



HILLINGDON
LONDON



Audit Committee

Members of the Committee

John Chesshire (Chairman)
Councillor Tony Eginton (Opposition
Lead)
Councillor Duncan Flynn
Councillor Raymond Graham
Councillor Richard Mills

Date: THURSDAY, 4 FEBRUARY
2021

Time: 5.10 PM

Venue: VIRTUAL - LIVE ON THE
COUNCIL'S YOUTUBE
CHANNEL: HILLINGDON
LONDON

**Meeting
Details:** Members of the Public and
Media are able to watch a live
broadcast on the Council's
YouTube channel

This Agenda is available online at:
www.hillingdon.gov.uk or use a smart phone
camera and scan the code below:



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2021

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Putting our residents first

Lloyd White
Head of Democratic Services
London Borough of Hillingdon,
Phase II, Civic Centre, High Street, Uxbridge, UB8 1UW

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 Election of Vice Chairman
- 3 Declarations of interest
- 4 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
- 5 Minutes of the Meeting held on 24 November 2020 1 - 6
- 6 External Audit Annual Audit Letter 19/20 7 - 30
- 7 Internal Audit Progress Report Quarter 3 2020/21 (incl. the Quarter 4 Internal Audit Plan) 31 - 52
- 8 Counter Fraud Progress Report - Quarter 3 2020/21 53 - 66
- 9 Audit Committee Forward Programme 2017/18 67 - 70

PART II

That the reports in Part 2 of this agenda be declared not for publication because they involve the disclosure of information in accordance with Section 100(A) and Part 1 of Schedule 12 (A) to the Local Government Act 1972 (as amended), in that they contain exempt information and that the public interest in withholding the information outweighs the public interest in disclosing it.

- 10 2019/20 Q2 Corporate Risk Register 71 - 90

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Minutes

Audit Committee

Tuesday, 24 November 2020

Meeting held at VIRTUAL - Live on the Council's

YouTube channel: Hillingdon London



Members Present:

John Chesshire (Chairman)
Martin Goddard (Vice-Chairman)
Tony Eginton (Opposition Lead)
Duncan Flynn
Eddie Lavery

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
Olivia Richards, Senior Accountant, VAT and Accounts
Neil Fraser, Democratic Services Officer

Also Present

Suresh Patel - Ernst & Young
Adrian Balmer - Ernst & Young
Larisa Midoni - Ernst & Young

92. APOLOGIES FOR ABSENCE

None.

93. DECLARATIONS OF INTEREST

Councillor Tony Eginton declared a non-pecuniary interest in agenda item 5 arising from the fact that he was a retired member of the Local Government Pension Scheme. He remained for the discussion of all items.

94. 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 all items would be considered in public.

95. MINUTES OF THE MEETING HELD ON 01 OCTOBER 2020

In response to a query at the previous meeting, officers confirmed that the Council's Employment Status Assessment checks were being conducted pre-contract, in compliance with relevant guidance.

RESOLVED: That the minutes of the previous meeting be approved as a correct record.

96. APPROVAL OF THE 2019/20 STATEMENT OF ACCOUNTS (INCLUDING ANNUAL GOVERNANCE STATEMENT & EXTERNAL AUDIT REPORT ON THE AUDIT FOR THE YEAR ENDED 31/03/2020) & EXTERNAL AUDIT REPORT ON THE PENSION FUND ANNUAL REPORT & ACCOUNTS 2019/20

The Committee was provided with reports which set out the Statement of Accounts for 2019/20 by Ernst & Young LLP (EY), the Council's external auditor. The reports included the Annual Governance Statement, together with the External Audit Report on the Audit for the year ended 31/03/20 and the Audit Report on the Pension Fund Annual Report and Accounts for the year ended 31/03/20.

The auditor confirmed that they would be issuing an unqualified opinion, and that the Statement of Accounts gave a 'true and fair' view. Additionally, in terms of value for money, the auditor reported that they had no matters arising to include in the auditor's report about arrangements to secure economy, efficiency and effectiveness in the use of Council resources.

The Statement of Accounts was inclusive of the Pension Fund accounts, and the auditor reported that this part of the Financial Statements was also receiving an unqualified opinion and that the Statement of Accounts gave a 'true and fair' view.

It was confirmed that, subject to the Committee approving the Statement of Accounts, and the Chairman subsequently signing the Letter of Representation, the accounts would be signed off the following day, ready for submission by the forthcoming deadline.

Details of the report were summarised, including the areas of the audit where work was ongoing and where further amendments could arise, with the Property, Plant and Equipment valuation and the Going Concern assessment particularly highlighted. Regarding the Going Concern, it was clarified that the assessment had included a review of cashflow pressure points, liquidity, loss projections due to Covid-19 and relevant stress testing, borrowing positions, and Hillingdon's position in respect of local authority and London borough analysis, and there were no material concerns arising from this analysis.

Audit differences were set out as per the report, including judgemental differences regarding valuations of secondary schools, and a misstatement of ISA19 pension adjustments in respect of the Goodwin case. These were not considered to have a material impact.

Regarding the differences of opinion in the valuation of the secondary schools, officers clarified that the Council's asset valuations had been conducted by a specialist external company, whose approach (including visiting the schools) was

deemed prudent and correct. EY advised that the differences of opinion between valuers were predominantly as a result of disagreements over land values, and obsolescence and depreciation of new buildings. It was suggested that a common approach between EY and the Council's valuers could mitigate such differences of opinion moving forward. In terms of the IAS19 issue, officers advised that the specialist external advisers did not make an allowance for Goodwin as there was so much uncertainty, no official guidance in place in terms of how the judgement should be applied and that the figure was so immaterial no adjustment was required.

On the Designated Schools Grant (DSG), it was confirmed that pressures identified on the DSG last year were forecast to continue. Moving forward, the DSG was to be moved into a ringfenced unusable reserve, and this would be considered when predicting any associated risks in next year's report. Officers had reassured EY that the Council was engaging with the Department for Education (DfE) regarding the deficit. It was expected that government intervention would be necessary to address this.

On the Pension Fund, the Committee was advised that, while an unqualified opinion was being issued, an emphasis of matter paragraph was being included on the incorrect valuations of pooled property funds. In addition, the recent Pension Committee had received a recommendation to address concerns regarding quality of personal data of Fund members, (a national issue, not limited to Hillingdon), and officers confirmed that actions were ongoing to address this recommendation.

