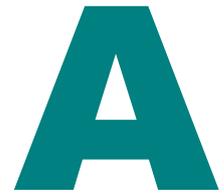




HILLINGDON  
LONDON



## Audit Committee

### Members of the Committee

John Chesshire (Chairman)  
Councillor Martin Goddard (Vice-Chairman)  
Councillor Tony Eginton  
Councillor Susan O'Brien  
Councillor Edward Lavery

**Date:** MONDAY, 21 OCTOBER  
2019

**Time:** 5.10 PM

**Venue:** COMMITTEE ROOM 5 -  
CIVIC CENTRE, HIGH  
STREET, UXBRIDGE

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

This Agenda is available online at:  
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**Published:** Friday, 11 October 2019

**Contact:** Anisha Teji  
**Tel:** 01895 277655  
**Email:** [ateji@hillingdon.gov.uk](mailto:ateji@hillingdon.gov.uk)

Putting our residents first

Lloyd White  
Head of Democratic Services  
London Borough of Hillingdon,  
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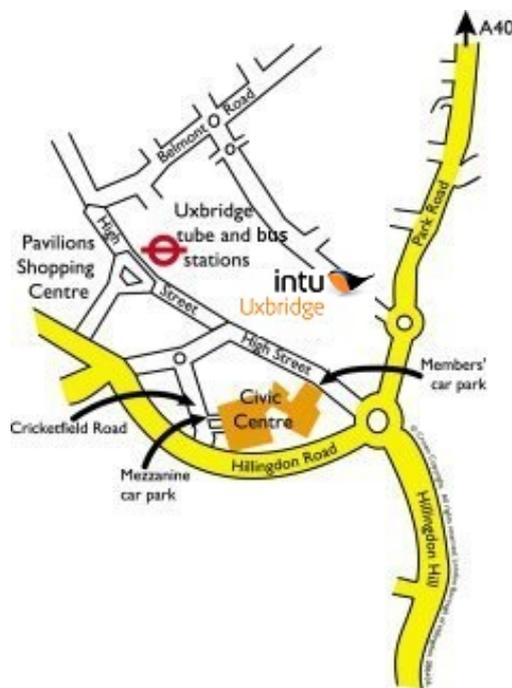
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# Terms of Reference

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

## **PART I**

- 1 Apologies for absence
- 2 Declarations of interest
- 3 To confirm that all items marked Part I will be considered in Public and that any items marked Part II will be considered in Private
- 4 Minutes of the meeting held on 22 July 2019 1 - 6
- 5 Internal Audit Progress Report for 2019/20 Quarter 2 (including the Quarter 3 IA Plan) 7 - 28
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- 7 Counter Fraud Progress Report Quarter 2 2019/20 63 - 74
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## **PART II**

- 11 2019/20 Q1 Corporate Risk Register 97 - 116
- 12 Annual Risk Management Report 2018/19 117 - 138



## Minutes

### AUDIT COMMITTEE

22 July 2019

Meeting held at Committee Room 4 - Civic Centre, High Street, Uxbridge

	<p><b>Committee Members Present:</b> John Cheshire (Chairman) Councillors: Martin Goddard (Vice-Chairman), Tony Eginton, Ray Graham (in place of Susan O'Brien) and Eddie Lavery</p> <p><b>LBH Officers Present:</b> Sian Kunert (Head of Pensions, Treasury and Statutory Accounts), James Lake (Lead Corporate Accountant), Muir Laurie (Deputy Director of Exchequer &amp; Business Assurance Services), Sarah Hydrie (Head of Internal Audit &amp; Risk Assurance), Zac O'Neil (Head of Counter Fraud), Stephanie Rao (Risk and Insurance Manager) and Anisha Teji (Democratic Services Officer)</p>
46.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>Apologies for absence were received from Councillor Susan O'Brien with Councillor Ray Graham substituting.</p>
47.	<p><b>ELECTION OF VICE CHAIRMAN</b> (<i>Agenda Item 2</i>)</p> <p><b>RESOLVED: That Councillor Martin Goddard be elected as Vice-Chairman of the Audit Committee for the municipal year 2019/20.</b></p>
48.	<p><b>DECLARATIONS OF INTEREST</b> (<i>Agenda Item 3</i>)</p> <p>Councillor Tony Eginton declared a non-pecuniary interest in agenda item 6 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>
49.	<p><b>TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE</b> (<i>Agenda Item 4</i>)</p> <p>It was agreed that all the items on the agenda be considered in public with the exception of Agenda Item 14 – Corporate Risk Register 2018/19 Quarter 4.</p>
50.	<p><b>MINUTES OF THE MEETING HELD ON 25 APRIL 2019</b> (<i>Agenda Item 5</i>)</p> <p><b>RESOLVED: That the minutes from the meeting on 25 April 2019 be agreed as an accurate record.</b></p>

51.	<p><b>APPROVAL OF THE 2018/19 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT FOR THE YEAR ENDED 31 MARCH 2019</b> (<i>Agenda Item 6</i>)</p> <p>The Committee received a report that summarised the findings of Ernst Young (EY), the External Auditor, on the audit of the 2018/19 Statement of Accounts and Pension Fund Accounts.</p> <p>The Committee was informed that, based on the work undertaken to date, EY anticipated issuing an unqualified opinion on the Pension Fund Account, subject to the completion of outstanding work.</p> <p>The Committee was informed that the audit was still subject to outstanding work due to resourcing challenges. EY anticipated issuing an unqualified audit opinion on the financial statements by 31 July 2019.</p> <p><b>RESOLVED: That the Audit Committee approved the audited Statement of Accounts for 2018/19.</b></p>
52.	<p><b>2018/19 REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE</b> (<i>Agenda Item 7</i>)</p> <p>The Committee received a report on the Review of the Effectiveness of the Audit Committee 2018/19. The review had been given a substantial assurance, with six low risk recommendations for best practice and two notable practice observations being identified.</p> <p>It was noted that, although there was no requirement for officers to attend Audit Committee meetings, Members could request their attendance. It was however confirmed that there had been no occasions during the year where the Audit Committee believed the lack of this power hindered its effectiveness in any way.</p> <p>It was noted that Members were keen to explore the good practice recommendations with Democratic Services further.</p> <p><b>RESOLVED: That the findings, recommendations and management action proposed in the Effectiveness of the Audit Committee final report be noted.</b></p>
53.	<p><b>ANNUAL INTERNAL AUDIT REPORT AND OPINION STATEMENT 2018/19</b> (<i>Agenda Item 8</i>)</p> <p>The Committee considered the Annual Internal Audit Report and Opinion Statement 2018/19, which highlighted matters arising from the work of Internal Audit during 2018/19.</p> <p>It was reported that, despite significant changes to the Internal Audit team, the 2018/19 plan was 100% complete to final stage report by 31 May 2019. In total, 48 pieces of IA work had been delivered as part of the 2018/19 Internal Audit plan, including 19 assurance reviews, 12 follow up reviews, nine consultancy reviews and eight grant claims audits. Over half of the assurance reviews had resulted in a reasonable opinion.</p> <p>It was also reported that work was ongoing to strengthen the Council's control environment in relation to the significant control weaknesses including Internal Audit reviews of Early Years Centres, Emergency Duty Team and Houses in Multiple Occupation.</p>

Members thanked officers for the comprehensive report.

**RESOLVED: That the contents of the Annual Internal Audit Report and Opinion Statement 2018/19 be noted.**

54. **INTERNAL AUDIT PROGRESS REPORT FOR 2019/20 QUARTER 1 (INCLUDING THE QUARTER 2 IA PLAN)** (*Agenda Item 9*)

The Committee received the Internal Audit Progress Report for 2019/20 Quarter 1 and Internal Audit Plan for Quarter 2 which provided summary information on all Internal Audit work covered in relation to 2019/20, together with assurance levels in this respect.

It was noted that since the last Internal Audit Progress Report one follow up review had concluded, eight assurance reviews were at an advanced stage, three grant claims had been certified and eight pieces of work had been finalised. One assurance review had been deferred at Management's request and there had been three requests for audit work.

It was reported that the team was fully staffed and there were still arrangements with Mazars if further resources were required.

**RESOLVED:**

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

55. **INTERNAL AUDIT CHARTER** (*Agenda Item 10*)

The Committee considered the Internal Audit Charter which was a key document in respect to the Council's internal control, risk management and corporate governance framework. This had been updated to be in line with the best practice and to mirror the minor changes to the UK Public Sector Internal Audit Standards (PSIAS) and Internal Audit Professional Practices Framework (IPPF). The last update of the Internal Audit Charter was approved by the Audit Committee on 11 April 2018.

**RESOLVED: That the Internal Audit Charter be noted.**

56. **2018/19 COUNTER FRAUD ANNUAL REPORT** (*Agenda Item 11*)

The Committee considered the 2018/19 Counter Fraud Annual Report that provided an overview of all Counter Fraud work carried out in relation to 2018/19 and assurance in this respect.

It was reported that the Business Assurance Counter Fraud Team had achieved a number of successful outcomes against a number of major changes and improvement initiatives in the team. This included a delivery of a total of £1.2m in loss prevention savings within Council services. Further, there had been a restructure of BACFT which impacted resourcing in Quarters 1 and 2.

The total value of the services of the Immigration Enforcement Officer for 2018/19 was estimated at £233,208 and the IEO would continue to work with the BACFT for

2019/20. The performance by the BACFT against key performance indicators throughout 2018/19 and bench marking data in comparison to other London Boroughs was included in the report.

Members thanked officers for their work and results.

**RESOLVED: That the Counter Fraud Annual Report for 2018/19 be noted.**

57. **2019/20 QUARTER 1 COUNTER FRAUD PROGRESS REPORT** (*Agenda Item 12*)

The Committee received a report detailing the work being undertaken by the Business Assurance Counter Fraud Team (BACFT) in relation to 2019/20 Quarter 1 and assurances in this respect.

It was reported that, during quarter 1 of 2019/20, the BACFT had achieved successful loss prevention outcomes totalling £412,752. A total of four Council properties had been recovered and, as a result of a proactive project two B&B non occupations were identified. Further, the Home Office Immigration Officer had directly contributed to loss prevention savings of £142,255 through working with different departments.

It was noted that the BACFT had identified 1 case of a fraudulent RTB application which had equated to a loss prevention saving of £110,500.

It was confirmed that two Senior Verifications Officer roles within the BACFT had been recruited to.

**RESOLVED: That the Counter Fraud Progress Report for 2019/20 Quarter 1 be noted.**

58. **AUDIT COMMITTEE FORWARD PROGRAMME** (*Agenda Item 13*)

**RESOLVED: That the work programme be noted.**

59. **2018/19 QUARTER 4 CORPORATE RISK REGISTER** (*Agenda Item 14*)

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

The Corporate Risk Register for Quarter 4 (January to March 2019), report was presented to Members. The report provided evidence about how identified corporate risks were being managed and the actions which were being taken to mitigate those risks.

**RESOLVED – That the Committee reviewed the Corporate Risk Register for Quarter 4 (January to March 2019), as part of the Committee's role to independently assure the strategic risk management arrangements in the Council.**

The meeting, which commenced at 5.40 pm, closed at 6.56 pm.

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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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## AUDIT COMMITTEE - Internal Audit Progress Report for 2019/20 Quarter 2 (including the Quarter 3 IA Plan)

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Sarah Hydrie, Head of Internal Audit & Risk Assurance
<b>Papers with report</b>	Internal Audit Progress Report for 2019/20 Quarter 2 & Internal Audit Plan for Quarter 3
<b>Ward</b>	All

### HEADLINES

The attached report presents the Audit Committee with summary information on all Internal Audit (IA) work covered in 2019/20 Quarter 2 and assurance in this respect. It also provides an opportunity for the Head of Internal Audit & Risk Assurance 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 Head of Internal Audit & Risk Assurance 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 Quarter 3 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 2019/20 Quarter 2, considers the Quarter 3 IA Plan and, subject to any further minor amendments, approves it; and
2. ensures that the coverage, performance and results of Business Assurance IA activity in this quarter are considered and any additional assurance requirements are communicated to the Head of Internal Audit & Risk Assurance.

### 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 3 IA Plan.

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# BUSINESS ASSURANCE

## **Internal Audit Progress Report to Audit Committee: 2019/20 Quarter 2 (including the Quarter 3 Internal Audit Plan)**

**30<sup>th</sup> September 2019**



# Contents

The Internal Audit key contact in connection with this report is:

**Sarah Hydrrie** CMIIA, CIA  
 Head of Internal Audit & Risk Assurance  
 t: 01895 277907  
 e: [shydrrie@hillingdon.gov.uk](mailto:shydrrie@hillingdon.gov.uk)

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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 the 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.

