

Minutes

Audit Committee

Thursday, 4 February 2021

Meeting held at VIRTUAL - Live on the Council's

YouTube channel: Hillingdon London



Members Present:

John Chesshire (Chairman)
Tony Eginton (Opposition Lead)
Duncan Flynn
Raymond Graham
John Morgan (In place of Richard Mills)

Officers Present:

Sarah Hydrie, Head of Internal Audit & Risk Assurance
James Lake, Chief Accountant
Muir Laurie, Deputy Director of Exchequer Services & Business Assurance
Zac O'Neil, Head of Counter Fraud
Stephanie Rao, Internal Audit Manager
Paul Whaymand, Corporate Director of Finance
Neil Fraser, Democratic Services Officer

Also Present

Suresh Patel, Ernst & Young
Adrian Balmer, Ernst & Young
Larisa Midoni, Ernst & Young
Tomisin Aliu, Ernst & Young

101. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Richard Mills, with Councillor John Morgan present as substitute.

102. ELECTION OF VICE CHAIRMAN

RESOLVED: That Councillor Duncan Flynn be elected as Vice-Chairman of the Audit Committee.

103. DECLARATIONS OF INTEREST

Councillor Tony Eginton declared a non-pecuniary interest in agenda items 6 & 7 arising from the fact that he was a retired member of the Local Government Pension Scheme. He remained for the discussion of all items.

104. 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

It was confirmed that agenda items 1-9 were marked as Part I and would be considered in public, while agenda item 10 was marked Part II and would therefore be considered in private.

105. MINUTES OF THE MEETING HELD ON 24 NOVEMBER 2020

RESOLVED: That the minutes of the meeting held on 24 November 2021 be approved as a correct record.

106. EXTERNAL AUDIT ANNUAL AUDIT LETTER 19/20

James Lake, Chief Accountant, introduced the External Audit Annual Letter, which set out the findings of the external auditors Ernst and Young (EY) from their work over the previous year. Hillingdon was one of only seven London boroughs (of the thirty-three total) who had completed their accounts and audit sign-off by the deadline. EY had issued an unqualified opinion at the previous meeting and confirmed that proper arrangements were in place to secure value for money. In addition, there was reporting consistency within the accounts, and there were no matters which required reporting in terms of public interest or to the Secretary of State. HM Treasury had now fixed the reporting issue within their Whole Government Accounts which meant EY should now be able to finish this part of the audit; the Teacher's Pension certification had been completed on time, the Housing Benefit Assurance Process had been completed and submitted by the deadline, and the Pooling of the Housing Capital Receipts audit had been started.

EY addressed the Committee, highlighting that as a result of the low number of exceptions and the non-material misstatements that had been identified, the unqualified opinions on both the main audit and the pension fund, and the resolution to the Treasury's Whole Government Accounts reporting issue, EY was hopeful that they would conclude on Hillingdon's accounts review by the end of the current week, with the conclusion certificate to follow. Moving forward, work had already begun between EY and Council officers regarding audit work for the year ahead, including planning to overcome challenges regarding COVID-19 and planning deadlines. Regarding fees, agreement had been reached for the payment of the additional audit work carried out by EY. This did not include the proposed PSAA scale fee increase, however where there was an overlap these would be taken into consideration to ensure no double counting.

In response to questions from Members, it was confirmed that the risk relating to the valuation of land and buildings, and the difference in valuation of up to £4.1m, was not considered material in terms of the £12m materiality threshold nor the overall asset valuation of over £1b. 5% of that £12m threshold was the reporting threshold, which would then be reported as part of the 2021/22 balance sheet. Leases were in the process of being identified, as the 2020/21 report would need to reference these in advance of 2021/22.

Members suggested that the Committee should have some involvement in the agreement of the fees to be paid to the auditors, as the Committee's Terms of

Reference included a requirement to ensure value for money. Officers advised that the fees were communicated to the Committee in advance, to enable comments, but agreement was through the PSAA (who consulted on any fee increases) and in line with the rules on what was appropriate for an authority to pay. Regarding potentially amending the Committee's Terms of Reference to make this clearer, it was agreed that the Chairman would discuss this with Cllr Eginton following the meeting.

RESOLVED: That the Annual Audit Letter, and the Certifications audit update, be noted.

107. INTERNAL AUDIT PROGRESS REPORT QUARTER 3 2020/21 (INCL. THE QUARTER 4 INTERNAL AUDIT PLAN)

Sarah Hydrie – Head of Internal Audit and Risk Assurance, introduced the report detailing the Internal Audit Progress Report for 2020/21 Quarter 3, which included the Quarter 4 Internal Audit Plan.

The Committee was advised that, since the last internal audit progress report, activity had started to gain momentum. Four assurance reviews, including one follow-up, had been concluded and a further four assurance reviews were at draft report stage. Ten assurance reviews were in progress, with two grant claims certified. The tree inspections report assurance review that had been carried out had received no assurance, but positive management had been proposed to address this.