The auditors and officers were commended for their efforts in compiling the reports and addressing the Committee's queries, and the Statement of Accounts were approved.

RESOLVED: That the audited Statement of Accounts for 2019/20 be approved.

**97. INTERNAL AUDIT PROGRESS REPORT QUARTERS 1 AND 2 2020/21
(INCLUDING THE QUARTER 3 INTERNAL AUDIT PLAN)**

Officers introduced the Internal Audit Progress Report for 2020/21 Quarters 1 and 2 (inclusive of the Quarter 3 IA Plan).

The report was summarised, and the Committee was advised that since the last progress report, seven assurance reviews were in progress, three grant claims had been certified, and three consultancy reviews had been concluded. Follow up processes had been revised, so that high and medium priority recommendations were being followed up more robustly. Performance against Key Performance Indicators (KPIs) was below target due to the lack of internal audit work undertaken in Q1 due to the Covid-19 pandemic. However, officers confirmed that performance would improve as more audit work was carried out.

Members requested clarity on the report's reference to a manager with audit recommendations that had passed deadlines, without providing updates. It was confirmed that this had been included as example of the impact of the pandemic, and the Committee was advised that moving forward, processes had been revised to so that extensions to deadlines would now be vetted before approval, to ensure officers were working collaboratively with such managers. It was highlighted that Hillingdon's performance, when compared to other London authorities, was good.

The Committee was advised that the consultancy review's reference to Xychro Solutions referred to work that had been commissioned regarding a duplicate invoice process. Audit staff had helped to identify and implement controls to avoid such duplication being repeated.

With regard to staff restructuring, officers confirmed that the Senior Internal Auditor and Internal Auditor recruitment was live and due to close in the coming weeks. So far, over 20 applications had been received, and it was hoped that shortlisting could begin in the following week. It was confirmed that, should applicants not be of sufficient quality, then the posts would be re-advertised.

RESOLVED:

- 1. That the IA Progress Report for 2020/21 Quarters 1 and 2 be noted;**
- 2. That the Quarter 3 IA Plan be approved; and**
- 3. That the coverage, performance and results of the Business Assurance IA activity in Quarters 1 and 2 be noted.**

98. COUNTER FRAUD STRATEGIC PLAN 2020/21

Officers introduced a report detailing the Council's Counter Fraud Strategic Plan 2020/21.

The Committee was advised that the plan had been refreshed for the coming year, to ensure a clear vision and purpose for all counter fraud work in terms of a strategic approach and objectives, including an updated organisational fraud risk profile (Fraud universe) as well as a restructuring of the BACFT team.

Officers confirmed that the restructure, as outlined within the report, had been carried out to reduce inefficiencies within case handling and align resources more appropriately. The structure had been in place since September 2020 and was expected to be fully embedded by December 2020.

It was highlighted that new or increased risks, identified as a result of the Covid-19 pandemic, would be included as part of the new work plan to ensure timely and response action.

RESOLVED: That the 2020/21 Counter Fraud Strategic Plan, including the operational work plan, be approved.

99. COUNTER FRAUD PROGRESS REPORT QUARTERS 1 & 2 2020/21

Officers introduced the 2020/21 Counter Fraud Progress Report for Quarters 1 and 2.

The Committee was informed that a number of new and emerging fraud risks had been identified as a result of the Covid-19 pandemic. Redeployment of counter fraud staff in Q1, as a result of the pandemic, had resulted in a significant impact on outcomes. The results reported for that quarter were largely due to the completion of actions begun in Q4 of the preceding year. This included significant work on the food

delivery service and business grant scheme, which had identified grants to be recovered worth over £2m.

Loss prevention for both quarters totalled £328k, which included six Council properties recovered, with a further nine notices seeking possession issued. Regarding team performance, a new Key Performance Indicator (KPI) had been implemented to deal with revenue investigation work, and overall, the team had achieved five green, one amber, and three red indicators. With the resumption of more normal working following potential relaxing of Covid-19 restrictions, it was expected that further progress would be made in Q3 and Q4. A target of £1m had been set for the year, and the team was confident that this could be achieved.

RESOLVED: That the Counter Fraud Progress Report for 2020/21 Quarters 1 and 2 be noted.

100. AUDIT COMMITTEE FORWARD PROGRAMME

The Forward Plan was noted.

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EXTERNAL AUDIT ANNUAL AUDIT LETTER

Committee name	Audit Committee
Officer reporting	James Lake, Finance
Papers with report	EY Annual Audit Letter
Ward	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 2020.

RECOMMENDATIONS: That the Committee:

- 1) note the Annual Audit Letter; and
- 2) note the Certifications audit update.

SUPPORTING INFORMATION

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

1. The Council's Financial Statements (including the Pension Fund): an unqualified opinion on the Council's accounts for the year ended 31 March 2020 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. Other information published within the Statement of Accounts was consistent with the Annual Accounts.
4. The Governance Statement was consistent with EY's understanding of the Council.
5. There were no matters to report in terms of: Public Interest; recommendations to the Secretary of State, or actions in relation to the Local Audit and Accountability Act 2014.
6. Whole of Government Accounts: at the time of writing this report the WGA assurance statement was yet to be issued to the National Audit Office. This is solely a result of a national HM Treasury IT issue which is preventing the final schedule to be produced and signed off. All interim work was carried out in accordance with published timelines.

Certifications Update

In addition to the annual audit of the accounts, EY also undertake three further audits covering the Teachers' Pension Contributions, Housing Benefit Assurance Process (HBAP) and Pooling of Housing Capital Receipts. The audit deadline for the latter two items has been extended to 31 Jan 2021 and 31 Mar 2021 respectively. Currently, the certification of the Teachers Pension has been completed and work will begin in Q1 for the Pooling of Housing Capital Receipts. At the time of writing, the Housing Benefit Assurance Process was underway and due to be

completed by the deadline. EY will provide a verbal update on the 4 Feb 2021.

FINANCIAL IMPLICATIONS

Council - Total audit fees of £152,313 includes PSAA scale fee of £121,096 and variation fees of £31,217 relating to work covering significant areas of risk and COVID-19. The proposed increase in scale fee of £82,728 will include an element of variation fees if approved.