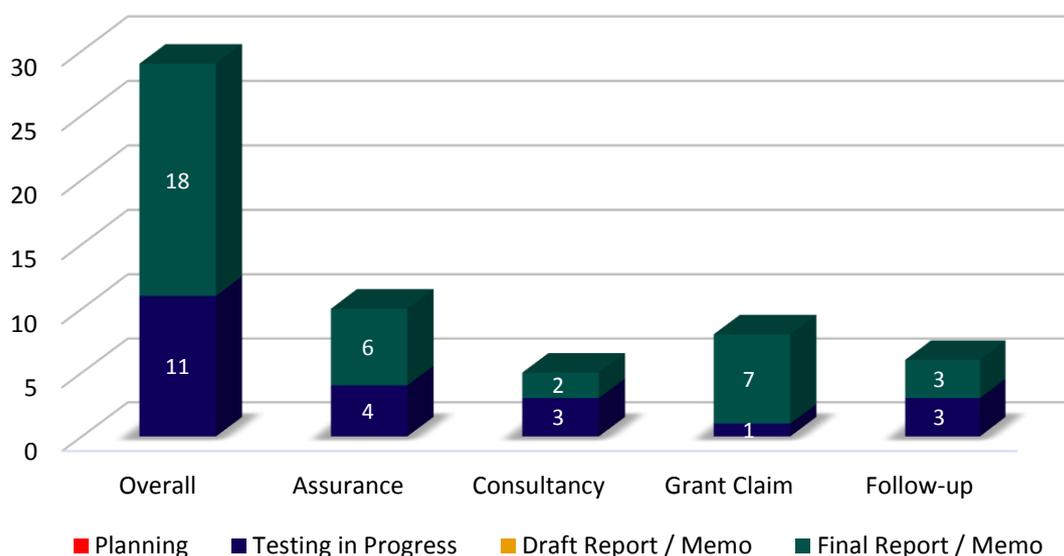
### 1.2 The Purpose of the Internal Audit Progress Report to Audit Committee

- 1.2.1 This Quarter 2 progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on IA work for the period 1<sup>st</sup> July to 13<sup>th</sup> September 2019. In addition, it provides an opportunity for the Council's Head of Internal Audit & Risk Assurance (HIA), to highlight any significant issues which have arisen from IA work in Quarter 1. It also highlights to CMT, the Audit Committee and other IA stakeholders the revisions to the Quarter 2 IA plan since its approval (refer to **Appendix B**).
- 1.2.2 A key feature of the Quarter 2 IA progress report is the inclusion of the Quarter 3 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 3 period (1<sup>st</sup> October to 31<sup>st</sup> December 2019).

## 2. Executive Summary

- 2.1 Since the last IA Progress Report to CMT and the Audit Committee dated 30<sup>th</sup> June 2019, **8 assurance reviews** (including **2 follow-ups**) have concluded, **4 grant claims** have been certified and **1 consultancy review** have been finalised. Progress has improved this quarter and despite one vacancy the IA team has been working diligently to complete the IA Plan to a high quality and standard. We are therefore on track to complete this year's programme of IA work for 2019/20, depicted below:

**Chart 1 - 2019/20 IA Work Undertaken To Date**



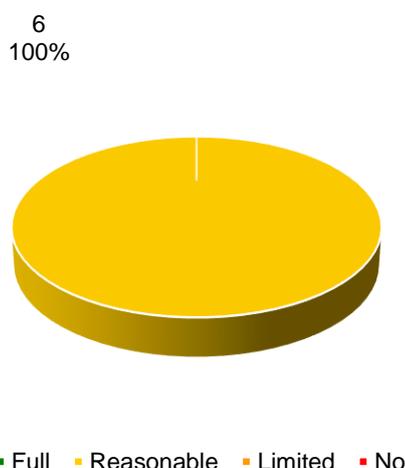
- 2.2 Our work on the 2019/20 Quarter 2 IA plan commenced on 1<sup>st</sup> July 2019 and work is now underway on all Quarter 2 planned work (refer to **Appendix A**). Positive progress has been made this quarter and key assurance reviews finalised in this period include a **Thematic Review of Schools Payroll Arrangements** and **Compliance with the Criminal Finances Act**. Both these reviews received **REASONABLE** assurance opinions respectively over the management of key risks.
- 2.3 These results are in line with our expectations and the risk-based approach which we deploy. When deciding to undertake risk-based internal auditing (RBIA), it is important to understand the level of risk maturity within the organisation, and tailor the IA strategy to mirror and support the stages of the organisation. Specifically, IA resource has been targeted in the areas of the highest risk as part of an efficient 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 this quarter, IA has also undertaken a significant amount of 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.
- 2.5 There has been one amendment and no deferrals to the Quarter 2 IA operational plan (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

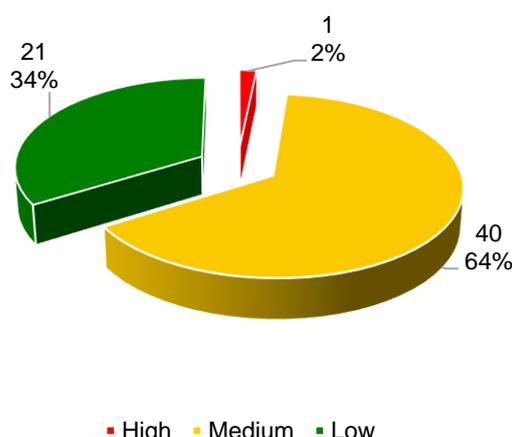
#### 3.1 Assurance Work in Quarter 2

- 3.1.1 During this quarter, **8** 2019/20 IA assurance reviews (including **2** follow-up reviews) have been completed to final report stage, with a further **2** at draft report preparation stage and **2** 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 in the charts below:

**Chart 2 - Assurance Opinions**



**Chart 3 - Recommendation Ratings**



- 3.1.3 Other 2019/20 assurance reviews finalised this quarter have included a **Thematic Review of Schools Payroll**. As a result of our risk based approach, this is the first thematic review of schools that IA has performed since 2015/16.

3.1.4 We visited 6 maintained schools and provided assurance over their respective payroll arrangements. This audit provided a **REASONABLE** assurance opinion and raised a total of **16 MEDIUM** and **5 LOW** risk recommendations (refer to **Appendix A**). **Positive action has been proposed** to address all of the **MEDIUM** risk recommendations raised.

### 3.2 Consultancy Work in Quarter 2

3.2.1 The IA team continues to undertake some consultancy work across the Council. The consultancy coverage includes IA staff attending working groups or project groups, whilst ensuring they are clear about whether they are attending in an assurance or advisory capacity. This type of approach to IA work 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 Participation in working and project groups within the Council continues to help individual IA staff develop, whilst at the same time increasing the value IA provides to the Council. Due to the nature of consultancy work, we do not provide an assurance opinion or formal recommendations for management action. However, as part of our advisory reports and memos we do provide specific observations and improvement suggestions for senior management to consider.

3.2.3 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 **Inquest Hearing Preparation** concluded within the quarter. We assisted Social Care by verifying and testing evidence which is being presented in a Coroner's Inquest. In addition, this quarter the Head of Direct Care Provision requested a piece of advisory work by IA on the Council's **Hillingdon Shared Lives Fund**, focusing on its use and administration. IA agreed to undertake this work, which is at advanced testing stage, and was added to the Q2 IA Plan (refer to **Appendix B**).

### 3.3 Grant Claim Verification Work in Quarter 2

3.3.1 During this quarter IA has also assisted the Council in certifying **4** grant claims. As detailed at **Appendix A**, IA continues to carry out verification work on the **Troubled Families (TFs) Grant** and **Housing Benefit (HB) Subsidy Grant** as well as completing verification work regarding the **Disabled Facilities Grant (DFG)**, **Bus Subsidy Grant** and **Pothole Action Fund** which equates to £3.8m, £21.7k and £96.9k respectively.

3.3.2 This quarter IA assisted the Council's External Auditors (Ernst & Young), with a review of the Council's **HB Subsidy Grant Claim**. This verification work has included:

- **Module 2 - Up Rating**  
Testing to help ensure the Council's Revenues and Benefits software is using the correct housing benefit parameters to calculate benefit entitlement; and
- **Module 3 - Workbooks**  
Testing calculations and verifying evidence for an initial sample of 60 cases (HRA, Non HRA and Private Tenants).

3.3.3 The **HB Subsidy Grant Claim audit** has been a significant piece of work for IA involving approximately 30 days of testing. Nevertheless, the work we carry out in this area saves the Council considerable money by way of a reduced External Audit fee in relation to this grant claim. This type of approach also demonstrates good collaborative working between IA and External Audit, as well as an effective and efficient use of resources.

3.3.4 As detailed at **Appendix A** the planned quarterly verification work on the **TFs Grant** progressed this quarter. IA tested a sample of TFs that had been identified as being 'turned around' by the Council's TFs Team. At the conclusion of our work we issued IA memos in July, August and September 2019; the total number of families claimed by the Council in Quarter 2 was 285.

- 3.3.5 The Local Authority **Bus Subsidy Grant** for 2018/19 covers both commercial and non-commercial bus routes and is administered centrally by the Department for Transport. The Grant is the partial refund on fuel duty received from the government by operators of local bus services in England. To the best of our knowledge and belief, and having carried out appropriate investigations and checks, it is IA's opinion that, in all significant respects, the conditions attached to Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant Determination 2018/19 have been complied with.
- 3.3.6 The **Pothole Action Fund** for 2018/19 is administered centrally by the Department for Transport and provides support to local authorities in England towards expenditure and repair of potholes in their respective borough. As part of this investment, the Fund will give local authorities in England £50m a year, over the next 5 years, to help tackle more than 4m potholes. Funding is calculated according to the size of the local road network in the area. To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Transport Capital Block Funding (Pothole Action Fund) Specific Grant Determination (2018/19) No. 31/2951 have been complied with. There has been no other grant claim verification work carried out by IA this quarter.

### 3.4 Follow-up of Previous Internal Audit Recommendations in Quarter 2

- 3.4.1 IA continues to monitor all **HIGH** and **MEDIUM** risk IA 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 reviews within 6 to 12 months after their finalisation.
- 3.4.2 Our dedicated follow-up verification review found that **88%** (29) of the **33** recommendations that have been followed-up were deemed **Implemented**. Of the remaining recommendations we confirmed that **9%** (3) were **Partly Implemented** and **3%** (1) were deemed **Not Implemented**. Each of the 4 cases deemed **Partly Implemented** 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.
- 3.4.3 Our follow-up work on **Cyber Security** has concluded. In December 2018 IA awarded Cyber Security **LIMITED** assurance and raised **2 HIGH** and **3 MEDIUM** risk recommendations. As a result of our recent follow-up testing we can confirm that **3** of the **5 HIGH** and **MEDIUM** risk recommendations raised have been **Implemented**, **1** recommendation was **Partly Implemented** and **1** recommendation was **Not Implemented**. Each of the 2 recommendations deemed **Partly Implemented** or **Not Implemented** have been reopened on our dedicated follow-up system, TeamCentral, with new implementation dates and will then be followed-up in due course as these revised dates fall due.

### 3.5 Other Internal Audit Work in Quarter 2

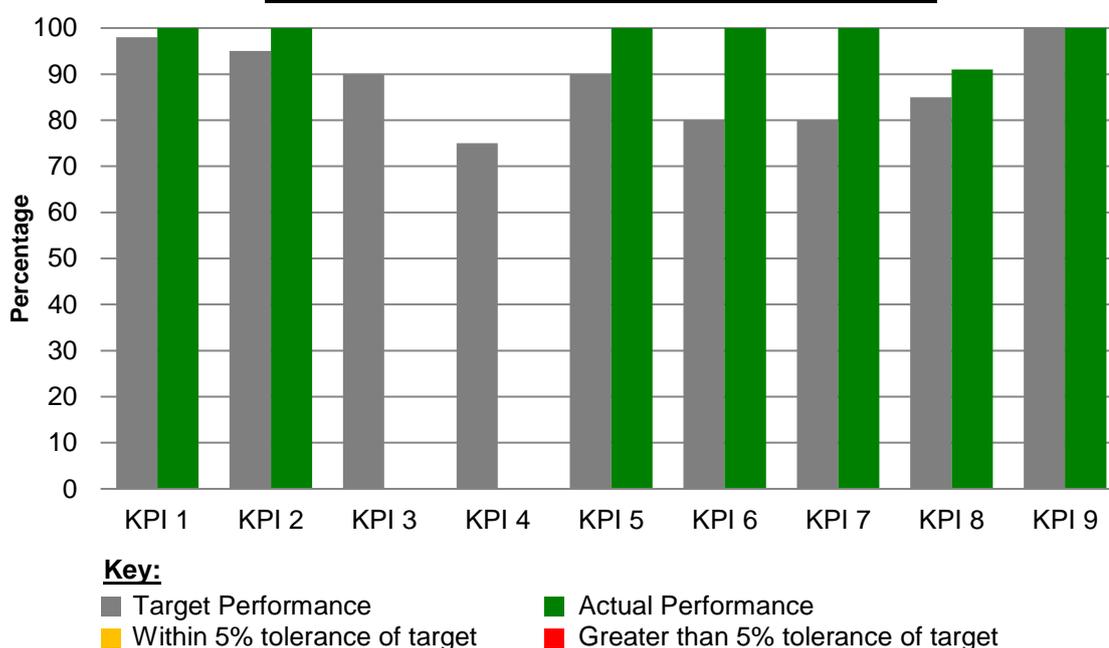
- 3.5.1 We continue to undertake a quarterly approach to IA planning to ensure emerging risks and new areas of concern are captured, particularly within the fast changing environment the Council operates in. Over the last month we have undertaken our risk based planning meetings, alongside operational and corporate risk discussions due to the synergies between these two functions. Further to this, we have produced the detailed operational IA plan for Quarter 3 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.
- 3.5.2 This quarter we have made some progress with our **Quality Assurance and Improvement Programme (QAIP)**. The QAIP is designed to provide assurance that IA work continues to be fully compliant with the UK PSIAS and also helps enable the ongoing performance monitoring and improvement of IA activity.

3.5.3 The IA finalisation checklist and feedback processes have been reviewed. We are also in the process of carrying out peer reviews of 2018/19 audits on our TeamMate system to ensure the IA process has been followed correctly and consistently. All learnings from this exercise will be communicated to the IA team with the aim of improving ways of working.

#### 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. Cumulative performance against the KPIs in the 1<sup>st</sup> April to 30<sup>th</sup> September 2019 period is summarised below:

**Chart 4 - 2019/20 IA Key Performance Indicators**



4.2 Performance data for **KPI 3** and **KPI 4** is not yet available as none of the 2019/20 **HIGH** or **MEDIUM** risk recommendations raised have fallen due yet. We are currently exceeding several of our KPI targets, including achieving the ambitious **85%** Client Satisfaction Rating for **KPI 8**, which we are hopeful will continue throughout the remainder of the year as the volume of CFQ feedback increases.