Performance indicators showed that targets had not been reached for KPIs 5 and 6, mainly as a result of the lack of work carried out in Quarter 1 due to the COVID-19 pandemic. It was accepted that these KPIs could be missed again due to ongoing difficulties resulting from the pandemic, but officers were pleased at the progress made by the team in what were very challenging circumstances. It was highlighted that if the Q4 plan was approved, and if there were no deferred or cancelled audits, the team was on track to complete everything by the end of May 2021. This would mean that the team had carried out more audits this year than the previous year, or the year before that; nearly 30 pieces of work.

Regarding the Quarter 4 internal audit plan, this was confirmed to have been designed in conjunction with senior managers and corporate directors, to focus on the highest areas of risk, which included housing and social care.

Recruitment and restructuring had gone well, with appointments made to all posts. One new starter had begun work, while two more were due to begin in the coming weeks.

In response to Member questions, officers confirmed that the Council's website had been in the process of being updated, in an effort to address difficulties navigating the site or sourcing information, when ICT had been required to transition to supporting remote working in light of the pandemic. It was agreed that officers would liaise with ICT to see if the work on the website could be restarted.

With regards to the tree inspection review, recommendations raised were around strategy and risk/resource management together with staffing and management of

inspection reports. The recommendations had been received positively, and work was underway to address them.

Regarding Queen's Walk, there remained an opportunity to use resources to help residents and service users more, and so audit officers were involved with analysing strategy to look at value for money for the service users, at how the cohort was changing, and at how the Council could best meet user needs.

With respect to the building control audit, legislative changes were influencing the audit, hence why it had been listed as a high-risk area and one that the service had requested internal audit to assist with. Cladding and changes to legislation would form part of the team's scope for the audit, and the Council's proactivity in addressing cladding on its buildings meant that officers would be able to provide assurance over the cladding areas. Members requested that details of building control at Packet Boat Lane be brought to a future Committee meeting.

The Ofsted readiness review was confirmed to be in respect of children's social care provision rather than the education provision, and therefore wouldn't focus on children entering/exiting schools during the pandemic.

In relation to questions regarding New Years Green Lane, an update would be brought to a future Committee meeting.

It was confirmed that the Audit Committee would be reviewed annually, and it was hoped that officers could engage with several Members of the Committee throughout the process.

RESOLVED:

- 1. That the IA Progress Report for 2020/21 Quarter 3 be noted; and**
- 2. That the Quarter 4 IA Plan be approved.**

108. COUNTER FRAUD PROGRESS REPORT - QUARTER 3 2020/21

Zac O'Neil, Head of Counter Fraud, introduced the 2020/21 Quarter 3 Counter Fraud Progress Report. Officers highlighted that the team had achieved savings similar to that seen prior to the COVID-19 pandemic, at £413k for the quarter, and £741k overall to date. The team had achieved the recovery of five housing properties this quarter, bringing the total properties recovered to eleven for the year. Regarding recovery due to housing fraud, performance was improving, and the team had been working on a 'beds and sheds' project which had resulted in twenty identified for the year, and twelve for the quarter.

The restructuring of the team had been completed and was fully embedded, with the three distinct teams providing specialist areas of counter fraud coverage for the Council. Significant improvements in the area of social care finance had been made, with £130k of savings in that area. In the run-up to Christmas, a blue badge operation had been carried out, with twenty badges seized and cases still being processed. In terms of sanctions, these would likely be financial penalties. Support was still being given to the COVID-19 grant scheme to businesses, which was taking some resource from the team and which had been reflected in the performance KPIs.

The team was still facing significant difficulties in terms of property recovery and being effective in counter fraud work, due to the court processes, but the team was looking to address this by taking different measures and getting properties back through negotiation with residents.

KPI performance showed five green KPIs, and while there was the aforementioned dip in performance relating to verifications, there had been good performance overall.

The Q4 report to the Committee would detail the Council strategy and operational work plan for 2021/22, including an updated fraud risk profile for the organization. The team remained confident that the £1m savings target would be reached.

In response to questions from Members, officers advised that details of blue badge offenders (and other fraud offenders) were shared with partners where appropriate, though further work was being undertaken to strengthen relationships and information sharing between partner agencies. Further information could be brought to a future Committee meeting.

Regarding advertising the Council's successes regarding addressing beds and sheds, this was highlighted through the Council's social media channels. Talks were ongoing with the Communications team on how best to further develop this, including potentially issuing press releases.

In relation to the lack of referrals from the Council's immigration officer, it was accepted that this was likely a result of the pandemic, though officers were actively working on addressing this.

RESOLVED: That the Counter Fraud Progress Report for 2020/21 Quarter 3 be noted.

109. AUDIT COMMITTEE FORWARD PROGRAMME 2017/18

Consideration was given to the Forward Work Programme for the Committee.

It was agreed that a report detailing the annual work of the Committee be added to the Programme for approval at a future meeting, ahead of its submission to Council.

It was agreed that officers would review the Committee Member's skills matrix and provide training where necessary.

RESOLVED:

1. That a report detailing the annual work of the Committee be added to the Programme for approval at a future meeting; and
2. That officers review the Committee Member's skills matrix and provide training where necessary.

110. 2019/20 Q2 CORPORATE RISK REGISTER

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 2 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 2 as part of the Committee's role to independently assure the Council's corporate risk management arrangements.