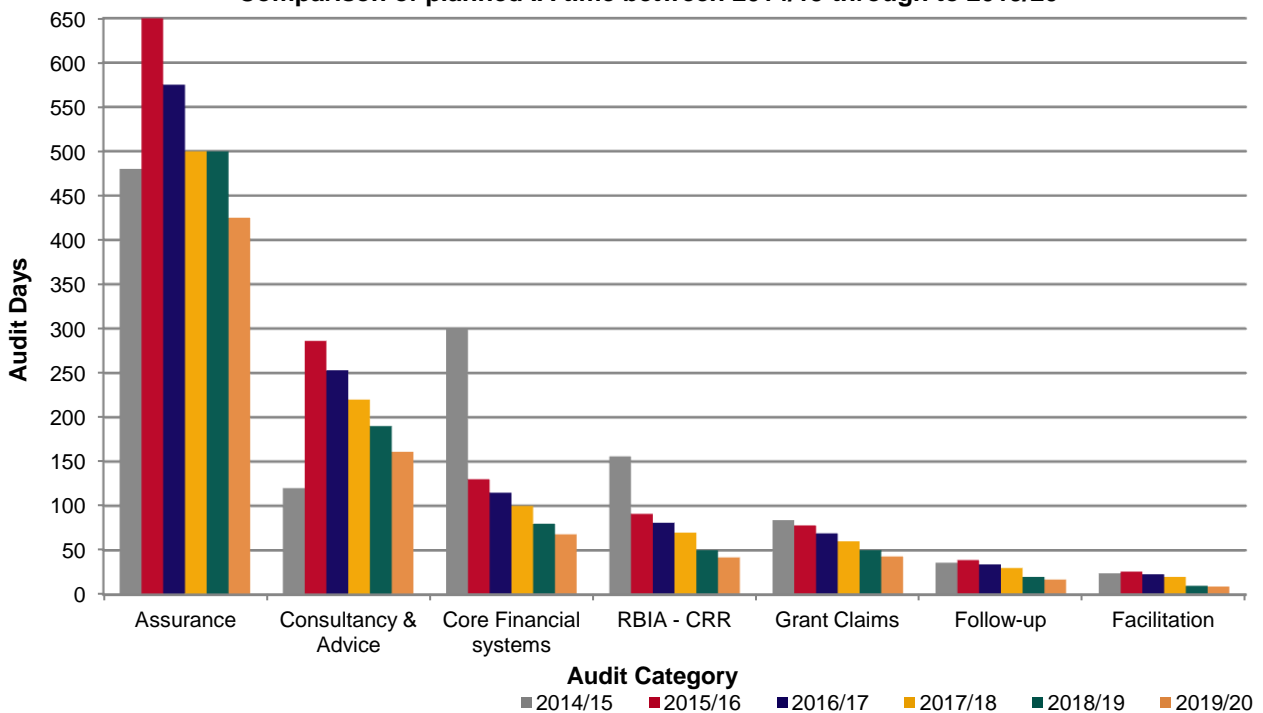
APPENDIX B

THE 2019/20 ANNUAL INTERNAL AUDIT PLAN ~ ESTIMATED ALLOCATION BY AUDIT TYPE

As per the **definitions at para 3.4**, the 2019/20 Annual IA Plan estimated allocation by audit type is as follows:



Comparison of planned IA time between 2014/15 through to 2019/20



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.

INTERNAL AUDIT KEY PERFORMANCE INDICATORS 2019/20

The Key Performance Indicators (KPIs) for IA quarterly reporting to CMT and the Audit Committee in 2019/20 are set out below:

KPI Ref.	Performance Measure	Target Performance 2019/20*
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 2019/20 have been set at the same thresholds as it was for 2018/19.