#### 5. Forward Look

5.1 Quarter 2 has seen one of our Senior Internal Auditors, **Chloe Moorcroft**, leave LBH to pursue a new opportunity in the private sector. We would like to thank Chloe for all her hard work and exceptional attitude throughout her tenure and we wish her every success in her new role.

5.2 This departure has created new opportunities within the IA team and following the success of our previous recruitment campaigns and our ethos of 'growing our own' we have successfully recruited two strong candidates as internal auditors. Both are internal candidates so come with a lot of existing knowledge of the Council and its operations. **Sonal Patel** joined us recently in a permanent role and brings significant risk management and compliance experience from her time working for the Housing Department. **Bersata Ramadani** is due to join IA in October on a 6 month secondment from the Payments Team in Exchequer Services and therefore has a good understanding of financial controls.

- 5.3 In addition, having recently completed her professional Risk Management qualification, we are pleased to report that Risk and Insurance Manager (**Stephanie Rao**) has joined the IA team on an interim basis. We are extremely pleased to welcome all 3 candidates to the IA team and look forward to their continued positive contribution to the Council.
- 5.4 In light of the recent changes to the IA team structure, we have planned for the 'new to IA' transition of these 3 staff members during Quarter 3. As a result, to avoid any negative impact on the delivery of the IA plan there is a possibility we may require our contracted partner (**Mazars**) to provide some IA support during Quarter 3.
- 5.5 IA would like to take this opportunity to formally thank all staff throughout the Council with whom it had contact during Q2. 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. There are no other matters that the HIA needs to bring to the attention of the Council's CMT or Audit Committee at this time.

**Sarah Hydrie** CMIIA, CIA  
**Head of Internal Audit & Risk Assurance**

30<sup>th</sup> September 2019

**APPENDIX A****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2019/20****Key:**

<b>IA</b> = Internal Audit	<b>H</b> = High Risk	<b>M</b> = Medium Risk	<b>L</b> = Low Risk
<b>NP</b> = Notable Practice	<b>CFQ</b> = Client Feedback Questionnaire	<b>ToR</b> = Terms of Reference	

**2019/20 IA Assurance Reviews:**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> September 2019	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
19-A6	Imported Food Office – Regs 669 & 884	Final report issued on 22 <sup>nd</sup> Jul 2019	Reasonable	0	4	2	0	✓
19-A8	Cash Handling in Registrar's Office	Final report issued on 5 <sup>th</sup> Aug 2019	Reasonable	0	3	3	0	✓
19-A1	*Thematic Review of Schools Payroll	Final report issued on 9 <sup>th</sup> Sept 2019	Reasonable	0	16	5	1	✓
19-A2	Compliance with Criminal Finances Act	Final report issued on 9 <sup>th</sup> Sept 2019	Reasonable	1	5	4	0	✓
19-A4	Battle of Britain Bunker	Final report issued on 30 <sup>th</sup> Sept 2019	Reasonable	0	5	6	1	✓
19-A3	Grounds Maintenance - Spend on High Value Equipment	Final report issued on 30 <sup>th</sup> Sept 2019	Reasonable	0	7	1	0	Not yet due
19-A7	Food H&S - Site Inspections	Draft report in progress						
19-A12	Cyber Incident Management	Draft report in progress						
19-A13	Thematic Review of Pupil Premium Funding in Schools	Testing in progress						
19-A14	Absence Management	Testing in progress						
<b>Total Number of IA Recommendations Raised</b>				<b>1</b>	<b>40</b>	<b>21</b>	<b>2</b>	
<b>Total % of IA Recommendations Raised</b>				<b>2%</b>	<b>62%</b>	<b>33%</b>	<b>3%</b>	

\* Total number of recommendations raised across 6 schools

**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2019/20****2019/20 IA Follow-Up Reviews:**

IA Ref.	IA Follow-Up Review Area	Status as at 30 <sup>th</sup> September 2019	Recommendations				CFQ Received?
			Implemented	Partly Implemented	Not Implemented	Total	
19-A10	Volunteering	Memo issued on 21 <sup>st</sup> Jun 2019	3	0	0	3	✓
19-A11	Trading Standards	Memo issued on 15 <sup>th</sup> Jul 2019	6	1	0	7	✓
19-A17	Cyber Security	Memo issued on 30 <sup>th</sup> Sept 2019	3	1	1	5	Not yet due
19-A9	Follow-Up of Previous IA Rec's	Testing in progress	17	1	0	18	
19-A15	Emergency Duty Team	Testing in progress	-	-	-	-	
19-A16	Positive Behaviour Support Team	Testing in progress	-	-	-	-	
<b>Total Number</b>			<b>29</b> 88%	<b>3</b> 9%	<b>1</b> 3%	<b>33</b>	

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**2019/20 IA Consultancy Reviews:**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> September 2019	CFQ Received?
19-C4	Troubled Families Spot Check	Memo issued on 25 <sup>th</sup> Jun 2019	N/A
19-C2	Inquest Hearing Preparation	Memo issued on 13 <sup>th</sup> Sept 2019	✓
19-C1	Private Sector Housing Q1 - Q3	Testing in progress	
19-C3	HR IT Projects (Working Group)	Testing in progress	
19-C5	Hillingdon Shared Lives Fund	Testing in progress	

**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2019/20****2019/20 IA Grant Claim Verification Reviews:**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> September 2019
19-GC1	Troubled Families Grant - Quarter 1	Certified, memos issued on 24 <sup>th</sup> Apr and 26 <sup>th</sup> Jun 2019
19-GC3	2017/18 DfE Collaborative Fund (St. Mary's Catholic Primary School)	Certified and memo issued on 27 <sup>th</sup> Jun 2019
19-GC4	2018/19 DfE Collaborative Fund (St. Mary's Catholic Primary School)	Certified and memo issued on 27 <sup>th</sup> Jun 2019
19-GC8	Troubled Families Grant - Quarter 2	Certified, memos issued on 24 <sup>th</sup> Jul, 29 <sup>th</sup> Aug and 27 <sup>th</sup> Sep 2019
19-GC2	Housing Benefit Subsidy Grant	Certified and memo issued on 22 <sup>nd</sup> Aug 2019
19-GC7	Pothole Action Fund	Certified and memo issued on 11 <sup>th</sup> Sep 2019
19-GC6	Bus Service Operators Grant	Certified and memo issued on 27 <sup>th</sup> Sep 2019
19-GC5	Disabled Facilities Capital Grant	Testing in progress (grant deadline is 31 <sup>st</sup> Oct 2019)

**APPENDIX B****REVISIONS TO THE 2019/20 INTERNAL AUDIT PLAN ~ QUARTER 2****IA work DEFERRED from the 2019/20 Operational IA Plan for Quarter 2:**

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
No deferrals to the Q2 IA Plan.					

**IA work ADDED to the 2019/20 Operational IA Plan for Quarter 2:**

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
19-C5	Hillingdon Shared Lives Fund	Consultancy	<b>MEDIUM</b>	<b>Tony Zaman</b> Corporate Director, Social Care	The objective for the Hillingdon Shared Lives (HSL) Fund is to ensure that HSL service users are benefited through funding tailored trips or events that enrich and improve their lives and wellbeing. We were contacted by the Head of Direct Care Provision and asked to review the administration of the fund and to suggest any potential improvements (where identified).

**APPENDIX C****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 3****IA work scheduled to commence in the 1<sup>st</sup> October to 31<sup>st</sup> December 2019 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-A18	Cyber Maturity Assessment	Assurance (ICT)	<b>HIGH</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	Following the IA reviews of two Cyber audits, both resulting in <b>LIMITED</b> opinions, the Cyber Maturity Assessment will examine 10 key areas to determine the current controls in place and identify any remaining gaps that need to be addressed. The areas of review include network security, malware protection, home and mobile working.
19-A5	CCTV Control Room Arrangements	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> 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 IA assurance review be conducted which focuses on privacy, control room operations and General Data Protection Regulations. Originally scheduled to start in 2019/20 Quarter 1, Management requested that this review be deferred as a restructure was underway and operations were still in development. IA has agreed to review CCTV in Quarter 3 when new staff and process changes are more embedded.
19-A19	Corporate Governance	Assurance	<b>MEDIUM</b>	<b>Fran Beasley</b> Chief Executive	The UK Independent Commission on Good Governance in Public Services published in 2005 a Governance Standard (The Good Governance Standard for Public Services), which sets out 6 core principles of good corporate governance. We will use this Standard to assess the Council's governance arrangements currently in place. Corporate governance has become increasingly important throughout society, since effective governance is the cornerstone of well-managed organisations. Governance arrangements in public services are often subject to observation and scrutiny, given the public accountability aspect. Significant governance failings attract immense attention and one significant failing can taint an entire sector.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 3****IA work scheduled to commence in the 1<sup>st</sup> October to 31<sup>st</sup> December 2019 period:**

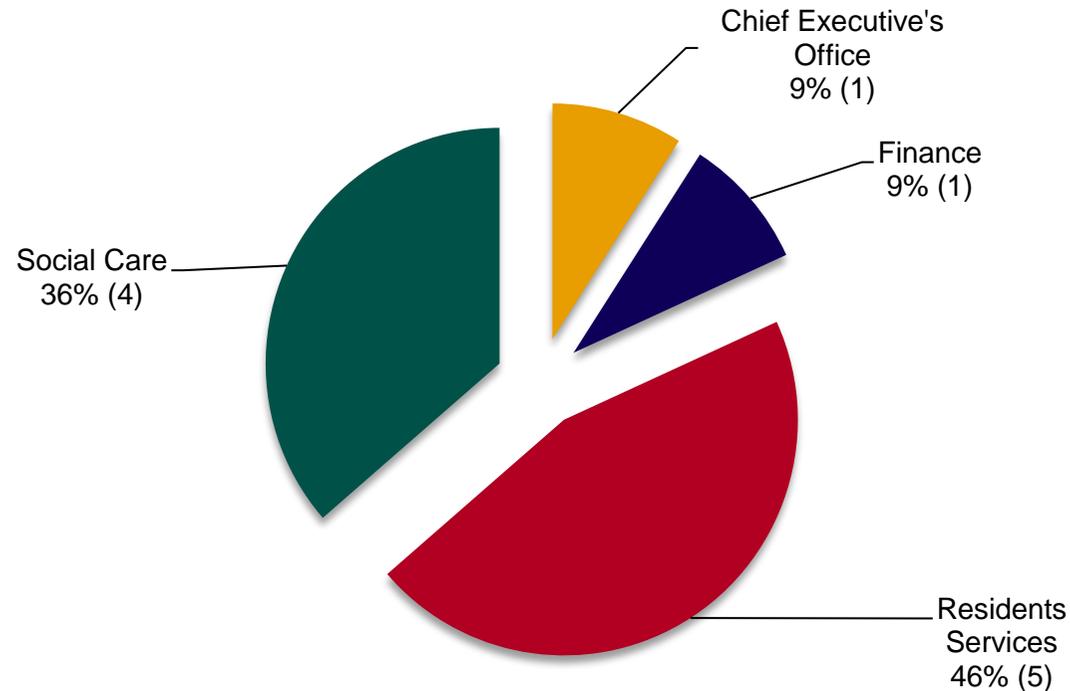
IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-A20	Payment Process in New Year's Green Lane	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	In March 2019 a minor financial irregularity was uncovered at New Year's Green Lane civic amenity. The Council promptly investigated the matter resulting in appropriate disciplinary action being taken against a member of staff and improvements made to the way the civic amenity services are provided and paid for. IA will review the complete payment process at the amenity site to ensure controls are robust and operating effectively.
19-A21	Missing Contract Review	Assurance	<b>MEDIUM</b>	<b>Tony Zaman</b> Corporate Director, Social Care	Section 13 of the Children Act 2004 requires local authorities to make arrangements to ensure that their functions are discharged with a view to safeguarding and promoting the welfare of children. The Council had recently transferred the contract for the provision of return home interviews to Coram (previously supplied by NYAS). IA will provide assurance over the robustness of the assessment process, recording of information, conduct of the interviews, timeliness and intelligence gathering to ensure the safeguarding of children and young people is sufficient.
19-A22	Voids Management	Assurance	<b>MEDIUM</b>	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	The void's management process is managed in-house but the Council employs external firms to carry out repair and maintenance works. The Council is exposed to reputational, financial and operational risks if these firms do not carry out works efficiently, effectively and economically. This review will oversee how these works are carried out, authorised, monitored and paid for.
19-A23	Counter Fraud Policies	Assurance	<b>MEDIUM</b>	<b>Paul Whaymand</b> Corporate Director of Finance	The Council's Counter Fraud policies have been updated over the last 12 months. Further, an e-learning package has also been developed to support training to staff in the organisation. The Council seeks assurance that all relevant stakeholders are complying with these policies in light of the changes.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2019/20 ~ QUARTER 3****IA work scheduled to commence in the 1<sup>st</sup> October to 31<sup>st</sup> December 2019 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
19-A24	Merchiston House Follow-up	Assurance (Follow-Up)	MEDIUM	<b>Tony Zaman</b> Corporate Director, Social Care	Following the 2018/19 IA assurance review of Merchiston House which received a <b>LIMITED</b> assurance opinion we will check that the <b>2 HIGH</b> and <b>3 MEDIUM</b> risk recommendations marked as <b>Implemented</b> by management have been verified.
19-C6	Administration of Dedicated Schools Grant in Nurseries	Consultancy	MEDIUM	<b>Tony Zaman</b> Corporate Director, Social Care	The Council has recently identified grant claim issues by a nursery, who incorrectly claimed for children that have transitioned to school. The matter has been dealt with by the Head of Service; however the Corporate Director has requested IA to carry out a consultancy piece of work to make sure there is a robust system in place for processing applications for nursery funding.
19-C7	Payment Modernisation	Consultancy	MEDIUM	<b>Jean Palmer</b> Deputy Chief Executive & Corporate Director of Residents Services	The BID team have developed a payment process for the Council's new website. The team will be embarking on a series of payment process changes on high volume services over the next 6 months. In parallel, there are also plans to enable the sign up to online Direct Debits to avoid the need for residents and customers to download PDFs and send signed authority via post. The senior manager would like to work with the IA team to monitor how this is progressed and managed due to the risks associated with the project, which will impact the way residents make payments for services and interact with the Council.
19-GC9	Troubled Families (TF) Grant - Quarter 3	Grant Claim	N/A	<b>Tony Zaman</b> Corporate Director of Social Care	The TF programme is a Central Government scheme under the MHCLG, with the stated objective of helping troubled families turn their lives around. The Council receives a payment by results from the MHCLG 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 3 (cont'd)**

**IA work scheduled to commence in the 1<sup>st</sup> October to 31<sup>st</sup> December 2019 period – Analysis by Corporate Director:**



- The relevant Audit Sponsor (Corporate Directors, Directors, Deputy Directors, Assistant 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 Directorate (Group).