Pension Fund - Total audit fees of £33,240 includes PSAA scale fee of £16,170 and variation fees of £17,070 relating to work covering significant areas of risk and COVID-19. The proposed increase in scale fee of £28,290 will include an element of variation fees if approved.

LEGAL IMPLICATIONS

Legal implications are included in the body of the report.

London Borough of Hillingdon and Pension Fund

Annual Audit Letter for the year
ended 31 March 2020

January 2021

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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).

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 sets 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. 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 Hywel Ball, 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.



Section 1

Executive Summary

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Executive Summary

We are required to issue an annual audit letter to the London Borough of Hillingdon (the Council) and the Pension Fund following completion of our audit procedures for the year ended 31 March 2020. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's and Pension Fund's:	
▶ Financial statements	On 26 November 2020 we issued unqualified opinions. The financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2020 and of its expenditure and income for the year then ended. Within the Pension Fund audit report we included a paragraph to emphasise the material uncertainty reported within the Fund accounts in relation to the impact of Covid-19 on asset valuations.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
▶ Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
▶ 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
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	At the date of this letter we have yet to submit the WGA assurance statement to the NAO due to a national IT issue preventing the Authority from updating its WGA schedule. HM Treasury are working on a fix.

Executive Summary (cont'd)

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 presented our final Audit Results Reports on to the Audit Committee meeting of 24 November 2020.
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 will issue the certificate once HM Treasury resolve the IT issues impacting the WGA assurance statement. 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 2020. On 26 November 2020 we issued an opinion that stated the Pension Fund Annual Report was consistent with the audited Pension Fund financial statements.

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Fees

In the Final Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. We have quantified the proposed final fee and have provided the Corporate Director of Finance with appropriate supporting details.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work and in particular given the challenging priorities they faced as a result of their work in responding to the Covid-19 pandemic and their collaborative approach which enabled us to complete the 2019/20 audit by working remotely.



Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Section 2

Purpose and Responsibilities



Purpose

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 2019/20 Audit Results Reports to 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 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 3 February 2020 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:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements of the Council and Pension Fund; and
 - ▶ On the consistency of other information published with the financial statements, including the Pension Fund Annual Report.
- ▶ 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 (AGS) 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 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.

Section 3

Financial Statement Audit

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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 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 26 November 2020.

Our detailed findings were reported to the 24 November 2020 Audit Committee. The key issues identified as part of our audit were as follows.

Council

Significant risks	Conclusion
Misstatements due to fraud or error	We did not identify any matters to report to the Audit Committee.
Incorrect capitalisation of revenue expenditure	We did not identify any matters to report to the Audit Committee.
Valuation of land and buildings	We determined that the valuation was materially stated but we did report a potential difference of £4.1m in the valuation of secondary schools. We have recommended that the Council consider the issues we reported as part of the 2020/21 valuation process.
Incorrect classification of the dedicated schools grant (DSG) deficit	The Council has classified the DSG deficit in line with accounting requirements. Like other councils with a DSG deficit, the Council has a deficit recovery plan which aims to manage the deficit position.

Other audit risks on the Council audit

Pension liability - The Council's pension liabilities were appropriately disclosed in the accounts. The Council did amend the liability for the impact of one of the national issues (McCloud) but did not for the Goodwin ruling on the basis that the estimated difference was not material in 2019/20.

Going concern - the Council has assessed the impact of Covid-19 on its income, expenditure, cash and reserves position into 2020/21 and 2021/22 and made an appropriate disclosure in the statements.

Financial Statement Audit (cont'd)

Key Issues

Pension Fund

Significant risks	Conclusion
Risk of Management Override: Posting of investment journals	We did not identify any matters to report to the Audit Committee.
Valuation of investments	<p>Covid-19 had an impact on the valuation of some investments such that the Fund reclassified £165m of pooled property investments from level 2 (where some relevant, reliable market evidence would be available) to level 3 (where such information was more difficult to obtain).</p> <p>The information that the Fund used to support the valuation of the pooled property, included valuation reports where the valuer had included a material uncertainty caveat on valuations at the 31 March 2020 due to the impact of Covid-19. As a result and given the significant value of such assets to the Fund, we included a paragraph in the Pension Fund audit opinion, emphasising the Fund's disclosure of the material uncertainty caveat.</p>

Other audit risks on the Pension Fund audit

Going concern – the Pension Fund has assessed the impact of Covid-19 on its cash and asset position into 2020/21 and 2021/22 and made an appropriate disclosure in the statements.

Post balance sheet events – The Pension Fund has made an appropriate disclosure in the statements.

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>LB Hillingdon: We determined planning materiality to be 1.8% of Gross Expenditure on provision of services and performance materiality at 75% of planning materiality.</p> <p>Hillingdon Pension Fund: Our planning materiality represents 1% of the prior year's net assets, consistent year on year. Performance materiality represents 75% of planning materiality.</p>
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of 5%.

Materiality	LBH	HPF
Planning	£14.827m	£9.92m
Performance	£11.121m	£7.44m
Reporting	£0.649m	£0.496m

Section 4

Value for Money



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:

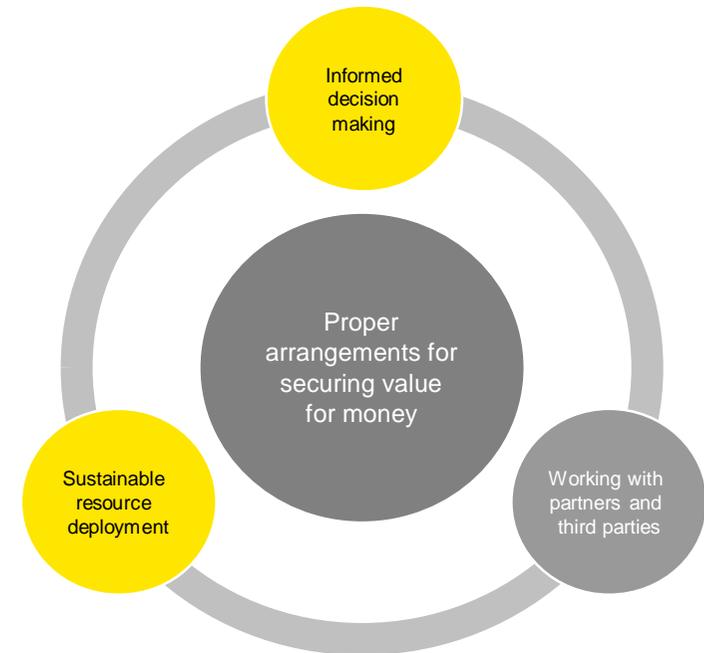
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider LG bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We identified one significant risk in relation to the arrangements the Council had in place to manage the financial challenges outlined in its Medium term financial strategy.