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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AUDIT COMMITTEE - 2018/19 Quarter 4 Counter Fraud Progress Report

Committee name	Audit Committee
Officer reporting	Muir Laurie, Deputy Director of Exchequer & Business Assurance Services (Acting)
Papers with report	2018/19 Quarter 4 Counter Fraud Progress Report
Ward	All

HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2018/19 Quarter 4 and assurance in this respect. It also provides an opportunity for the Deputy Director of Exchequer & Business Assurance Services (Acting) to highlight to the Audit Committee any significant Counter Fraud issues that have arisen which they need to be aware of. Further, the report enables the Audit Committee to hold the Deputy Director of Exchequer & Business Assurance Services (Acting) to account on delivery of the Counter Fraud Strategic Plan and facilitates in holding management to account for managing issues identified during the course of the Business Assurance Counter Fraud Team activity.

RECOMMENDATIONS:

That the Audit Committee:

- 1. Notes the Counter Fraud Progress Report for 2018/19 Quarter 4; and**
- 2. Suggests any comments/amendments.**

SUPPORTING INFORMATION

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

BACKGROUND PAPERS

The Business Assurance service holds various background research documents in relation to the Counter Fraud Strategic Plan.

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BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee: 2018/19 Quarter 4

31st March 2019



Contents

The Counter Fraud key contacts in connection with this report are:

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1. Introduction

1.1 The Role of the Business Assurance Counter Fraud Team

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

1.2 The Purpose of the Counter Fraud Progress Report

- 1.2.1 The Counter Fraud Progress Report provides the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all counter fraud work carried out during the Quarter 4 period (1st January to 31st March 2019). In addition, it provides an opportunity for the Deputy Director of Exchequer & Business Assurance Services (Acting) [DDEBA] to highlight any significant issues arising from the counter fraud work in Quarter 4.
- 1.2.2 The progress report also highlights to CMT, the Audit Committee and other key stakeholders, the performance of the BACFT in meeting its strategic and operational objectives (as set out in the Counter Fraud Strategic Plan), which provides an opportunity for the DDEBA to be held to account in this respect.

2. Executive Summary

- 2.1 During Quarter 4 the BACFT has achieved **successful loss prevention outcomes** relating to housing fraud, Disabled Facilities Grants and Social Care. **Five Council properties** have been recovered and a further two council tenants have downsized as a result of the team's work. One tenant relinquished a property fully adapted with disabled facilities, which prevented costs of **£40,000** in planned adaptations to another property. In Social Care one family were prevented from receiving Section 17 funding of **£12,603** in accommodation and subsistence.
- 2.2 In this quarter the BACFT has continued to focus on the delivery of **tenancy fraud projects**, and delivered successful **blue badge** proactive counter fraud work. The team continues its fraud prevention and detection work through investigations and verifications activities.
- 2.3 As part of a wider review of resourcing within the areas of Counter Fraud and Exchequer Services, consultation has begun on a **proposed restructure within the BACFT** which intends to return the Revenues Inspections into the Verifications sub-team. This is intended to take advantage of the Verifications processes, which have proved to be successful in delivering positive loss prevention outcomes, and apply them to revenues inspections, together with increased flexibility of resource and the ability to undertake out of hours work to achieve greater revenue collection. Also as part of the proposal is the increase in capacity for the Intelligence sub-team and reducing of capacity for criminal investigations. This is in order to achieve the right skills mix within the BACFT to take advantage of the loss prevention opportunities in 2019/20 for internal data matching and NFI, the **London Counter Fraud Hub** and proactive counter fraud projects. The need for fully trained criminal investigation officers is less with more fraud prevention and detection work carried out by the Verifications and Intelligence sub-teams prior to full investigations.
- 2.5 The **Home Office Immigration Enforcement Officer** (IEO) continues to work with the BACFT to help the Council prevent fraud against Hillingdon taxpayers. The IEO results in

2018/19 highlight that the financial benefit of having direct access to this resource clearly outweighs the cost.

- 2.6 Further detailed analysis of the BACFT's work in Quarter 4 is included in section 3 of this report.