**APPENDIX D****INTERNAL AUDIT KEY PERFORMANCE INDICATORS**

KPI Ref.	Performance Measure	Target Performance	Actual Q2 Performance	RAG Status
KPI 1	2019/20 <b>HIGH</b> risk IA recommendations where positive management action is proposed	98%	100%	GREEN
KPI 2	2019/20 <b>MEDIUM</b> risk IA recommendations where positive management action is proposed	95%	100%	GREEN
KPI 3	2019/20 <b>HIGH</b> risk IA recommendations where management action is taken within agreed timescale	90%	N/A to date	-
KPI 4	2019/20 <b>MEDIUM</b> risk IA recommendations where management action is taken within agreed timescale	75%	N/A to date	-
KPI 5	Percentage of annual (Q1 to Q4) IA Plan delivered to <b>draft report</b> stage by 31 <sup>st</sup> March	90%	100%	GREEN
KPI 6	Percentage of annual (Q1 to Q4) IA Plan delivered to <b>final report</b> stage by 31 <sup>st</sup> March	80%	100%	GREEN
KPI 7	Percentage of draft reports issued as a final report within 15 working days	80%	100%	GREEN
KPI 8	Client Satisfaction Rating (from CFQs)	85%	91%	GREEN
KPI 9	IA work fully compliant with the UK <b>PSIAS</b> and <b>IIA Code of Ethics</b>	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
<b>SUBSTANTIAL</b>	There is a <b>good level of assurance</b> 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 <b>positive assurance</b> that objectives will be achieved.
<b>REASONABLE</b>	There is a <b>reasonable level of assurance</b> 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 <b>some risk</b> that objectives will not be achieved.
<b>LIMITED</b>	There is a <b>limited level of assurance</b> 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 <b>significant risk</b> that objectives will not be achieved.
<b>NO</b>	There is <b>no assurance</b> 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 <b>high risk</b> 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><b>HIGH</b></p> <p>●</p>	<p>The recommendation relates to a <b>significant threat</b> 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. <b>The risk requires senior management attention.</b></p>
<p><b>MEDIUM</b></p> <p>●</p>	<p>The recommendation relates to a <b>potentially significant threat</b> 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. <b>The risk requires management attention.</b></p>
<p><b>LOW</b></p> <p>●</p>	<p>The recommendation relates to a <b>minor threat or opportunity</b> 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. <b>The risk may be tolerable in the medium term.</b></p>
<p><b>NOTABLE PRACTICE</b></p> <p>●</p>	<p>The activity <b>reflects current best management practice</b> or is an innovative response to the management of risk within the Council. <b>The practice should be shared with others.</b></p>

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## EXTERNAL AUDIT ANNUAL AUDIT LETTER

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Sian Kunert, Finance
<b>Papers with report</b>	Appendix A: EY Annual Audit Letter Appendix B: EY Audit Committee Briefing September 2019
<b>Ward</b>	All

### HEADLINES

This is a covering report to EY's Annual Audit Letter which provides a summary of the results and conclusions from their audit work undertaken for the year ended 31 March 2019.

### RECOMMENDATIONS:

**That the Audit Committee notes the report**

### SUPPORTING INFORMATION

The letter identifies the key areas of EY's audit work over the year, their findings in each area and the focus of their work going forward:

1. The Council's Financial Statements (including the Pension Fund) – an unqualified opinion on the Council's accounts for the year ended 31 March 2019 was issued.
2. Value for Money conclusion – it was concluded that the Council has put in place proper arrangements to secure value for money in the use of resources.
3. Whole of Government Accounts – it was reported to the National Audit Office that the consolidated return was consistent with the statutory accounts.

### LEGAL IMPLICATIONS

There are no legal implications arising from this report.

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**London Borough of  
Hillingdon & Pension Fund**

Annual Audit Letter for the year  
ended 31 March 2019

September 2019

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Focused on your future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)).

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

The 'Terms of Appointment (updated April 2018)' issued by PSAA set out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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



01

# Executive Summary

## Executive Summary

We are required to issue an annual audit letter to London Borough of Hillingdon (the Council) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's and Pension Fund's:</b>	Unqualified - the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2019 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
<b>Concluding on the Council's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

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Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council
▶ Public interest report	We had no matters to report in the public interest
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report

Area of Work	Conclusion
<b>Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).</b>	We had no matters to report.
<b>Pension Fund Annual Report</b>	The Council has yet to prepare the Pension Fund Annual Report as this has a later deadline for completion of 1 December 2019. We will complete the review of the Annual Report and report back on our findings at a later Audit Committee meeting.

## Executive Summary (cont'd)

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As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Audit Results Report on 15 July 2019 and discussed it at the Audit Committee meeting on 22 July 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	We have not as yet issued our audit completion certificate. We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Hillingdon Pension Fund. The Local Government Pension Scheme Regulations require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Council has not yet prepared the Annual Report we have not yet been able to conclude on the consistency with these financial statements and we have not issued our report on those financial statements. Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

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We would like to take this opportunity to thank the Council and Pension Fund's staff for their assistance during the course of our work.

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP



## 02 Purpose and Responsibilities



# Purpose and Responsibilities

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 22 July 2019 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

## Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 6 February 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- Page 37
- ▶ Expressing an opinion:
    - ▶ On the 2018/19 financial statements, including the pension fund; and
    - ▶ On the consistency of other information published with the financial statements.
  - ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
  - ▶ Reporting by exception:
    - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
    - ▶ Any significant matters that are in the public interest;
    - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
    - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



# 03

# Financial Statement Audit

# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 2 August 2019. Our detailed findings were reported to the 22 July 2019 Audit Committee.

The key issues identified as part of our audit were as follows:

Council issues	Conclusion
Misstatements due to fraud or error	We did not identify any matters to report to the Audit Committee.
Risk of fraud in revenue and expenditure recognition - incorrect classification of revenue expenditure as capital	We did not identify any matters to report to the Audit Committee.
Valuation of Property, Plant and Equipment (PPE)	In respect of the Council's £1.8bn valuation of PPE, we identified a judgemental difference of £9m. We concluded that this difference did not affect the material accuracy of the Council's accounts.
Pension liability	The Council's £600m net pension liability appropriately reflects the impact of national issues arising after the 31 March.
Implementation of new accounting standards	As a result of the audit the Council reclassified the disclosure of £14m of pooled investments to meet the requirements of the new accounting standard IFRS 9.
Dedicated schools grant (DSG)	The Council carries a negative DSG reserve of £8.5m. As it is part of a positive £2.6m School Balances reserve the Council's disclosure is in line with the financial reporting requirements.

Pension fund issues	Conclusion
Misstatements due to fraud or error	We did not identify any matters to report to the Audit Committee.
Misstatement due to fraud and error - Posting of Investment Journals	
Risk of incorrect valuation of investments	
Move to the London Collective Investment Vehicle	
Implementation of new accounting standards	

## Financial Statement Audit (cont'd)

### Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £12.373 m (2017/18: £12.836.m), which is 1.8% of Gross Revenue Expenditure reported in the accounts.</p> <p>We consider Gross Revenue Expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p>We determined planning materiality to be £10.596 m (2017/18: £10.123 m), which is 1% of Net Assets reported in the Pension Fund accounts.</p> <p>For the Pension Fund we consider Net Assets to be the principal consideration for stakeholders.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.617m (2017/18: £0.642 m) for the Council financial statements and all audit differences in excess of £0.530 m (2017/18: £0.590 m)</p>

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We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits.
- ▶ Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

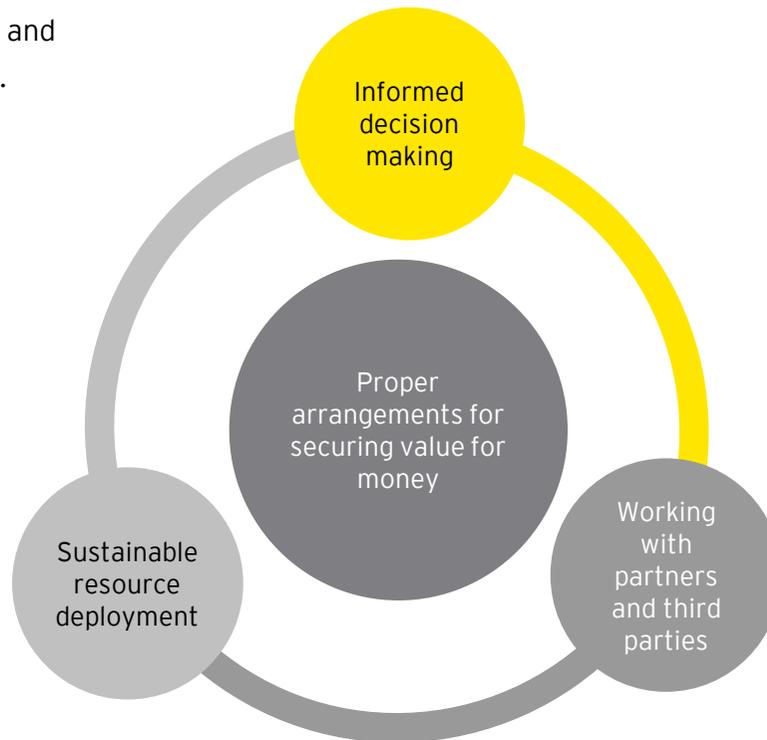


# 04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

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

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



We identified a significant risk around the Governance Arrangements for the new subsidiary Hillingdon First. We found that these arrangements were appropriate and we therefore had no matters to report about the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:  
*"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

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<b>What is the significant value for money risk?</b>	<b>What arrangements did the risk affect?</b>	<b>What are our findings?</b>
The Council has established Hillingdon First and needs to ensure that governance and accountability arrangements are appropriate and effective.	Informed decision making	<p>We have:</p> <ul style="list-style-type: none"> <li>▶ Assessed the adequacy of the Council's governance arrangements for Hillingdon First.</li> <li>▶ Reviewed the business case, cash flow forecasts and accounting treatment of transactions between the company and the Council.</li> </ul> <p>We have not noted any issues in relation to the Business Case or the Governance Arrangements of Hillingdon First. We note that activity in 2018/19 has been limited and as such as the activities of the Council in respect of Hillingdon First are not material and as such Hillingdon First has not been consolidated within the financial statements.</p>



## 05 Other Reporting Issues



## Other Reporting Issues

### Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

We completed this work and had no issues to report.

### Annual Governance Statement (AGS)

We are required to consider the completeness of disclosures in the Council's AGS, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.

### Report in the Public Interest & written recommendations

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public. We also need to consider whether to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response. We had no matters that required us to report in the public interest or make written recommendations.

### Objections

We did not receive any formal objections to the 2018/19 financial statements from members of the public. However, we did receive correspondence which required senior team members to respond appropriately.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

### Independence

In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

### Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit. We have adopted a fully substantive audit approach and have therefore not tested the operation of controls. Our audit did not identify any controls issues to bring to the attention of the Audit Committee.



# 06 Focused on your future



## Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
<b>IFRS 16 Leases</b>	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>
<b>IASB Conceptual Framework</b>	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year. This introduces;</p> <ul style="list-style-type: none"> <li>- new definitions of assets, liabilities, income and expenses</li> <li>- updates for the inclusion of the recognition process and criteria and new provisions on derecognition</li> <li>- enhanced guidance on accounting measurement bases</li> <li>- enhanced objectives for financial reporting and the qualitative aspects of financial information.</li> </ul> <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



**07**

**Audit Fees**

## Audit Fees

In our Annual Results Report presented to the Audit Committee on 22 July 2019 we highlighted that we had carried out additional work to complete the audit and would seek to agree an additional fee with the Authority's Section 151 officer. In the table below we summarise the fees that we have agreed and that are now subject to approval by PSAA.

	Final fee 2018/19	Final Fee 2017/18
	£	£
Scale fee - LB Hillingdon	121,096	158,712
Additional audit work: (Note 1)		
- PPE valuations significant risk	6,995	-
- IFRS 9, classification of pooled investments	1,275	-
Correspondence from the public	1,758	1,444
<b>Total audit fee - code work</b>	<b>131,124</b>	<b>160,156</b>
Scale fee - Hillingdon Pension Fund	16,170	21,666
Additional work - Level 3 investments (Note 1)	1,275	-
<b>Total audit fee - Code work</b>	<b>17,445</b>	<b>21,666</b>
Other non-audit services		
- Housing benefits	27,600 (Planned)	24,445
- Teachers pensions (Note 2)	Tbc	10,000
- Pooled capital receipts (Note 2)	Tbc	6,500

All fees exclude VAT

Note 1: We have performed additional work as a result of the risks we identified. This has resulted in an additional audit fee which we have agreed with the S151 officer. We note that this is also in the process of being agreed with the PSAA.