We reported in detail as part of the Audit Results Report and do not repeat our findings here.

We performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



A woman with blonde hair, wearing a dark blazer, is leaning forward with her chin resting on her hand, looking intently at a document on a wooden conference table. Other people in business attire are visible around the table, some with their hands on the table, suggesting a collaborative meeting environment. The background is softly blurred, showing a bright, modern office space with large windows and greenery.

Section 5

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 have substantially completed this work subject to receiving the revised version of the consolidation pack. This has been delayed due to a national IT issue. HM Treasury are working on a fix, which once applied will enable us to conclude this work and report to the National Audit Office.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We had no matters to report.

Report in the Public Interest

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 did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 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 did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

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

We communicated our assessment of independence in our Audit Results Reports to the Audit Committee on 24 November 2020. 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 of the 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.

Section 6

Focused on your future



Focused on your future

The NAO has a new Code of Audit Practice for 2020/21. The impact on the Council is summarised in the table below.

Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Continued

Focused on your future

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

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
IFRS 16 Leases	<p>It was proposed that IFRS 16 (Leases) would be applicable for local authority accounts from the 2021/22 financial year, deferred a year due to the impact of Covid-19.</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>However in response to the ongoing pandemic and its pressures on council finance teams, CIPFA announced that the implementation will be deferred until the 2022-23 financial year.</p> <p>CIPFA has indicated that the deferral is limited to one year only and that there is no intention to grant any further extensions based on a lack of preparedness.</p>	<p>There are transitional arrangements within the standard and It is assumed this will be reflected in the 2021/22 Accounting Code of Practice for Local Authorities when published. 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>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>

Section 8

Audit Fees

Audit Fees

Fees

Following communications to the Audit Committee on the changes and challenges impacting the audit profession, in May 2020 we communicated to the Corporate Director of Finance our view of the inadequacy of the current scale fee to enable us to deliver a quality audit in accordance with the NAO Code. In our view the scale fee should be increased by £82,728 for the Council and £28,290 for the Pension Fund and we provided details supporting our rationale. At the same time we opened dialogue with PSAA on our view of scale fees nationally and shared with them proposed revisions for all our local government audited bodies. We include our proposed increase to the scale fee in the tables below. We remain in dialogue with PSAA over the scale fees. We include our proposed revision to the scale fee in the tables below.

In addition, in the Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. We have now quantified the proposed fee. We have shared with the Corporate Director of Finance supporting details and now agreed the additional fees. We will now seek approval from PSAA.

London Borough of Hillingdon Fee:

*We have listed below separately the specific additional costs in 2019/20. We have also included the proposed overall increase to the scale fee separately. The proposed increase to the scale fee would cover some of these one off additional costs and therefore these would not be double counted.

	Final fee 2019/20 (£)	Planned fee 2019/20 (£)	Final Fee 2018/19 (£)
Scale Fee – Code work	121,096	121,096	121,096
Additional work:			
• Property valuations including RICS related material uncertainty	8,005	-	6,995
• IFRS 9	-	-	1,275
• Correspondence from a member of the public	-	-	1,758
• Pension changes	5,825	-	-
• VFMC significant risk	5,075	-	-
• Going concern assessment and disclosure	4,754	-	-
• EY consultation on auditor’s report on the statements involving EY professional practice directorate to ensure the auditor’s report is appropriate.	2,968	-	-
• Covid-19 related inefficiencies	4,590	-	-
Total current scale and additional fees	152,313	TBC	131,124
Proposed increase to the scale fee	82,728*	-	-

Audit Fees (contd.)

Hillingdon Pension Fund – We have provided details to support each area of additional work and now agreed the additional fees with the Corporate Director of Finance. We will now seek approval from PSAA, except for * which is outside of the PSAA fee regime.

	Final fee 2019/20	Planned fee 2019/20	Final Fee 2018/19
	£	£	£
Scale Fee – Code work	16,170	16,170	16,170
Additional work and associated fees:			
IAS 19 Assurance Work & Triennial Review procedures*	9,000	5,000-9,000	-
Significant risk on investments	1,742	-	1,265
Restated membership numbers	894	-	-
Going concern and PBSE assessments and disclosures including EY consultations	5,500	-	-
Total scale and additional fees	33,306	TBC	17,435
Proposed revision to scale fee	28,290		

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AUDIT COMMITTEE - Internal Audit Progress Report for 2020/21 Quarter 3 (including the Quarter 4 IA Plan)

Committee name	Audit Committee
Officer reporting	Sarah Hydrie, Head of Internal Audit & Risk Assurance
Papers with report	Internal Audit Progress Report for 2020/21 Quarter 3 (including the Internal Audit Plan for Quarter 4)
Ward	All

HEADLINES

The attached report presents the Audit Committee with summary information on all Internal Audit (IA) work covered in 2020/21 Quarter 3, 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 to 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 4 which has been produced in consultation with senior managers and outlines the planned programme of IA work due to commence in the January to March period.

RECOMMENDATIONS:

That the Audit Committee:

1. **Notes the IA Progress Report for 2020/21 Quarter 3 and considers the Quarter 4 IA Plan and, subject to any further minor amendments, approves it; and**
2. **Ensures that the coverage, performance and results of the Business Assurance IA activity in quarters 1, 2 and 3 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 4 IA Plan.