3. Analysis of Counter Fraud Activity in Quarter 4

3.1 Housing Fraud - Work in Quarter 4

- 3.1.1 The main work-stream for the BACFT continues to be in relation to the prevention and detection of housing fraud. The Council is exposed to a number of housing fraud risks, as detailed in the Counter Fraud Strategy for 2018/19, and deploys significant BACFT resource on the prevention and detection of housing fraud.
- 3.1.2 Per **Table 1**, in the 2018/19 financial year to date, the BACFT has successfully recovered **19** Council properties and are actively pursuing a further **1** case for eviction. A further **25** investigations for suspected tenancy fraud are ongoing.

Table 1 ~ Housing Tenancy Fraud Cases

Housing Tenancy Fraud Cases	2018/19 (to date)*		2017/18		2016/17	
	Cases	£k/value**	Cases	£k/value	Cases	£k/value
Total number of recovered properties	19	£342k	43	£774k	64	£1,152k
Total number of ongoing cases	25	£450k	-	-	-	-

* as at 31st March 2019

** = In 2014, the Audit Commission reported the national average temporary accommodation costs to Local Authorities for one family as **£18k per property**. We continue to use this prudent estimate for reporting purposes, although across London a number of authorities are reporting that the true cost of each tenancy fraud case is more accurately estimated as **£94k per property** and some as high as **£150k per property** as a representation of property replacement costs.

- 3.1.3 The BACFT KPI 5 (refer **Table 4** in **Appendix A**) is set at a **20% property recovery rate** for tenancy fraud referrals received. In Quarter 4 the team has achieved **16%** property recovery rate (**19%** for the year to date). The team has commenced **10** new tenancy fraud investigations in Quarter 4, increasing the total number of ongoing investigations in this area to **25**.
- 3.1.4 In addition to work on tenancy fraud, the BACFT carries out investigations into suspected **fraudulent Right to Buy (RTB)** applications. This is where a person is applying to buy their council house under the statutory scheme, and at a significant discount to market values. The scheme operates under strict conditions that must be met by the applicant if they are to qualify for the discount. In 2018/19 to date the team has identified **4** cases of fraudulent RTB applications which have been stopped meaning the prevention of fraud valuing **£415,700** in RTB discount. Currently there are **6 ongoing RTB fraud** cases being investigated by the BACFT.
- 3.1.5 As part of the BACFT's **fraud prevention coverage** it proactively carries out verification work on existing Council tenancies and other housing services. Using information gathered by the Intelligence Officers and Verification Officers, the BACFT carry out confirmation checks, which often includes un-notified visits to properties. The team also work with a variety of social landlords and statutory agencies to help detect fraud where information sharing protocols are in place, to try and make sure the right people are living in Council properties.

3.1.6 Per **Table 2** below, in the 2018/19 year to date, the BACFT has successfully identified **799** housing tenancy cases that should be rejected for various reasons.

Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	2018/19 (to date)*	2017/18
Total number of cases reviewed	1909	2,485
Total number verified as accurate	1110	1,398
Total number rejected	799	1,087
% identified by BACFT for rejection	42%	44%

* as at 31st March 2019

3.1.7 Of the **799** cases that have been rejected, **38** applications have been completely closed down. This was due to a variety of reasons i.e. they do not have 10 years residency, they have no immigration status, they own a property elsewhere, or they have over £30k in savings or assets. Without the BACFT enhanced verification checks, these applications may well have been successful and the applicant would then have been housed in a Council property.

3.1.8 The BACFT Verification and Intelligence sub-teams now cover a wide range of work streams, providing assurance over expenditure of residents' grants for property purchasing and high value expenditure on temporary accommodation. The areas of verification are:

- **First time buyer scheme** - eligibility based grant scheme helping residents who aspire to property ownership to buy their first home.
- **Right to Buy** - formal verification of every RTB application to identify suspected fraud and ineligibility.
- **Bed & Breakfast accommodation** - residency check of all Bed & Breakfast accommodation bi-annually as part of a proactive project.
- **Section 17 Accommodation** - residency check of all Section 17 accommodation bi-annually as part of a proactive project.
- **Social Housing Allocations** - formal verification of all social housing applicants that are actively seeking accommodation to identify suspected fraud or ineligibility.
- **Section 17 Verification checks** - Initial checks on applicants who approach social care for assistance with accommodation to ensure eligibility.