Note 2: We have yet to agree engagement terms for the reporting accountant work on two of the Authority's 2018/19 grant claims.

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# Local Government Audit Committee Briefing

Quarter 3, September 2019



Building a better  
working world



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This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

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It covers issues which may have an impact on your organisation and the Local Government sector as a whole.

Our national Government and Public Sector (GPS) team have produced this briefing using our public sector knowledge, and EY's wider expertise across UK and international business.

This briefing brings together not only technical issues relevant to the Local Government sector but also wider matters of potential interest to you and your organisation.

You can find out more about any of the articles featured by following the links at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



# Government and economic news

## Spending Review and Tax Reform

A local government think-tank, Local Government Information Unit, has warned the new prime minister has 100 days to save local government finance. Currently local authorities are facing a financial cliff edge because funding for local government beyond 31 March 2020 has not been finalised by central Government. This has hindered the ability of local authorities to effectively budget for the 2020/21 financial year. This may result in decisions being made based on a worst-case scenario such as redundancies, reducing services or selling valuable public assets. The research conducted by the think-tank was based on evidence provided by 254 senior local government figures, and its recommendation are that the new prime minister provides a one-year emergency settlement to enable local authorities to definitively plan for future years.

On the 8 August 2019, the new Chancellor of the Exchequer announced a one-year Spending Review of government departments. Usually Spending Reviews cover three year periods; however, the Chancellor stated that this one-year round will 'clear the ground' for government departments to focus on Brexit. The County Council's Network chairman-elect has called for the spending review to include emergency injection of resources to help councils plug the funding gap across the sector. The Local Government Association (LGA) has calculated the scale of the funding gap for the 2020/21 financial year to be £5bn, rising to £8bn by 2025.

The chief Executive of the Chartered Institute of Public Finance and Accountancy (CIPFA) commented that the Spending Review period of one year was too short to provide the certainty required for medium term financial planning that is critically required to alleviate the fiscal pressures faced by the sector. Reform of the Business Rates and Council Tax systems are seen as critical to achieving long term financial sustainability with the sector. Research conducted by the Institute for Public Policy reported that today's Council Tax resembles a poll tax that is regressive and inefficient. London Assembly member, Tom Copley, commented that the council tax system is 'out of control' to the extent that it is unfit for purpose. The research concluded that an official commission should be established to review and encourage a rethink of the council tax system.

In light of the Spending Review it is now thought unlikely that the fair funding review will be introduced in time to be implemented for the 2020/21 financial year.

## Children's Services and Social Care Pressures

Analysis conducted by the LGA has shown that local authorities overspent on children's social care during the 2018/19 financial year by £800m. This is despite an increase in the children's social care budgets by 6.8% compared to the prior year. The LGA commented that the demand and cost for child protection services is increasing at a faster rate than budgets and funding allow. In order to keep children at risk safe, many councils have been forced to find savings from non-statutory budgets, which include valuable early intervention and prevention support which ultimately stops families and children from reaching the crisis point and requiring child care protection services.

The government has yet to confirm whether grants previously given to local authorities to assist in funding social care will continue in 2020/21. Three temporary grants worth £2.4bn of social care funding, including the Better Care Fund grant, are due to finish at the end of the 2019/20 financial year. These temporary grants have allowed local authorities to bolster care services and help address pressures felt by the NHS. The Council County Network (CCN) has asked the Chancellor to confirm urgently whether this funding will continue as part of the Spending Review that is due to take place. Until confirmed, local authorities may need to plan to decommission services that are directly funded by these grants in order to present a balanced budget.

It is therefore unsurprising that, according to CIPFA's CFO Confidence Survey, 70% of respondents said they were either slightly less or much less confident in their Authority's financial position for 2020/21 compared to 2018/19. A similar percentage of respondents also said that they were less confident in their ability to deliver the same level of public services compared to 2018/19. The survey showed that the greatest pressure for top tier authorities remained children's social care, with adults' social care second place. For district authorities the greatest pressures were housing, environmental services and cultural services. CIPFA has stated that it wants to spend the next 12 months exploring the issues of long-term sustainable funding solutions, and to consider how the local government sector can come together to address the challenges of effective services delivery.

## Value of PWLB loans rises by 75%

The Public Works Loan Board (PWLB) is responsible for lending money to local authorities for capital projects at low rates of interest. According to the PWLB's annual report, the value of loans to local authorities has increased by 75% from £5.2bn at 31 March 2018 to £9.1bn at 31 March 2019. The increase was driven not only by the increased value borrowed, but also by an increase in the number of loans.

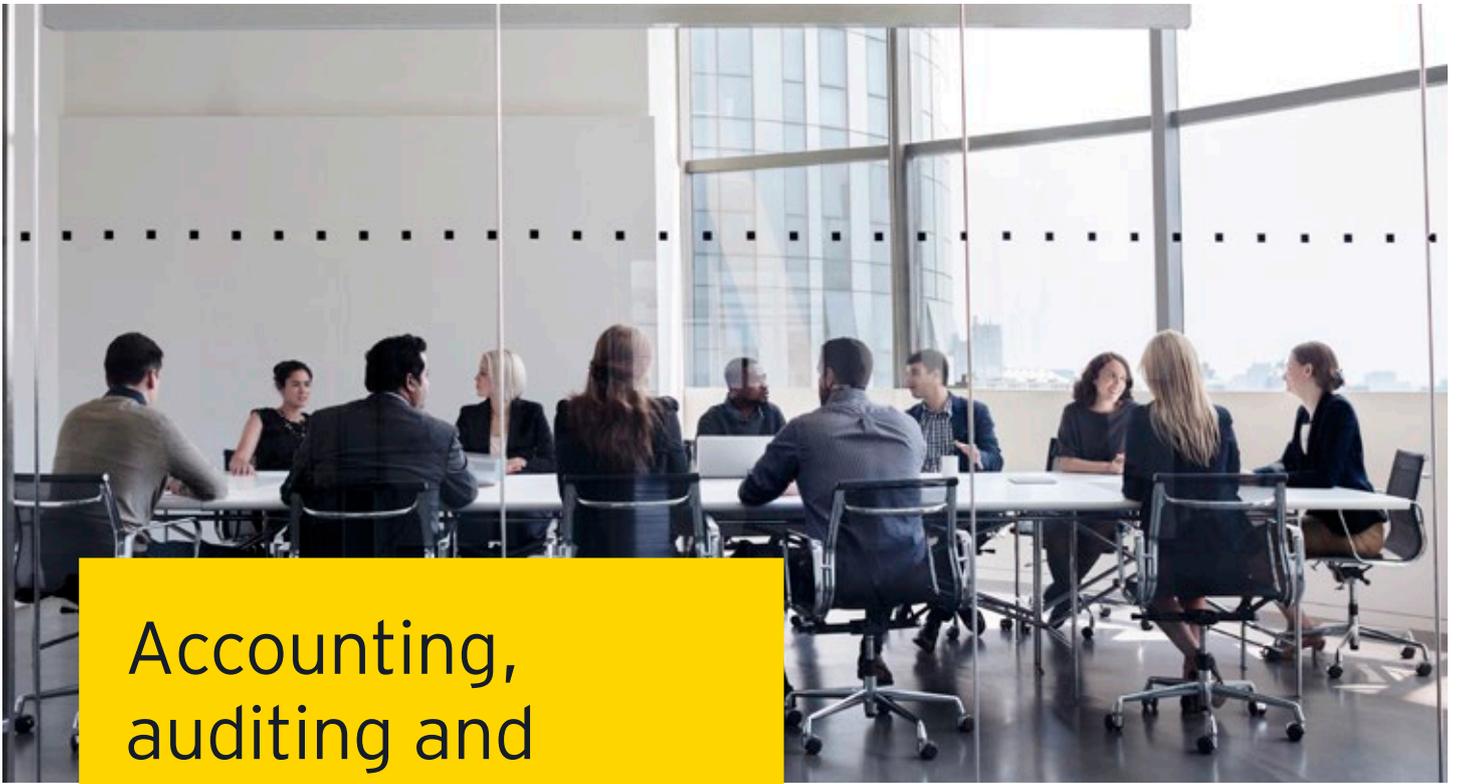
Over the last seven years the value of these loans has increased by 84% (£3.2bn 2012/13 to £9.1bn 2018/19). This amplified reliance on PWLB compares to central government funding falling by almost 50% since 2010/11.

### PWLB borrowing by local authorities



Chart: Dbrady; Source: PWLB annual accounts; Get the data; Created with Datawrapper

Another contributing factor to the increase in PWLB loans is the redemption of Lender Option Borrower Option (LOBO) loans. LOBO loans were popular following the financial crisis and meant that local authorities, including fire and rescue authorities, could take out loans with even lower rates of interest than the PWLB offered. However, lenders could alter the interest rates at certain points in the future. Local authorities, including fire and rescue authorities, refused to pay the higher interest rates and therefore had to pay the loan back in full. These were then replaced with PWLB loans.



# Accounting, auditing and governance

## NAO consultation on the Code of Audit Practice: Phase Two

Under the 2014 Local Audit and Accountability Act (the Act), a review of the Code of Audit Practice (the Code) is required every five years. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act. This encompasses how audits of a local body's financial statements are conducted, including reporting, and also how assurance is gained on a local body's value for money arrangements. The current form of the Code came into force on 1 April 2015, so a revised Code will be required to take effect from 1 April 2020 for the audit of a local body's financial statements for 2020/21.

The National Audit Office (NAO) is responsible for the Code of Audit Practice and has launched Phase Two of its consultation. The key proposed key changes relate to value for money and include:

- ▶ Enhanced auditor reports on the financial statements. The Code includes the potential for audit reports to include more information on risks and key audit matters, mirroring the audit reports for NHS Foundation Trusts and large corporate entities.
- ▶ Separation of reporting on the audit of the financial statements and value for money and removing the conclusion on value for money arrangements. The Code proposes that the auditor will issue the audit report on the financial statements and then by no later than 30 September issue a separate Annual Auditors Report which will include a commentary on value for money.
- ▶ Revised Value for Money criteria, to cover:
  - ▶ Financial Sustainability – how the local authority plans and manages its resources to ensure it can deliver its services
  - ▶ Governance – how the local authority ensures that it makes informed decisions and manages its risks and finances
  - ▶ Improving economy, efficiency and effectiveness – how the local authority uses cost and performance information data to improve service delivery
- ▶ Mandatory procedures for the auditor to carry out an initial review of value for money arrangements. These procedures will enable the auditor to identify any risk based work and also provide a commentary at any emerging issues at a local body.

- ▶ Revised Value for Money reporting, including the timescales of reporting. Where a significant weakness in VFM arrangements are identified, the revised Code will require auditors to issue a recommendation to the body, setting out judgements made and evidence to support those judgements.
- ▶ Expectations on the speed auditors take on responding to formal objections to a local authority's accounts.

The consultation recognises that the proposed changes will likely alter the work needed to be done by auditors, the resources and skills auditors need to deploy and therefore possibly the fees required to fund the work.

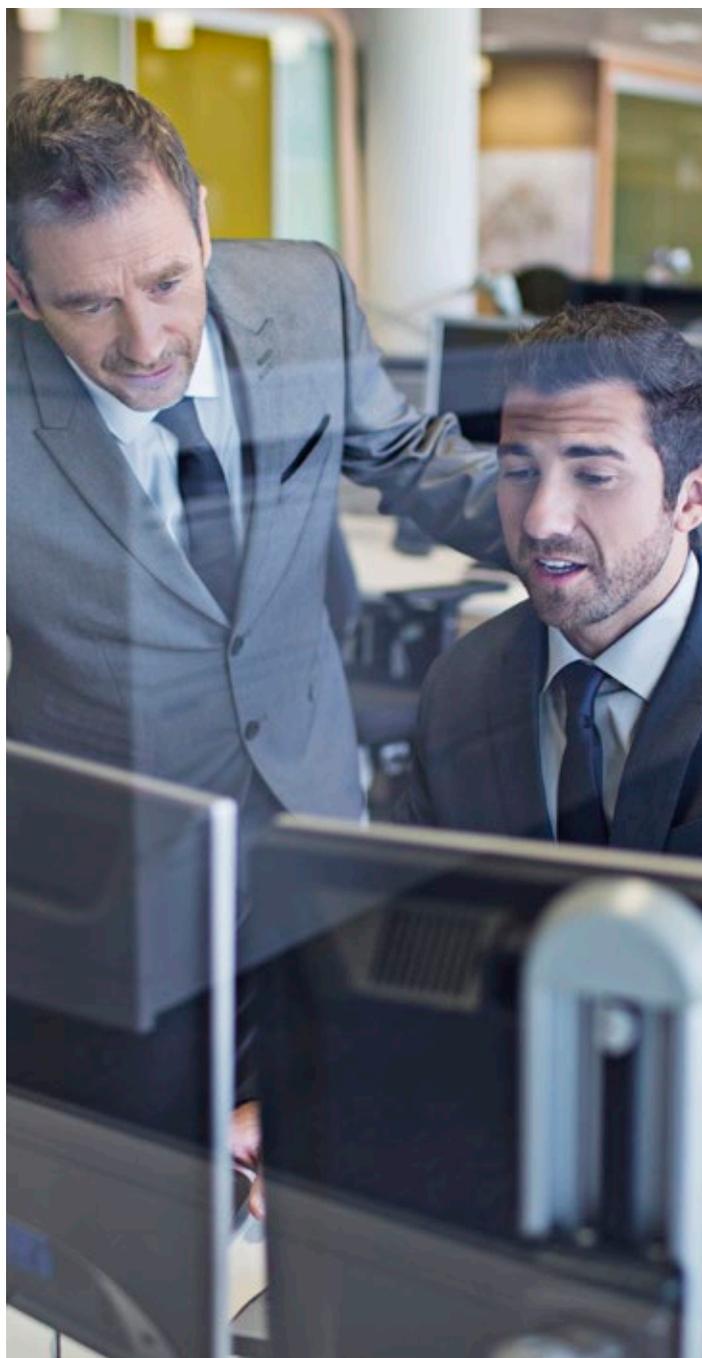
External auditors provide independent assurance that local bodies are properly accounting for spending and that adequate value for money arrangements are in place to manage their affairs. This review of the Code is a valuable opportunity to shape the future of local authority audit. This second phase of the NAO's consultation of the Code is open until 22 November 2019. For more information on how to contribute to the NAO's Code consultation refer to the NAO website.