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BUSINESS ASSURANCE

Internal Audit Progress Report to Audit Committee:

2020/21 Quarter 3

(including the 2020/21 Quarter 4 Internal Audit Plan)

4th January 2021



HILLINGDON
LONDON

www.hillingdon.gov.uk

Contents

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1. Introduction

1.1 The Role of Internal Audit

1.1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, 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

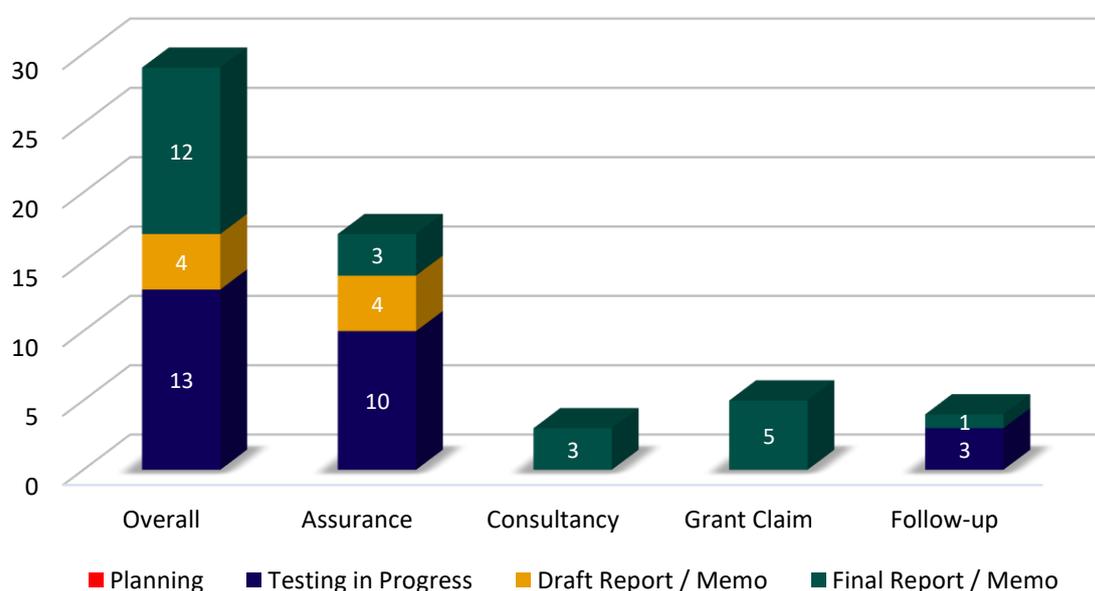
1.2.1 This progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all IA work for Quarter 3 (1st October to 31st December 2020). In addition, it provides an opportunity for the Council's Head of Internal Audit & Risk Assurance (HIA), to highlight any significant issues which have arisen from IA work in Quarter 3. It also highlights to CMT, the Audit Committee and other IA stakeholders the revisions to the Quarter 3 IA plan since its approval (refer to [Appendix B](#)).

1.2.2 A key feature of this report is the inclusion of the Quarter 4 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 4 period (1st January to 31st March 2021).

2. Executive Summary

2.1 Since the last IA Progress Report to CMT and the Audit Committee dated 1st October 2020 **4 assurance reviews** (including **1 follow-up**) have concluded, a further **4 assurance reviews** are at draft report stage, **10 assurance reviews** are in progress and **2 grant claims** have been certified. The teams progress against this year's programme of IA work for 2020/21, is depicted in [Chart 1](#) below:

Chart 1 - 2020/21 IA Work Undertaken to Date

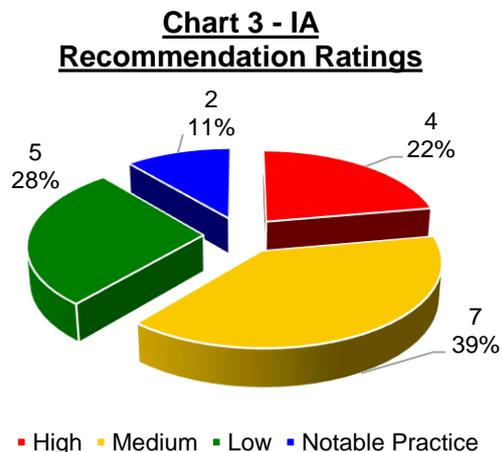
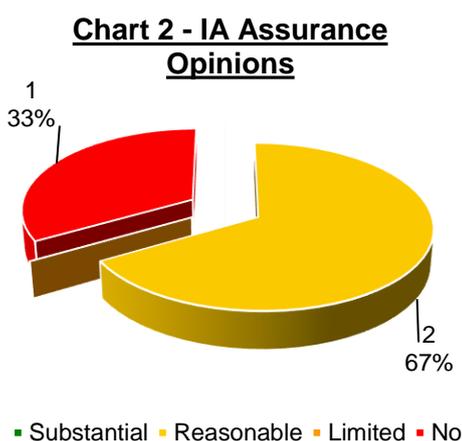


- 2.2 Work is now underway on all Quarter 3 planned work (refer to **Appendix A**). Progress has been good this quarter as the IA team have been working hard to return to business as usual following the major operational disruption caused by the Covid-19 pandemic. Further, our recruitment exercise has concluded successfully with strong candidates appointed to all vacant posts. This will help the team meet their strategic objectives including providing increased assurance coverage to our stakeholders.
- 2.3 Key assurance review finalised in this period include **Tree Inspections** which received **NO** assurance, **Starting and Terminating a Tenancy** and **Property Acquisitions – Payment Process** both of which received **REASONABLE** assurance opinions respectively over the management of key risks.
- 2.4 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.
- 2.5 The way in which follow-up work is carried out by the IA team was updated in Quarter 2 and the revised process was presented and approved by the Audit Committee at its meeting on 24th November 2020. Due to the process changes being agreed in late November progress with this work at 31st December was limited. As a result, a detailed breakdown of our work in this area will be presented to CMT and the Audit Committee next quarter.
- 2.6 In terms of the Quarter 3 IA operational plan, there has been one amendment and one deferral to the 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 3

- 3.1.1 During this quarter, **4** assurance reviews (including **1** follow-up) have been completed to final report stage, **4** assurance reviews are at draft report stage, with a further **10** at 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:



3.1.3 This quarter the **Tree Inspections** review was awarded a **NO** assurance opinion where **4 HIGH** and **7 MEDIUM** risk recommendations were raised (refer to **Appendix A**). This review was commissioned by senior management who had concerns regarding inspections, maintenance and record keeping. IA found that these risks existed and also that the process for tree inspections was more reactive than proactive. Recommendations have been raised to build a strategy in this area so that the aforementioned risks are minimised and/ or eliminated. Positive action has been proposed by management to address all the **HIGH** and **MEDIUM** risk recommendations raised.