In Quarter 4 the BACFT has introduced further verification workstreams in the following areas:

- **Mutual Exchange Verification checks**- Desk checks and unannounced visits to ensure tenants meet the criteria required to exchange.
- **Succession & Assignment Verification checks**- Desk checks and unannounced visits when required to ensure the applicants meet the relevant eligibility criteria.

3.1.9 The introduction of new Verifications workstreams for Mutual Exchange and Succession and Assignment in Quarter 4, has resulted in **three of the six succession and assignment verifications carried out being passed to legal and tenancy management to recover the property** as the applicant was not entitled to the succession. These cases are ongoing and will be reported once property recovery has taken place in the new financial year.

3.1.10 The BACFT also achieved positive outcomes in other areas of housing during Quarter 4. **One Bed & Breakfast** accommodation was found to be unoccupied and the applicant's

accommodation was closed preventing expenditure of **£10,493**. **One First Time Buyer** had sublet their accommodation within the first 3 years of receiving the grant and has now repaid the funds of **£12,000** to the local authority. The criminal investigation into the unlawful sublet property is still ongoing.

3.2 National Fraud Initiative - Quarter 4 Update

3.2.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office (CO) which is carried out every 2 years. It matches electronic data within and between 1,300 organisations, including councils, the police, hospitals and almost 100 private companies. This helps to identify potentially fraudulent claims and errors. In November 2016 the CO reported that the NFI had helped identify almost £198m in fraud and errors in England.

3.2.2 There is now a greater emphasis on data matching in the public sector as a means of preventing and detecting fraud. In addition to the National Fraud Initiative, the **London Counter Fraud Hub** (LCFH) is a new initiative that brings together London Boroughs with counter fraud specialists and the latest technologies, to help local authorities tackle fraud and corruption. At the centre of the LCFH is an analytics solution that helps prevent, detect and recover losses from fraud. The Council is in the process of gaining formal approval and waiting for the contractual paperwork to be completed before joining the hub.

3.2.3 The next NFI exercise data matches for Hillingdon were received in the first week of February 2019. Data sets are being returned in a staggered manner. The BACFT are continuing to work through the data matches identified for 2017 and 2019, this has resulted in **savings of £6685.82** to date. This work has also resulted in the recovery of a council property. As part of the Counter Fraud Strategic Plan 2019/20, we continue to place greater emphasis on the use of data matching and analytics to help prevent and detect fraud against the Council, and to identify loss prevention opportunities.

3.3 Blue Badge Fraud - Work in Quarter 4

3.3.1 Blue Badge permits provide parking concessions for people with severe mobility problems. Historically the scheme was restricted to people with physical disabilities so they can park closer to their destination than other drivers, as they are less able to take public transport or walk longer distances. However, in the biggest overhaul to the scheme since the 1970s, the new criteria has extended eligibility to people with less visible conditions i.e. people with autism and mental health conditions now have access to Blue Badges, removing the barriers many face to travel.

3.3.2 Although the direct monetary value of Blue Badge Fraud is relatively low, the reputational risk in relation to this area is significant for the Council. As a result, Blue Badge Fraud continues to feature in the BACFT's work plan with a planned approach of at least one Blue Badge proactive 'operation' per quarter.

3.3.3 In Quarter 4, one proactive Blue Badge misuse operation was carried out in Uxbridge High Street. The results are as follows:

- **59 badges checked** by BACFT officers;
- **1 criminal investigation opened** following badge seizure.
- **5 Expired badges seized** and returned to the blue badge team.