EY will be contributing to this consultation and playing its part to help shape the future sustainability of public sector audit. We believe the NAO has a critical role to lead and shape the future of local audit and through that role help to secure the future sustainability of the public audit profession. The Code and supporting auditor guidance notes present a significant opportunity to reform local public audit. We also recognise that the consultation comes at a time of significant scrutiny of the UK audit market and profession. We believe it is crucial that the Code is closely aligned with the outcome from various reviews.

### **PSAA records rise in delayed audit opinions**

Public Sector Audit Appointments Limited (PSAA) has released information that 40% of local authorities under its remit did not receive audit opinions on their 2018/19 accounts by 31 July. This is an increase of 27% in comparison to the prior year.

PSAA acknowledge a number of factors have led to the deterioration in performance, posing challenges for both auditors and local authorities across the country. They have called for the issues to be worked through and solutions implemented which will ensure a sustainable supply of audit services in the long term.





# Regulation News

## Independent Audit Quality Review

On 10 July 2019, at the CIPFA annual conference, the Communities Secretary, Rt Hon James Brokenshire MP, announced the launch of an independent review of the quality of local authority audits. This review will examine the effectiveness of the local authority financial reporting and audit regime, including whether auditors are using their reporting powers correctly and if local authorities are appropriately responding to recommendations raised. The review will also look at the expectation gap between what taxpayers believe an audit delivers and what is actually delivered.

The Communities Secretary stated "A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but also service delivery and, ultimately, our faith in local democracy."

Sir Tony Redmond, former President of CIPFA, will lead the review. Representatives from EY will be contributing to the review in October. We expect initial recommendations to the Communities Secretary in December 2019, with a final report published in March 2020.

The review of external audit and financial reporting follows the implementation of the Local Audit and Accountability Act 2014, which abolished the Audit Commission and put in place a new localised audit regime in order to improve transparency. This review will meet the Ministry of Housing, Communities and Local Government's commitment to undertake a post implementation review of the revised audit regime framework.

# Key Questions for the Audit Committee

## Spending Review and Tax Reform

What is the size of your authority's funding gap in the medium term? What processes does your authority have in place to address its funding gap?

As members how do you provide effective oversight and governance of these processes?

## Children's Services and Social Care Pressures

What is your authority's year to date performance of children's social care and adult social care services against budget? How is this performance being addressed and what are the implications for next year's budget?

If funding of the Better Car Fund grant (and related grants) is not renewed for 2020-21 what impact will this have on services for your authority?

## NAO consultation on the Code of Audit Practice

Will your authority contribute to Phase Two of the consultation conducted by the NAO?

## PSAA records rise in delayed audit opinions

Did your authority make the publication deadline?

## Find out more

### Spending Review and Tax Reform

<https://www.publicfinance.co.uk/news/2019/07/new-pm-given-stark-warning-over-future-local-councils>

<https://www.publicfinance.co.uk/news/2019/08/councils-call-spending-review-plug-their-funding-black-hole>

<https://www.publicfinance.co.uk/news/2019/06/council-tax-must-be-reformed>

### Children's Services and Social Care Pressures

<https://www.publicfinance.co.uk/news/2019/08/english-councils-overspend-nearly-ps800m-childrens-services>

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/local-government-chief-finance-officers-losing-confidence-in-ability-to-deliver-services>

<https://www.publicfinance.co.uk/news/2019/08/umbrella-groups-make-spending-round-plea-social-care>

### Value of PWLB loans rises by 75%

<https://www.publicfinance.co.uk/news/2019/07/pwlb-loans-shoot-751>

### NAO consultation on the Code of Audit Practice

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>

<https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2019/03/Local-audit-in-England-Code-of-Audit-Practice-Consultation.pdf>

### PSAA records rise in delayed audit opinions

<https://www.publicfinance.co.uk/news/2019/08/psaa-records-dramatic-rise-delayed-audit-opinions>

<https://www.publicfinance.co.uk/news/2019/07/brookshire-reveals-independent-probe-local-government-audit>

### Independent Audit Quality Review

<https://www.gov.uk/government/news/audit-quality-of-councils-will-face-examination-in-new-independent-review>





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## AUDIT COMMITTEE - 2019/20 Quarter 2 Counter Fraud Progress Report

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Muir Laurie, Deputy Director of Exchequer and Business Assurance Services
<b>Papers with report</b>	2019/20 Quarter 2 Counter Fraud Progress Report
<b>Ward</b>	All

### HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2019/20 Quarter 2 and assurance in this respect. It also provides an opportunity for the Deputy Director of Exchequer and Business Assurance Services 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 and Business Assurance Services 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 2019/20 Quarter 2; and 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: 2019/20 Quarter 2

30<sup>th</sup> September 2019



# Contents

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

**Muir Laurie** FCCA CMIIA

Deputy Director of Exchequer &  
Business Assurance Services  
t: 01895 556132

e: [mlaurie@hillingdon.gov.uk](mailto:mlaurie@hillingdon.gov.uk)

**Zac O'Neil** PIIA CIA

Head of Counter Fraud  
t: 01895 250369

e: [zoneil@hillingdon.gov.uk](mailto:zoneil@hillingdon.gov.uk)

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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 2 period (1<sup>st</sup> July to 30<sup>th</sup> September 2019). In addition, it provides an opportunity for the Head of Counter Fraud and the Deputy Director of Exchequer & Business Assurance Services (DDEBA) to highlight any significant issues arising from the counter fraud work in Quarter 2.
- 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 For Quarter 2 of 2019/20 the BACFT has achieved loss prevention outcomes totalling **£493,073**, which is a prudent estimate based on an assessment of the savings associated with case outcomes. This represents a **19% increase over Quarter 1** and is more in line with the BACFT's annual target of £2M. Loss prevention savings this quarter have mainly been achieved through work carried out within Housing Services and Exchequer Services, with NFI data matching yielding results together with ongoing planned proactive projects.
- 2.2 This Quarter a total of **eight council properties have been recovered**, which brings the total properties recovered for the first 6 months of **2019/20** to **12**. This signals an improvement on 2018/19 in terms of half year results, and is attributable, in part, to the tenancy fraud project started at the end of 2018/19, which is now coming to fruition. In addition, the BACFT has investigated and stopped **three cases of Right to Buy fraud** and **three cases of suspected Housing fraud** have been passed to the Council's Legal Team to **instigate criminal proceedings** following the BACFT's investigation.
- 2.3 As of the 30<sup>th</sup> of September, the remaining staff vacancies within the Verifications and Intelligence sub-teams have been filled and **the BACFT is fully resourced**. This includes the appointment of a Counter Fraud Investigator, a Verifications Officer and an Intelligence Officer. It has allowed a focus on tenancy fraud investigations and the **improving delivery of Revenues Inspections**. Full resource within the Intelligence sub-team has enhanced timescales on verifications work and NFI data matching, as well as supporting proactive loss prevention projects.
- 2.4 Quarter 2 results for the Home Office Immigration Officer (IEO) embedded within the BACFT shows a total contribution of **£72,861** in loss prevention. The IEO continues to work with Council departments on matters involving the immigration statuses of service users, providing a significant benefit to the Council in preventing the misuse of Residents taxes. The IEO is on track for 2019/20 to exceed last year's loss prevention contribution.

- 2.5 There is no further update on the proposal for the Council to join the **London Counter Fraud Hub**. The proposal has received Cabinet Member approval and is now awaiting communication from the lead authority before the contractual paperwork is signed.
- 2.6 The **Business Rates & Council Tax inspections** operational processes are now fully integrated into the BACFT, providing continuity of service in this area. Three Verifications Officers are now fully trained to undertake revenue inspections, with additional training being undertaken currently for the remaining four Verifications Officers and other relevant members of the BACFT.
- 2.7 The **NFI data matches work stream** this Quarter has included new matches against HMRC data recently been made available, and should yield additional financial savings. Outcomes for these matches will be delivered throughout Quarters 3 and 4. The NFI this Quarter has begun to yield much more positive results, with **cashable savings of c£25k** identified in relation to Council Tax Single Person Discount.
- 2.8 In Quarter 2 there have been **109 referrals for investigation** from internal and external sources. At 30<sup>th</sup> September 2019, there are **69** ongoing investigations. **94%** of these (**65**) relate to different aspects of housing and tenancy fraud.

### 3. Analysis of Counter Fraud Activity in Quarter 2

#### 3.1 Housing Fraud - Work in Quarter 2

- 3.1.1 The main work stream for the BACFT continues to be 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 2019/20. The BACFT deploys a significant amount of resource in the prevention and detection of housing fraud.
- 3.1.2 As per **Table 1** below, in Quarter 2 the BACFT has successfully recovered **8** Council properties, compared to **4** in Quarter 1. There are **48** ongoing investigations into suspected tenancy fraud and the team are actively pursuing **1** other case for eviction.

**Table 1 ~ Housing Tenancy Fraud Cases**

Housing Tenancy Fraud Cases	2019/20 (to date)*		2018/19		2017/18	
	Cases	£k/value**	Cases	£k/value	Cases	£k/value
Total number of properties recovered	12	£216k	19	£342k	43	£774K
Total number of ongoing cases	49	£882k	-	-	-	-

\* as at 30<sup>th</sup> September 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 Key Performance Indicator (KPI) 5 (refer **Table 3** in **Appendix A**) targets an outcome of a Council property to be recovered for 20% of tenancy fraud referrals received. In Quarter 2 the team achieved an outcome of **29%**.
- 3.1.4 In addition tenancy fraud work, the team carry out investigations into suspected **fraudulent Right to Buy (RTB)** applications. This is a process where a tenant can apply to buy their council property under the statutory scheme, at a significant discount from its market value.

- 3.1.5 The RTB scheme operates under strict conditions that must be met by the applicant if they are to qualify for the discount. Fraud is normally committed by applicants who misrepresent their circumstances in order to qualify. The team has so far this year identified and halted **3 fraudulent RTB applications**. This equates to a loss prevention of **£331,500** in discount to the purchase price that would have been given to the buyer. Currently there are **7 ongoing RTB fraud** cases being investigated by the BACFT.
- 3.1.6 As part of the BACFT's **fraud prevention coverage** it proactively carries out verifications work on existing Council tenancies and other housing service areas. The BACFT uses the information gathered by the Intelligence Officers to conduct necessary checks, including announced and sometimes unannounced visits to properties by the Verifications Officers. The team also work with a variety of social landlords and statutory agencies to help detect fraud where information sharing protocols are in place. This is to ensure that the people residing in Council properties are genuinely entitled to do so.
- 3.1.7 Per **Table 2** below, in the 2019/20 year to date, the BACFT has successfully identified **276** housing register applications that should be rejected for a variety of different reasons.

**Table 2 ~ Housing Tenancy Verification Cases**

Housing Tenancy Verification Cases	2019/20 (to date)*	2018/19
Total number of cases reviewed	1,059	1,909
Total number verified as accurate	783	1,110
Total number rejected	276	799
<b>% identified by BACFT for rejection</b>	<b>26%</b>	<b>42%</b>

\* estimated as at 30<sup>th</sup> September 2019

- 3.1.8 Of the **276** cases that have been rejected, **7** applications have been completely closed down. This was due to a range 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's enhanced verifications checks, these applicants may have been successful in obtaining a Council property that they were not entitled to.
- 3.1.9 During Quarter 2 the Housing Register, Allocations and Lettings Team (HRALT) and BACFT have implemented a fully risk based approach to tenancy verifications work, following a successful pilot in Quarter 1. Further risk based checks are under review to continue to reduce verification turnaround times. During this review, KPI 2a [as was] (refer to **Table 3** in **Appendix A**) was highlighted as obsolete due to the target of a 3 day turnaround often not providing the best outcome in terms of meeting the timescales required by the HRALT.
- 3.1.10 As a result, working with Housing managers, **a new operational objective of carrying out verifications checks within a target date set by the HRALT** has been introduced. This is reflected in the revised KPI 2a (refer to **Table 3** in **Appendix A**). The BACFT now has the flexibility to triage the most urgent cases which will in turn mean that most, if not all, verifications checks are completed within the timescale required by Housing.
- 3.1.11 The BACFT 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 main 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 as part of a proactive project;
- **Section 17 Applications** - Initial eligibility checks on applicants who approach the Council's Social Care team for assistance with accommodation;
- **Section 17 Accommodation** - residency check of all Section 17 accommodation 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;
- **Mutual Exchange** - Desk checks and unannounced visits to ensure tenants meet the criteria required to exchange; and
- **Succession & Assignment** - Desk checks and unannounced visits, where appropriate, to ensure the applicants meet the relevant eligibility criteria.