3.2 Consultancy Work in Quarter 3

3.2.1 No consultancy work took place this quarter, which is in line with our strategy to provide high challenge and high support by focusing IA resource on assurance reviews this year.

3.3 Grant Claim Verification Work in Quarter 3

3.3.1 During this quarter, IA has also assisted the Council in certifying **2** grant claims. As detailed at **Appendix A**, IA continues to carry out verification work on the **Troubled Families (TFs) Grant** as well as completing work on the **Disabled Facilities Grant (DFG)**.

3.3.2 As detailed at **Appendix A** the planned quarterly verification work on the **TFs Grant** progressed this quarter. IA tested a sample of TFs that have been identified as being 'turned around' by the Council's TFs Team. At the conclusion of our work we issued two IA memos in November 2020, covering the October and November period; the total number of families confirmed as 'turned around' by the Council in Quarter 3 was **115**.

3.3.3 The **DFG** provides a framework for local authorities to provide mandatory grants for housing adaptations for disabled people to enable them to live independently in their own homes. Our DFG certification work confirmed the expenditure incurred was in compliance with the grant conditions. As a result of our testing, we are pleased to state that the grant claim to the Ministry for Housing, Communities and Local Government (MHCLG) was signed off by the Chief Internal Auditor, prior to the 31st October deadline, with an unqualified opinion.

3.4 Follow-up of Previous Internal Audit Recommendations

3.4.1 Following Audit Committee's decision in November for greater assurance in this area of IA activity, it was agreed that IA will actively follow-up on all **HIGH** risk recommendations **within 2 weeks** after their implementation date and **MEDIUM** risks **within 4 weeks** after their implementation date. As a result, IA is amending this process so that the functionality to revise implementation dates is removed for risk owners and instead all requests for implementation extensions will go to the HIA for consideration. The HIA will then, in consultation with the relevant CMT Director, agree the most appropriate course of action.

3.4.2 The Quarter 4 IA Progress Report will include a table listing the numbers of **HIGH** and **MEDIUM** risk IA recommendations that have passed their implementation date and detail their current status. We will also **highlight the number of recommendations that have not been actioned in the agreed timescales** (where an extension has not been agreed) and provide the management explanation for that and the risk the Council is consequently still exposed to.

3.5 Other Internal Audit Work in Quarter 3

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 following the global Coronavirus pandemic and the risk this still places on the Authority. Over the last quarter we have undertaken our risk-based planning meetings, alongside operational and corporate risk register discussions due to the synergies between these two functions.

3.5.2 In October 2020, Hackney Council reported a serious cyber-attack which impacted on its services including planning applications, ordering and reporting (for e.g. noise nuisance, anti-social behaviour and waste collections) and payments. At the time of this progress report the matter was still under investigation. As a result of this news, IA liaised with the Head of ICT, who informed us that a review of IT security controls had been conducted, reported to CMT and no immediate concerns were found. ICT’s risk management process and continued IA reviews will help manage risks and provide independent assurance in this area.

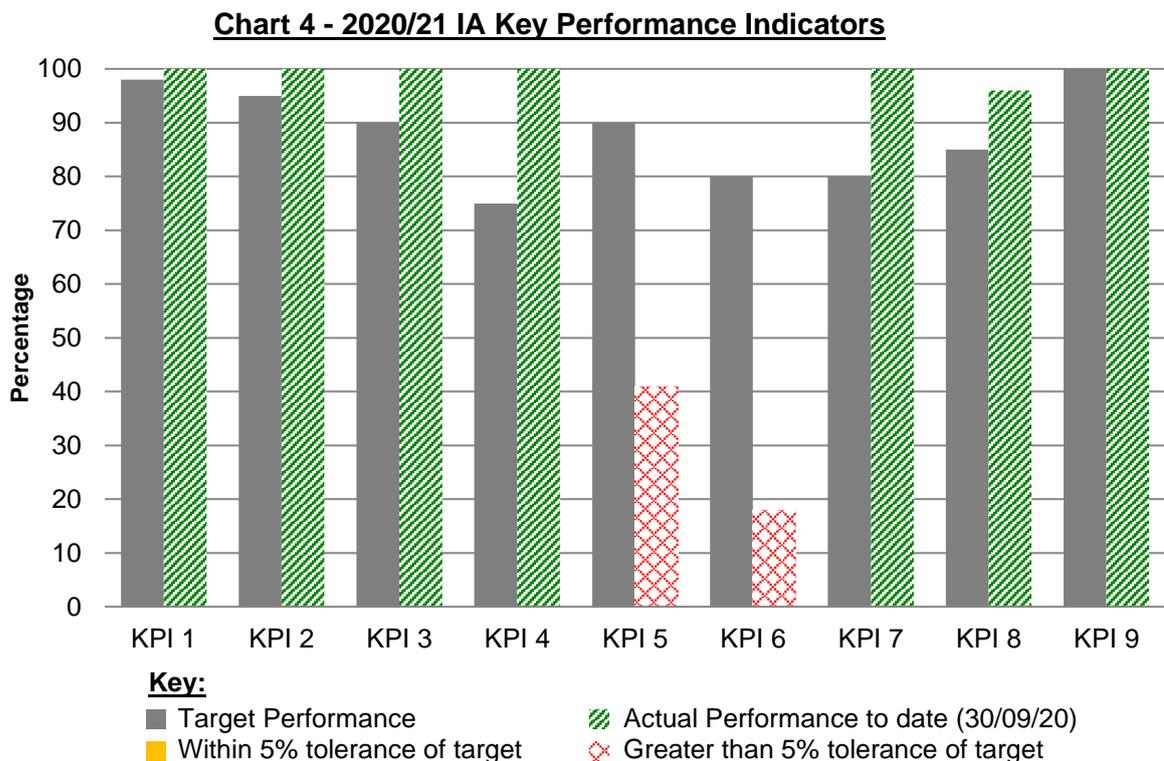
3.5.3 We have produced the detailed operational IA plan for Quarter 4 of 2020/21 (refer to **Appendix C**) in consultation with management. This quarterly planning cycle helps ensure that IA resources are directed in a more flexible, risk-based and targeted manner, maximising resources as well as benefiting our stakeholders.