3.3.4 It is to be noted that since commencing Blue Badge operations, **instances of misuse are falling in number** indicating a positive impact within the borough and public awareness of this issue. This reflects positively on how the Council tackles blue badge fraud and provides reassurance to residents that fraud in this area will not be tolerated by this Council. The BACFT will continue to carry out proactive work in this area in 2019/20.

3.4 Tenancy Fraud Project- Work in Quarter 4

3.4.1 This quarter the team continued a risk based proactive project conducting residency checks of Council tenancies. The objective of this project is to verify that Council properties are lawfully occupied.

3.4.2 This exercise helps identify fraud being committed through subletting or non-occupation. Our work in this area leads to the recovery of Council properties and the identification of associated loss preventions e.g. Council Tax discounts.

3.4.3 The results of this project to date are as follows:

- 327 properties total visited (over 750 visits in total accounting for multiple visits required to a number of properties);
- 304 properties were verified as lawfully occupied including 4 tenancies to be downsized and including several cases of unpaid Council Tax (Single Person Discount) and Housing Benefit overpayments;
- 22 properties unable to be verified as yet. These are case where the tenant has not been found at the property despite multiple visits at different times of the day during the week/at weekends. Our intelligence gathering work is well under way and 12 of these cases have already been passed to the Investigations sub-team for full investigation. As our intelligence gathering work continues on these properties, it is likely that a number of these properties will be identified as illegally sub-let or unoccupied leading us to commence property recovery proceedings;
- 1 tenant in this project has downsized from a fully adapted property saving the Disabilities Facilities Grant (DFG) £40K in adaptation costs to another property.
- The remaining 1 property is to be returned to housing stock (deceased tenant).

3.4.4 At the start of Quarter 4 the BACFT initiated a **new proactive project conducting residency checks for temporary accommodation**. The project was introduced to ensure that all tenants are in occupation, to identify any that were being unlawfully sublet, and to establish non-occupation with the intention to recover the property. The results to date are as follows:

- 218 Properties visited (Over 300 visits in total accounting for multiple visits);
- 134 properties verified as lawfully occupied. Intelligence checks and further visits are in progress for the remaining 73 where occupancy has unable to be verified, and these will likely generate further investigations and loss prevention outcomes;
- 8 Properties to be revisited due to identification of potential SPD fraud;
- 2 Social care referrals made regarding safeguarding children; and
- 3 properties under investigation for suspected non-occupation or sublet.

Further updates and outcome will be available in the Counter Fraud 2019/20 Quarter 1 progress report.

3.5 Immigration Enforcement Officer (IEO) - Work in Quarter 4

3.5.1 Since 16th April 2018, the BACFT has had a Home Office IEO working as part of the team. The purpose is to provide enhanced access to Home Office data for the purpose of assessing cases involving immigration status and for assisting in counter fraud work requiring access to home office data.

3.5.2 The IEO has so far provided invaluable assistance in counter fraud work and many other Council service areas, such as Social Care and Housing, by carrying out background checks and carrying out face to face interviews where there is potentially an immigration issue. As a result, the work of the IEO in financial loss prevention across the Council in

Quarter 4 is prudently estimated at **£233,208**. Refer to **Table 4** in **Appendix B** for a breakdown of identified loss prevention savings to date.

3.6 Social Care Fraud work Quarter 4

During Quarter 4 BACFT continued to conduct a visiting programme into Section 17 accommodation to ensure occupation. As a result of these visits, one client was found to have recourse to public funds and no longer needed assistance under Section 17. The accommodation and subsistence payments were cancelled providing a saving of **£12,603**. Work has also been carried out with **Social Care** colleagues to create a **new verification process for applicants who require Section 17 funding**. This process requires applicants to, at the point of approaching the Council, provide further information regarding their address history and financial situation. Since its introduction, there has been a reduction in the number of families supported under Section 17 after the initial assessment. Figures will be available regarding the success of this initiative in the next quarter.