3.1.12 During Quarter 2 the team achieved another positive outcome with **1 First Time Buyer** application being closed due to the applicant not meeting the 10 year residency criteria for eligibility. This resulted in prevention of a grant payment of **£19,560** being provided to the applicant.

### 3.2 National Fraud Initiative & Internal Data Matching - Quarter 2 Update

3.2.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office and is conducted every 2 years. The NFI matches data from over 1,300 organisations, including councils, the police, hospitals and almost 100 private companies to identify potential fraud and error.

3.2.2 There is now a greater emphasis on utilising data matching in the public sector as a means of preventing and detecting fraud. In addition to the NFI, 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. As mentioned earlier, Cabinet Member approval has been obtained and the BACFT are now awaiting further information from the lead London Borough before formally entering into the LCFH.

3.2.3 NFI data matches for Hillingdon were received during the first week of February 2019 and the BACFT has achieved **loss prevention savings of £25,135** in Quarter 2 in the area of **Council Tax** (Discounts and Exemptions). This year the BACFT has placed a greater emphasis on the use of data matching and analytics to help prevent and detect fraud against local taxpayers' money. It will also be used to identify further loss prevention opportunities and to support upcoming planned projects.

3.2.4 The NFI data matching project, as coordinated by the BACFT, returns matches that are utilised by Council teams other than the BACFT to identify error and financial loss. Using NFI data matches across Council departments has enabled the Council to make additional savings to those identified by the BACFT. **The Cabinet Office has reported** that in 2019/20 to date, the Council has achieved financial loss prevention savings of **£301,322 across all areas of NFI work**. This figure is not included in the savings reported by the BACFT as the Cabinet Office's calculation includes extrapolation across a number of years, whilst the BACFT has adopted a more prudent methodology. However, this figure is relevant as it demonstrates that the NFI project has a wider value to the Council.

### 3.3 New Homes Bonus Empty Properties Project - Quarter 2 Update

3.3.1 The New Homes Bonus (NHB) is a grant paid by central government to local councils to incentivise housing growth in local areas. It is based on the extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use.

3.3.2 During Quarter 2 the BACFT has worked alongside colleagues within Exchequer Services, to identify properties that were empty and are now occupied, meaning that they will count towards the NHB. Desk-top enquiries and information gathering has been completed by Exchequer Services, whilst the BACFT have conducted unannounced visits to properties where checks have indicated that a visit is required. This project is ongoing and outcomes will be included in the Quarter 3 progress report.

### 3.4 Revenues Inspections - Quarter 2 Update

3.4.1 The **Business Rates & Council Tax inspections** operational processes are now fully integrated into the BACFT, providing continuity of service in this area. Three Verifications Officers are now fully trained to undertake inspections and all relevant BACFT members of staff have undertaken, or are in the process of undertaking, training from external providers and/or by Exchequer Services staff. Paperless inspection processes are also in development ensuring the approach is aligned to Counter Fraud Strategy and the risk based methodology used across BACFT operations. As part of the close working relationship between BACFT and Exchequer Services, regular discussions are being held to design and implement new proactive counter fraud projects such as '**Beds in Sheds**' and the '**Review of Empty Properties**' to help increase revenue and prevent loss for the Council.

### 3.5 Immigration Enforcement Officer - Quarter 2 Update

3.5.1 Since 16<sup>th</sup> April 2018, the BACFT has had a Home Office Immigration Enforcement Officer (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 issues and for assisting in a range of counter fraud work. The IEO has so far provided invaluable assistance in counter fraud work and many other Council service areas, such as Social Care and Housing. As a result, financial loss prevention across the Council in Quarter 2 is prudently estimated at **£72,861**. Refer to **Table 4** in **Appendix B** for a detailed breakdown of the identified loss prevention savings to date.

3.5.2 This Quarter the IEO has attended Social Care team meetings to promote his services. The IEO has also been part of the 'All Staff Email' to remind staff of the availability of his service and to reach new members of staff who may not have been aware. In Quarter 2 immigration enquiries have predominantly been received from Housing Services, resulting in **9 Homeless Applications being closed**. Applicants were found to be not eligible as they had no right to access public funds.

## 4. Analysis of the Counter Fraud Team's Performance in Quarter 2

4.1 In 2018/19 the BACFT agreed and implemented a set of KPIs for to allow effective measurement of team 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 6 KPIs in Quarter 2. As discussed at para. 3.1.8, KPI 2a has been reviewed and amended so that the KPI relates to the percentage of verifications completed within the target date as set by the HRALT. This better meets the requirements of Housing Services to improve void turnaround times and allows the BACFT to better focus its resources.

4.2 The team's performance against its KPIs has now improved when compared to 2018/19 and is on track to improve further in Quarter 3. **5 of the 8 KPIs now exceed performance targets for the year** but there are still areas requiring a greater focus in Quarter 3, which has been identified and communicated to all relevant BACFT staff. This performance is despite several vacancies within the Intelligence and Verifications sub-teams during the majority of Quarter 2. The KPI related to investigations resulting in sanction should be read in the context of a number of cases that have been progressed for criminal prosecution and will likely conclude in Quarters 3 and 4.

- 4.3 **Table 4** at **Appendix B** provides an overview of the financial performance of the team in 2019/20 within each of the main areas of counter fraud activity.

## 5. Forward Look

- 5.1 Looking ahead to Quarter 3, a new initiative will be introduced to keep the immigration status of unaccompanied asylum seeking children funded by the Council under regular review. This will identify those receiving support whose status has changed to having recourse to public funds, and therefore no longer require financial assistance from the Council. This provides a significant **saving of £9,933 on average per case** and is calculated based on the average cost per child per year.
- 5.2 As part of our agreement with the Home Office, the IEO will be providing document **verification training sessions** to relevant members of Council staff. The first of these sessions has been arranged for colleagues within HR and Housing, and is due to take place in October 2019.
- 5.3 As part of the strategy of engagement and partnership working with Council colleagues to increase referral rates and meet the strategy of an embedded counter fraud culture, the BACFT will deliver a **comprehensive programme of fraud awareness and fraud risk management workshops** across council departments in Quarter 3. This will include internal and external communication to residents about fraud issues, providing information on the BACFT and counter fraud work across the Council.
- 5.4 **Fraud Risk Workshops** are being designed as part of the programme, which will facilitate the identification of the highest fraud risks within key Council service areas. Workshops will promote effective fraud mitigation controls, be used to update the 'Fraud Universe' and drive future proactive counter fraud work. The workshops will also aim to increase managers' awareness and ownership of fraud risks, and improve governance.
- 5.5 As part of the programme, **Fraud Awareness Sessions** are being designed to be delivered by BACFT staff to all relevant teams within high fraud risk service areas. These sessions will highlight the fraud that may occur, encourage positive fraud prevention activities and ensure that Council colleagues understand how to respond to suspected fraud.
- 5.6 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 2. 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**

30<sup>th</sup> September 2019

**APPENDIX A****Table 3 ~ BACFT Quarter 2 KPIs and Actual Performance**

BACFT KPIs	Target	Q1	Q2	19/20	18/19
1. Percentage of fraud referrals risk assessed within 3 working days	95%	94%	100%	97%	66%
2. Verification work timescales for completion:					
a. Housing Allocations completion within the target date set by Housing. <sup>1</sup>	95%	<sup>2</sup> 90%	96%	93%	<sup>2</sup> 90%
b. First Time Buyer completion within 5 working days	95%	100%	100%	100%	90%
c. Right to Buy completion within 28 working days	95%	64%	78%	71%	54%
3. Investigation plan completion within 5 working days of case allocation	95%	100%	94%	97%	67%
4. Tenancy fraud referrals received resulting in property recovery	20%	23%	29%	26%	18%
5. Investigations resulting in sanction ( <i>prosecution/penalty/caution</i> )	10%	8%	0%	4%	6%
6. Investigations resulting in loss prevention/financial saving outcome	25%	23%	47%	35%	22%

<sup>1</sup> This KPI has been updated this quarter on review of verifications performance and the needs of Housing Services. The previous KPI was "Housing Allocations completion within 3 working days".

<sup>2</sup> The performance for Q1 and for 2018/19 is shown against the previous KPI of completion within 3 working days.

**APPENDIX B****Table 4 ~ BACFT Quarter 2 2019/20 Financial Performance**

Work Area	Description	Q2	2019/20
<b>Housing</b>	Right to Buy discounts	£221,000	£331,500
	Property Recovery (notional savings)	£144,000	£234,000
	Other savings/loss prevention	£19,760	£69,117
	Prosecution costs	£0	£0
<b>Social Services</b>	Loss Prevention	£0	£0
<b>Revenues</b>	Council Tax Reduction	£0	£397
	Single Person Discount	£29,295	£60,279
	Council Tax Arrears	£0	£2,599
	Council Tax Exemptions	£0	£1,005
	Housing Benefit Overpayments	£6,157	£9,872
<b>Blue Badge</b>	Simple Caution & Financial Penalty	£0	£200
	Prosecution Costs Received	£0	£0
<b>Immigration Officer</b>	Housing First Time Buyer scheme*	£0	£0
	Housing Homelessness Applications**	£72,861	£91,730
	Asylum Seeking Children Expense***	£0	£109,263
	Social Services Section 17 Expense**	£0	£14,123
	<b>IEO Sub Total</b>	<b>£72,861</b>	<b>£215,116</b>
<b>Totals</b>	Loss Prevention	£293,861	£546,617
	Notional Savings	£150,157	£225,872
	Cashable Savings	£49,055	£133,398
	Costs awarded and penalties	£0	£200
	<b>Total</b>	<b>£493,073</b>	<b>£906,087</b>

\* First time buyers - Average grant given per person based on 2018/19.

\*\* 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.

## ANNUAL REPORT OF THE AUDIT COMMITTEE 2018/19

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Muir Laurie, Deputy Director of Exchequer and Business Assurance Services
<b>Papers with report</b>	Appendix: Annual Report of the Audit Committee 2018/19
<b>Ward</b>	All

### HEADLINES

In line with good governance, it is essential that the Audit Committee not only meets and considers the reports and information within its remit, but also ensures that the wider Council is aware of the breadth and extent of the work it does on its behalf. This report contains the information that is proposed to be presented to Council, so that it can be assured that the Audit Committee is acting appropriately on its behalf.

### RECOMMENDATIONS

**That the Audit Committee:**

- 1. notes the report and information provided; and**
- 2. suggests any amendments that should be made, where necessary, before the report is presented to Council.**

### SUPPORTING INFORMATION

This report summarises, for the Council, the work of the Audit Committee during 2018/19 and how it has undertaken its responsibilities for reviewing the key areas within its remit. Specifically, these include:

- Internal Audit (including internal controls);
- Risk Management;
- Corporate Governance;
- External Audit;
- Counter Fraud; and
- Financial reporting process of the Statement of Accounts.

Accordingly, in compliance with the Accounts and Audit (Amended) (England) Regulations 2015, the Audit Committee has reviewed the effectiveness of the systems of internal control by receiving regular reports from these areas above that contribute to the control framework.

This report provides an opportunity for Council Members to review the work of the Audit Committee and comment on its contribution and performance.

## **LEGAL IMPLICATIONS**

There are no legal implications arising directly from this report.

## **BACKGROUND PAPERS**

The Terms of Reference for the Audit Committee.

# Annual Report of the Audit Committee 2018/19

29 July 2019

## Report Distribution

### Meeting / Date

Audit Committee ~ 21 October 2019

Council ~ 21 November 2019



## 1. Introduction

- 1.1 In line with best practice guidance, the Audit Committee is required to submit an annual report to Council, outlining the Audit Committee's activities over the previous year. This report summarises, for the Council, the work of the Audit Committee during 2018/19 and how it has undertaken its responsibilities for reviewing the key areas within its remit. Specifically these include:
- Internal Audit (including internal controls);
  - Risk Management;
  - Corporate Governance;
  - External Audit;
  - Counter Fraud; and
  - Financial reporting process of the Statement of Accounts.
- 1.2 Accordingly, in compliance with the Accounts and Audit (Amended) (England) Regulations 2015, the Audit Committee has reviewed the effectiveness of the systems of internal control by receiving regular reports from these areas above that contribute to the control framework.
- 1.3 This report provides an opportunity for Council Members to review the work of the Audit Committee and comment on its contribution and performance.

## 2. Key Activities of the Audit Committee

- 2.1 The Terms of Reference of the Committee are attached at **Appendix A**. These were last amended at the Council meeting held on 11 May 2017, following an Internal Audit review of the Effectiveness of the Audit Committee. The updated Terms of Reference provides clarity and clearly outlines the different roles and responsibilities that surround the Council's wide ranging audit and governance activities, namely: strategy and policy (Leader/ Cabinet Members), operational/ service delivery (Officers) and review and monitoring (Audit Committee).
- 2.2 During the 2018/19 year (1 April 2018 to 31 March 2019) the Audit Committee met on four occasions; 11 April 2018, 26 July 2018, 17 October 2018 and 6 February 2019. Membership and attendance stats of the Audit Committee comprised as follows:

Member Name	Member Appointment	2018/19 Meeting Attendance
Mr John Chesshire (Independent Chairman)	Initially appointed on 2 November 2017.	100% (all 4 meetings).
Cllr Scott Seaman-Digby (Vice Chairman to 8 May 2019)	Appointed from 12 May 2016 to 9 May 2019.	50% (2 from 4 meetings).
Cllr Martin Goddard (Vice Chairman from 9 May 2019)	Appointed on 10 May 2018.	100% since appointment (3 from 3 meetings).
Cllr Susan O'Brien	Appointed on 5 June 2014.	100% (all 4 meetings).
Cllr Tony Eginton	Appointed on 5 June 2014.	100% (all 4 meetings).
Cllr George Cooper	Appointed 13 May 2010 to 10 May 2018.	100% of available meetings (11 April 2018).