4. Analysis of Internal Audit Performance

4.1 IA Key Performance Indicators

4.1.1 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 (as detailed at **Appendix D**), are meaningful and provide challenge to the service. They measure the quality, efficiency and effectiveness of the IA service and thus assist us in providing an added value assurance and consulting service to our range of stakeholders.

4.1.2 Cumulative performance against the KPIs in the 1st April to 31st December 2020 period is summarised below:



4.1.3 The following KPIs are below our performance target. They are:

- **KPI 5** shows that 7 assurance reviews (out of 17) have reached draft report stage as at 31st December 2020 which accounts for **41%** of work undertaken in Quarters 1 to 3 compared to the **90% target**; and
- **KPI 6** shows that 3 assurance reviews (out of 17) have reached final report stage at 31st December 2020 which accounts for **18%** of work undertaken in Quarters 1 to 3 compared to the **80% target**.

- 4.1.4 The drop in our performance is primarily due to the lack of IA work that was undertaken in Quarter 1 due to the Coronavirus. However, this drop in team performance against these two KPIs was anticipated and the HIA is confident that the IA KPIs performance will be back on track now that IA has returned to focussing on delivery of the IA Plan.

5. Forward Look

- 5.1 Looking ahead to Quarter 4, the **Coronavirus pandemic** continues to have a major impact globally and locally. As a result, Council services have had to adapt or in some cases radically change the way they operate. The consequences of this are significant changes to the Council's control environment including working to new processes and policies that are no longer practical or relevant and working remotely. It is against this backdrop that IA continues to revisit its **Audit Needs Analysis** which informed the Quarter 4 IA Plan attached at **Appendix C**.
- 5.2 Following a successful recruitment campaign, we will be welcoming **new IA staff** to the team in Quarter 4. These officers include a mixture of Senior and Internal Auditors recruited internally and externally. They will bring with them a stronger skills-mix which will allow the IA team to deliver more complex IA assurance work required in a timely manner, as well as the more robust process for follow-up of previous IA recommendations. The induction of new staff will be challenging against the backdrop of Covid-19 as non-essential staff are required to work remotely during lockdown. IA management have anticipated this and are planning an induction programme accordingly.
- 5.3 IA would like to take this opportunity to formally thank all staff throughout the Council with whom it had contact during Quarter 3, particularly during these challenging times. 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

4th January 2021

APPENDIX A**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2020/21**

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

2020/21 IA Assurance Reviews:

IA Ref.	IA Review Area	Status as at 31 st December 2020	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
20-A2	Tree Inspections	Final report issued on 23 rd Oct 2020	No	4	3	1	0	✓
20-A1	Starting and Terminating a Tenancy	Final report issued on 5 th Oct 2020	Reasonable	0	3	2	2	✓
20-A5	Property Acquisitions – Payment Process	Final report issued on 23 rd Nov 2020	Reasonable	0	1	2	0	✓
20-A21	Children and Young People’s Service Pathway Plans	Draft report issued on 16 th Dec 2020						
20-A6	Estates – Lease Management	Draft report issued on 21 st Dec 2020						
20-A13	Reunification	Draft report issued on 22 nd Dec 2020						
20-A7	Remote Working	Draft report issued on 24 th Dec 2020						
20-A3	Cemeteries – Bereavement Service and Ground Maintenance	Draft report in progress						
20-A4	Homelessness	Draft report in progress						
20-A8	Covid-19 Emergency Assistance Grant	Testing in progress						
20-A10	Multi Agency Response to Risk	Testing in progress						
20-A11	Music Service – Invoicing and Debt Collection	Testing in progress						
20-A12	Education, Health & Care Plans and Local Offer	Testing in progress						
20-A14	Flooding – Lessons Learned	Testing in progress						

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2020/21****2020/21 IA Assurance Reviews:**

IA Ref.	IA Review Area	Status as at 31 st December 2020	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
20-A15	Thematic Review of Purchasing and Payments in Schools	Testing in progress						
20-A16	Treasury Management	Testing in progress						
20-A22	Former Tenant Arrears	Testing in progress						
Total Number of IA Recommendations Raised				4	7	5	2	
Total % of IA Recommendations Raised				22%	39%	28%	11%	

APPENDIX A (cont'd)**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2020/21****2020/21 IA Follow-Up Reviews:**

IA Ref.	IA Follow-Up Review Area	Status as at 31 st December 2020	Recommendations					CFQ Received?
			Implemented	Partly Implemented	Not Implemented	+N/A	Total	
20-A19	Payment Process in New Years Green Lane	Memo issued on 10 th Dec 2020	7	3	1		11	✓
20-A17	Follow-up of implemented recommendations	Testing in progress						
20-A18	Early Years Centres	Testing in progress						
20-A20	Cyber Incident Management	Testing in progress						

+ IA follow-up work has concluded this recommendation is no longer applicable

2020/21 IA Consultancy Reviews:

IA Ref.	IA Review Area	Status as at 31 st December 2020	CFQ Received?
20-C2	Business Energy and Industrial Strategy – Fraud Risk Assessment	Advisory work concluded in Q1	N/A
20-C1	Xychro Solutions Limited	Memo issued on 19 th August 2020	✓
20-C3	Benefits Performance Indicators	Memo issued on 23 rd September 2020	✓

2020/21 IA Grant Claim Verification Reviews:

IA Ref.	IA Review Area	Status as at 31 st December 2020
20-GC2	Troubled Families Grant - Quarter 2	Certified, memos issued on 29 th Jul, 26 th Aug and 24 th Sep 2020
20-GC1	2019/20 Housing Benefit Subsidy Grant	Certified and memo issued on 21 st August 2020
20-GC3	Bus Service Operators Grant	Certified and memo issued on 1 st October 2020
20-GC5	2019/20 Disabled Facilities Capital Grant	Certified and memo issued on 30 th October 2020
20-GC4	Troubled Families Grant - Quarter 3	Certified, memos issued on 13 th Nov and 25 th Nov 2020

APPENDIX B**REVISIONS TO THE 2020/21 INTERNAL AUDIT PLAN ~ QUARTER 3****AMENDMENTS to the 2020/21 Operational IA Plan for Quarter 3:**

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
20-A8	Covid-19 Emergency Assistance Grant	Assurance	HIGH	Mike Talbot Director Corporate Resources & Services	In the 'Quarters 1 & 2 IA Progress Report' this review was originally entitled 'Covid-19 Equality Duty'. During the IA planning meeting with the Director, the scope of the audit was amended because the Assistance Grant proved to be a higher risk to the Council than Equality Duty work. As a result, the title and scope of this audit has been revised. The Terms of Reference for this review was agreed on the 23 rd December 2020 and testing is now underway.