3.7 Other Counter Fraud Work in Quarter 4

3.7.1 With the drive to improve efficiency and quality of investigations, all BACFT referrals are now robustly risk assessed and intelligence checked before being considered for escalation to formal investigation stage. **In Quarter 4 there were 86 referrals for investigation** from internal and external sources. At 18th March, there are **25** ongoing investigations. **72%** of these (**18**) relate to different aspects of housing and tenancy fraud.

4. Analysis of the Counter Fraud Team Performance in Quarter 4

- 4.1 In Quarter 1 KPIs for the BACFT were agreed and implemented to allow effective measurement of BACFT performance and enable the team and the DDEBA to be better held to account by CMT and Audit Committee. Attached at **Appendix A** is **Table 3** which sets out the performance by the BACFT against the KPIs as at 18th March 2019.
- 4.2 As can be seen from **Table 3**, it is acknowledged that there is more work that can and will be done to improve performance against targets. The team's performance is in the main on an upward trend throughout the year, but with specific areas to focus on early in the new financial year. Performance should also be considered against the context of a vacancy within the Intelligence Team and the fact that there has been no significant drop in performance recorded in general.
- 4.3 **Appendix B** and **Table 4** provides an overview of the financial performance of the team in 2018/19, and is one of the metrics by which performance can be measured.
- 4.4 Comprehensive counter fraud benchmarking data is being gathered for reporting in the BACFT 2018/19 Annual Report. This will provide context for the team performance against all London Borough counter fraud teams.

5. Forward Look

- 5.1 Looking ahead to Quarter 1 of 2019/20 there are a number of key priorities for the BACFT. These include:
- Complete the **consultation for the proposed restructure**, including recruitment to all newly created positions within the team;
 - Build a working relationship with counter fraud colleagues through **joint working with the Department for Work and Pensions** on matters involving both Housing Benefit and Council Tax Reduction fraud in order to maximise loss prevention in this area;
 - Lead on the Council joining the **London Counter Fraud Hub** ensuring that the Council is fully prepared to take advantage of all opportunities presented;

- Carry out **internal data matching processes** to assist in the prevention and detection of fraud and begin work on **external data matching exercises through the NFI**;
- Continue **engagement with key stakeholders through fraud awareness and risk workshops** to further promote the counter fraud culture within the Council;
- Continue to review current **counter fraud work-streams** to ensure the effective use of resources, seeking opportunities to **maximise loss prevention opportunities** for the Council through targeting the areas of highest fraud risk.

5.2 The BACFT 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 counter fraud matters that the DDEBA needs to bring to the attention of CMT or the Audit Committee at this time.

Muir Laurie FCCA CMIIA
Deputy Director of Exchequer & Business Assurance Services (Acting)

31st March 2019

APPENDIX A**Table 3 ~ BACFT Quarter 4 KPIs and Actual Performance**

BACFT KPIs	Target	Q4	YTD
1. Percentage of fraud referrals risk assessed within 3 working days	95%	86%	65%
2. Verification work timescales for completion:			
a. Housing Allocations completion within 3 working days	95%	91%	90%
b. First Time Buyer completion within 5 working days	95%	100%	90%
c. Right to Buy completion within 28 working days	95%	50%	54%
3. Housing Bed and Breakfast clients verified every 40 working days	95%	N/A ¹	97%
4. Investigation plan completion within 5 working days of case allocation	95%	90%	67%
5. Tenancy fraud referrals received resulting in property recovery	20%	16%	18%
6. Investigations resulting in sanction (<i>prosecution/penalty/caution</i>)	10%	4%	7%
7. Investigations resulting in loss prevention/financial saving outcome	25%	24%	22%

¹ BACFT are no longer visiting B&B accommodation on a rolling programme and will be conducting two proactive visit projects during the financial year