- 2.3 The current Independent Chairman has over 20 years experience in the public and private sectors working in the internal audit, risk management, business improvement and governance fields.
- 2.4 The role delegated by the Council to the Audit Committee is to provide independent assurance over the governance, risk management and the system of internal control in operation at the Council. The Audit Committee has fulfilled this role by undertaking the following key activities:

**a) Oversight of Internal Audit**

- The Audit Committee oversaw the activity of the Council's Internal Audit service to assist it in its role of monitoring the internal control, risk management and governance arrangements of the Council's operations. During the year, the Audit Committee has reviewed the 2017/18 Annual Internal Audit Report and Head of Internal Audit Opinion Statement, received quarterly Internal Audit progress reports and operational plans, scrutinised Internal Audit performance and approved the 2018/19 Internal Audit Annual Resources Plan.
- An assessment of the Internal Audit Service is required by the Public Sector Internal Audit Standards (PSIAS) to be completed every five years. Hillingdon's Internal Audit service was last reviewed in 2017/18 and as reported at the time to Audit Committee, Hillingdon was just one of a few Internal Audit services across London to be issued with a '**FULLY CONFORMS to the PSIAS**' independent opinion. The next External Quality Assurance review of Internal Audit is due to be carried out in 2022.
- The Internal Audit Charter was last reviewed and updated then approved by Audit Committee at its meeting on 22 July 2019 (previously April 2018).
- The Audit Committee also reviewed the key findings from Internal Audit reviews and sought explanations from the Head of Internal Audit about the recommendations emanating from 'limited' or 'no' assurance audits. It monitored the number of outstanding recommendations and was pleased to note a continued collaborative approach between Internal Audit and Management to manage identified risks appropriately.
- The Committee is satisfied that Internal Audit has embedded a more collaborative approach in working with Management to help achieve positive outcomes for the Council.
- The Committee has continued to play an important role in raising the profile of Internal Audit by supporting it in its role of assisting Management in the Council.
- In keeping with good governance arrangements, Members of the Audit Committee have had a private meeting with the Head of Internal Audit this year.

*The Audit Committee is satisfied that Internal Audit is effective and adds value to the Council.*

**b) Oversight of External Audit**

- The Audit Committee has reviewed the activity of the Council's External Auditors (Ernst & Young) to assist it in its role of monitoring the internal control, risk management and governance arrangements of the Council's operations. The Committee has received and considered the external audit plan, received progress updates and reviewed external audit performance.
- During 2018/19 an unqualified audit opinion was provided by the external auditors on the Council's 2017/18 financial statements.
- In keeping with good governance arrangements, Members of the Audit Committee have had a private meeting with External Audit this year.

**c) Prevention and Detection of Fraud and Corruption**

- The Council operates a zero tolerance policy towards all fraud and corruption. Responsibilities for the Council's anti-fraud and anti-corruption arrangements were transferred to the Business Assurance Counter Fraud Team (BACFT) with effect from 1 August 2017.

- The BACFT carries out a range of criminal and non-criminal types of investigations, although predominantly its focus during 2018/19 has been on tenancy fraud and proactive loss prevention projects in Social Care.
- In April 2018 a Home Office Immigration Enforcement Officer became part of the BACFT and having this service as part of the team this has helped achieve significant housing and social care cost reductions for Hillingdon taxpayers.
- The National Fraud Initiative (NFI), detecting potential fraud by matching electronic data sets within and between public and private sector bodies is co-ordinated by the BACFT. Relevant service areas across the Council review the initial data matches and then refer them to the BACFT for investigation (where appropriate to do so).
- The Audit Committee has received consolidated quarterly progress reports from the BACFT. The team has responsibility for the oversight of the effectiveness of the Council's policies and procedures to prevent and detect fraud and corruption and during the course of the 2018/19 year six investigative corporate policies were updated by the BACFT and were approved by Audit Committee. All six of these policies are in operation across the Council.
- A move to a risk based approach to counter fraud activities was introduced in 2017/18 and is now fully embedded across the BACFT. Intelligence Officers within the team analyse and risk assess any referrals and pass them to the verification and investigation officers in the team then for further work (where appropriate to do so).
- In 2018/19 total loss prevention work of £1.2M was achieved by the BACFT.

*The Audit Committee is satisfied with the effectiveness of the Council's counter fraud arrangements during 2018/19 and is looking forward to seeing more loss prevention work being completed in 2019/20.*

#### **d) Risk Management**

- The Audit Committee received the Annual Risk Management Report in September 2018 as part of the Committee's role to independently assure the Council's corporate risk management arrangements. In addition, the Committee agreed the Council's updated Risk Management Policy and Guidance in April 2018.
- The Committee has monitored and reviewed the Council's risk management arrangements during the year through a quarterly risk management report, including the updated Corporate Risk Register. It also sought assurances that action was being taken on risk related issues.

*The Audit Committee is satisfied that these arrangements enable it to provide sufficient challenge to officers around the identification and management of the key risks to the Council.*

#### **e) Approval of Financial Accounts**

- In July 2018 the Audit Committee approved the Council's annual statement of accounts for 2017/18. This included considering whether appropriate accounting policies have been followed and whether there are concerns arising from the external audit of the financial statements that need to be brought to the attention of the Council.
- The Audit Committee scrutinised the accounts in some detail and challenged the officers where appropriate. As part of this process the Committee considered the External Auditor's Annual Report to those charged with governance on issues arising from the external audit of the accounts. An unqualified opinion was provided by Ernst & Young in July 2018.

#### **f) Corporate Governance**

- The Audit Committee successfully oversaw the production of the Council's Annual Governance Statement (AGS) for 2017/18 and approved it as part of the Statement of Accounts in September 2018. As at July 2019, the Audit Committee is in the process of providing oversight in relation to the production of the AGS for 2018/19.

### 3. Improvements in the Audit Committee's Effectiveness

- 3.1 In line with best practice, an independent review of the Audit Committee's effectiveness has been conducted by Internal Audit. This review provided **SUBSTANTIAL** assurance that the Committee is operating effectively. The final report was issued on 14 May 2019 and was presented to the Audit Committee at its meeting on 22 July 2019.
- 3.2 During the 2018/19 year, the Deputy Director of Exchequer and Business Assurance Services, in liaison with and Democratic Services and the Audit Committee, has developed a skills matrix and training and development plan for all Audit Committee members. This has helped inform further awareness and training sessions held during the course of the year.
- 3.3 Following amendments to the Audit Committee's Terms of Reference in 2012, concern was expressed at the deletion of the power the Audit Committee had to require senior managers of Council services to attend meetings. The External Auditors have noted that it is unusual for the Audit Committee of a local authority not to have this power. As a consequence the Terms of Reference do not comply fully with best practice, potentially affecting the effectiveness of the Committee.
- 3.4 During the 2018/19 year, the Committee is satisfied that there have been no occasions where it believes that this lack of this power has hindered its effectiveness. The Audit Committee will reconsider its Terms of Reference and this position during each of its meetings this year.
- 3.5 It is also noted that despite the deletion of the power of the Audit Committee to require senior managers to attend meeting, Members still have the authority to request senior management attendance at meetings. The Audit Committee will consider whether to review its Terms of Reference again in the year ahead and propose any changes if required.

### 4. Conclusion

- 4.1 The Audit Committee considers that it has continued to make a significant contribution to ensuring that the key elements of the governance framework are given proper consideration and are appropriately challenged. It will continue to develop this role and contribute to strengthen internal control, risk management and governance throughout the authority.
- 4.2 I would like to thank all Members and officers who have been involved in the work of the Audit Committee throughout the past year.

Mr. John Chesshire

**Independent Chairman of the Audit Committee, London Borough of Hillingdon**

**29 July 2019**

**APPENDIX A****AUDIT COMMITTEE TERMS OF REFERENCE**

The Constitution defines the Terms of Reference for the Audit Committee as:

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.

**APPENDIX A (cont'd)**

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.

**Article I. 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 Directors, 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.

**Article II. Accounts**

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

**Review and Reporting**

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

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## AUDIT COMMITTEE MEMBER SKILLS MATRIX

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Anisha Teji, Chief Executive's Office
<b>Papers with report</b>	Appendix A: Audit Committee Terms of Reference Appendix B: Audit Committee Member Skills Matrix Template Appendix C: Skills Descriptors
<b>Ward</b>	All

### HEADLINES

This report is to enable the Audit Committee to review the skills matrix for Members.

### RECOMMENDATIONS

**That the Audit Committee:**

- 1. approves the Member skills matrix; and**
- 2. suggests any amendments/makes comment.**

### SUPPORTING INFORMATION

It is important to provide training to all Members to ensure that they have the relevant skills and knowledge to carry out their role within the terms of reference of the Committee.

Attached to this report is the current skills matrix which was approved by the Audit Committee on 26 July 2018. Members were asked to complete the skills matrix on a confidential basis and based on the results, the following training sessions were arranged:

- An introduction to external audit on 6 February 2019.
- Financial Reporting including Pensions Requirements on 25 April 2019.
- Anti-Fraud and Anti-Corruption on 22 July 2019.

Members are asked to comment on whether the skills matrix is still relevant and whether there are any other identifiable areas where further training would be helpful. Once the Committee is satisfied with the skills matrix, this will be sent to Members for self-evaluation.

Democratic Services will then work with Business Assurance to ensure the necessary training sessions are arranged based on Members' skills requirements.

### BACKGROUND PAPERS

None.

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## Appendix A

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.

## **Appendix A**

21. Where requested by the Leader of the Council or Cabinet Member for Finance, Property and Business Services or Corporate Director of Finance, provide recommendations on the Council's compliance with its own and other published standards and controls.

### **Accounts**

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

### **Review and reporting**

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

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**London Borough of Hillingdon - Skills Matrix for Audit Committee Members (please ✓ as appropriate)**

Audit Committee Member Name:		MEMBER NAME	
Skill/Knowledge/Experience:		Level of Experience	Comments
Area:	Indicator:		
<b>Audit Committees</b>	An understanding of the purpose of an Audit Committee (AC) and the specific remit and responsibility of the AC at LBH.		
<b>Internal Audit</b>	An understanding of the role and responsibilities of Internal Audit in a local authority, including reporting requirements for assurance and consultancy work, as well as statutory powers.		
<b>External Audit</b>	An understanding of the role and responsibilities of External Audit in a local authority, including appointment, reporting requirements, grant claims, value for money and statutory powers.		
<b>Risk Management</b>	An understanding of the purpose of Risk Management (RM), the RM cycle and the LBH RM policy/framework.		
<b>Corporate Governance</b>	An understanding of what Corporate Governance (CG) is and the AC's role in ensuring good CG. Also, an understanding of LBH's CG framework and the purpose of the Annual Governance Statement?		
<b>Anti-Fraud &amp; Anti-Corruption</b>	An understanding of anti-fraud and anti-corruption frameworks and the role and responsibilities of the Business Assurance Counter Fraud Team at LBH.		
<b>Financial Reporting</b>	An understanding of financial strategy and the financial reporting requirements of LBH.		
<b>Treasury Management</b>	An understanding of treasury management and investment strategies, particularly in relation to local government.		
<b>Please enter details of any other additional relevant areas of expertise not listed above:</b>			

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<b>Skills Descriptors</b>	
<b>Skill Level</b>	<b>Description</b>
No Experience	No knowledge or previous experience/ training.
Basic Understanding	A basic awareness of the skill gained from working experience (usually over 1 year) or appropriate training and development. Or where knowledge possessed is not current (more than 3 years out of date).
Well Informed	Practical training and experience (a minimum of 2 years, gained during the last 10 years) in the specified skill or application of knowledge
Specialist Knowledge	Formal training, appropriate qualification (degree or professional qualification) and/or considerable practical experience (3 years or more, gained in the last 10 years) in the specified skill.

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## AUDIT COMMITTEE FORWARD PROGRAMME 2019/20

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

### HEADLINES

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

### RECOMMENDATIONS

That the Audit 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 Monday 21 October 2019 will start at 17:10.

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
21 October 2019	CR 4
3 February 2020	CR 4
23 April 2020	CR 5

Meeting Date	Item	Lead Officer
3 February 2020	*Private meeting with External Audit (Ernst & Young) to take place before the meeting	
	Internal Audit Progress Report Quarter 3 2019/20 & Internal Audit Plan Quarter 4	Head of Internal Audit and Risk Assurance
	Counter Fraud Progress Report Quarter 3 2019/20	Deputy Director of Exchequer & Business Assurance Services
	2019/20 Q2 Corporate Risk Register - Part II	Deputy Director of Exchequer & Business Assurance Services
	Audit Committee Forward Programme	Democratic Services

Meeting Date	Item	Lead Officer
23 April 2020	**Private meeting with Director of Exchequer & Business Assurance Services to take place before the meeting	
	EY 2019/19 Annual Audit Plan; 2018/19 Pension Fund Audit plan	Corporate Director of Finance /Ernst & Young
	EY - Annual Grant Audit Letter	Corporate Director of Finance /Ernst & Young
	Draft Internal Audit Plan	Head of Internal Audit and Risk Assurance
	Internal Audit Progress Report 2019/20 Quarter 4 (including the 2020/21 Quarter 1 IA Plan)	Head of Internal Audit and Risk Assurance
	Counter Fraud Progress Report Quarter 4 2019/20	Deputy Director of Exchequer & Business Assurance Services
	2019/20 Q3 Corporate Risk Register - Part II	Deputy Director of Exchequer & Business Assurance Services
	Audit Committee Forward Programme	Democratic Services

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