APPENDIX B**Table 4 ~ BACFT Quarter 4 & Year To Date Financial Performance**

Work area	Description	Q4	YTD
Housing	Right to Buy discounts	£0	£415,700
	Property Recovery (notional savings)	£108,000	£342,000
	Other savings/loss prevention	£63,808	£82,716
	Prosecution costs	£0	£11,353
Social Services	Loss Prevention	£12,603	£50,520
Revenues	Council Tax Reduction	£596	£18,267
	Single Person Discount	£3,053	£15,748
	Council Tax Arrears	£2,277	£12,865
	Housing Benefit Overpayments	£5,534	£13,778
Blue Badge	Simple Caution & Financial Penalty	£100	£900
	Prosecution Costs Received	£0	£3,500
Immigration Officer	Housing First Time Buyer scheme*	£0	£35,646
	Housing Homelessness Applications**	£53,581	£101,559
	Asylum Seeking Children Expense***	£0	£40,537
	Social Services Section 17 Expense**	£17,195	£55,466
	IEO Sub Total	£70,776	£233,208
Totals	Loss Prevention	£123,378	£739,427
	Notional Savings	£113,534	£373,778
	Cashable Savings	£29,733	£90,131
	Costs awarded and penalties	£100	£15,653
	Total	£266,745	£1,219,149

* First time buyers - Average grant given per person based on 2016/17.

** Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's business performance team.

*** Cost of accommodation and subsistence per week for one year. This figure is a prudent estimate as the Council can and does often support asylum seeking children until they are 25 years old.

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AUDIT COMMITTEE FORWARD PROGRAMME 2018/19 and 2019/20

Committee name	Audit Committee
Officer reporting	Anisha Teji, Chief Executive's Office
Papers with report	None
Ward	All

HEADLINES

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

RECOMMENDATIONS:

That the Committee:

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

SUPPORTING INFORMATION

The meeting on 25 April 2019 will start at 5.40pm.

There will be a short training session for Members at 5.00pm and a pre meeting with officers and the Committee at 5.30pm.

Meetings	Room
11 April 2018	CR 5
26 July 2018	CR 5
17 October 2018	CR 5
6 February 2019	CR 6
25 April 2019	CR 5
22 July 2019	CR 4
17 October 2019	CR 5
3 February 2020	CR 4
23 April 2020	CR 5

Meeting Date	Item	Lead Officer
22 July 2019	*Private meeting with the Corporate Director of Finance to take place before the meeting	
	Approval of the 2018/19 Statement of Accounts and External Audit Report on the Audit for the year ended 31 March 2019	Corporate Director of Finance /Ernst & Young
	External Audit Report on the Pension Fund Annual Report and Accounts 2018/19	Ernst & Young
	Internal Audit Charter 2019/20	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Annual Internal Audit Report and Opinion Statement 2018/19	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Internal Audit Progress Report Quarter 1 2019/20 (incl the Quarter 2 2019/20 Internal Audit Plan	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Counter Fraud Progress Report Quarter 1 2019/20	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Quarter 4 2018/19 Corporate Risk Register - Part II	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Annual Counter Fraud Report 2018/19	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Audit Committee Forward Programme	Democratic Services

Meeting Date	Item	Lead Officer
17 October 2019	*Private meeting with External Audit (Ernst & Young) to take place before the meeting	
	Internal Audit Charter 2018/19	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Annual Review of the Effectiveness of Internal Audit 2018/19	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Internal Audit Progress Report Quarter 2 2019/20 (incl the Quarter 3 2019/20 Internal Audit Plan)	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Counter Fraud Progress Report Quarter 2 2019/2	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Audit Committee Annual Report	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Annual Review of the Effectiveness of the Audit Committee 2018/19;	Deputy Director of Exchequer & Business Assurance Services (Acting)
	2019/20 Q1 Corporate Risk Register - Part II.	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Annual Risk Management Report 2018/19	Deputy Director of Exchequer & Business Assurance Services (Acting)
	Audit Committee Forward Programme	Democratic Services

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