IA work DEFERRED from the 2020/21 Operational IA Plan for Quarter 3:

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
20-A9	IT Governance	Assurance	HIGH	Perry Scott Director of Infrastructure, Procurement, Business Improvement, Communications, Waste Services & ICT	<p>The Head of ICT and the Director of Infrastructure, Procurement, Business Improvement, Communications, Waste Services & ICT requested that this review be deferred to Quarter 4. This is because the ICT team are working on several high-profile projects in Quarter 3 which are demanding their time. This work includes:</p> <ul style="list-style-type: none"> • Migration from Google to Microsoft and roll out of MS Office 365, Windows 10 and distribution of new devices to 2,800 users; • Migration of all shared files and Google files to MS Teams and SharePoint; • Move of VPN infrastructure to MS Azure; and • Public Services Network compliance audit being carried out in December 2020. <p>To accommodate the team and because other assurance and follow-up work is also underway in ICT, IA have agreed to commence this work in Quarter 4.</p>

APPENDIX C**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2020/21 ~ QUARTER 4****IA work scheduled to commence in the 1st January to 31st March 2021 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
20-A23	Information Sharing - Adult Social Care	Assurance	HIGH	Tony Zaman Corporate Director, Social Care	The increasing emphasis on developing multi-agency integrated services in the public sector has highlighted the complexities involved in integrated working between organisations. IA aims to provide assurance that Adult Social Care has adequate information sharing protocols and processes in place, specifically in relation to financial assessment and support planning. The review will include practices in Social Care Direct, Brokerage and Finance and sharing agreements in place with care home providers, agencies and third parties.
20-A24	Housing Applications	Assurance	HIGH	Dan Kennedy Director of Housing, Environment, Education, Performance, Health & Wellbeing	The Council is responsible for carrying out a series of checks on every housing application prior to them being placed on the Housing Register. Housing applications are currently processed online and supporting documentation is submitted via post or in person, which may delay the assessment and allocation process affecting those with a high housing need. This audit will review compliance with the Council's policies and evaluate whether effective controls have been established and have been operating effectively throughout the review period.
20-A25	Anti-Social Behaviour and Environment Team (ASBET) Case Management	Assurance	HIGH	Dan Kennedy Director of Housing, Environment, Education, Performance, Health & Wellbeing	Anti-Social Behaviour (ASB) covers a wide range of incidents and is dealt with by several different agencies. Effective ASB case work underpins all activity aimed at reducing ASB, starting at the point of contact. IA will provide assurance that there are adequate procedures in place to identify, manage and resolve cases of ASB.
20-A26	Building Control	Assurance	HIGH	Perry Scott Director of Infrastructure, Procurement, Business Improvement, Communications, Waste Services & ICT	Following the tragic Grenfell Tower fire, the Communities Secretary announced an independent review of Building Regulations and Fire Safety. The review focussed specifically on issues related to high-rise residential buildings. The final report set out more than 50 recommendations for government on how to deliver a more robust regulatory system. This IA review will assess the Councils compliance with the new Building Regulations following the Hackitt Review.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2020/21 ~ QUARTER 4****IA work scheduled to commence in the 1st January to 31st March 2021 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
20-A27	Ofsted Readiness	Assurance	HIGH	Tony Zaman Corporate Director, Social Care	An Ofsted inspection provides an independent assessment of the quality of Children's Social Care provision. Regulation determines whether providers are fit to deliver services, and an enforcement action is taken against those that do not pass their Ofsted inspection. In preparation for the next inspection, which is anticipated to take place in Quarter 1 2021/22, IA will provide assurance on the readiness of the Service for an Ofsted inspection as well as demonstrating the Council's commitment to high standards of practice, management and leadership in the safeguarding of children and young people.
20-A28	Governance and Financial Management in Schools	Assurance	MEDIUM	Dan Kennedy Director of Housing, Environment, Education, Performance, Health & Wellbeing	The Schools Financial Value Standard (SFVS) was introduced by the Department for Education in September 2011. Governing bodies have formal responsibility for the financial management of their schools; therefore, this IA review will assess controls in place to ensure compliance with the SFVS and Council policy. IA will review the promotion of good governance, safeguarding of assets, financial monitoring and planning and assess what anti-fraud measures in place.
20-A29	Planning	Assurance	MEDIUM	Perry Scott Director of Infrastructure, Procurement, Business Improvement, Communications, Waste Services & ICT	For 10 years most minor planning applications received by the Council have been processed by TerraQuest. However, the Council's 10-year contract with TerraQuest is due to expire in May 2021 with a view to bring the planning services in-house. IA will assess the end-to-end processes undertaken by the Planning Team to ensure smooth transition of the service.
20-A30	Review of the Effectiveness of the Audit Committee	Assurance	MEDIUM	Mike Talbot Director Corporate Resources & Services	An effective and independent AC is a key element in the Council's corporate governance and risk management framework. An effective AC leads to improved internal control, risk management and financial reporting. It provides a forum for discussing key issues raised by IA and External Audit, working independently to provide assurance to the Council.

APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2020/21 ~ QUARTER 4****IA work scheduled to commence in the 1st January to 31st March 2021 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
20-A31	Exclusions or Education Cases for Vulnerable Young People	Assurance	MEDIUM	Dan Kennedy Director of Housing, Environment, Education, Performance, Health & Wellbeing	Local Authorities are responsible for arranging suitable education for permanently excluded pupils and for pupils who, because of illness or other reasons, would not receive suitable education without such arrangements being made. Local Authorities establish and maintain schools, or units, for educating pupils who cannot be educated in mainstream or special schools, which are referred to as Pupil Referral Units. This audit will focus on the processes in place for alternative school provision for permanently excluded pupils and evaluate the controls in place to educate these vulnerable young people.
20-A32	Queens Walk Resource Centre	Assurance	MEDIUM	Tony Zaman Corporate Director, Social Care	Queens Walk Resource Centre is a state-of-the-art facility offering a range of service from music therapy to interactive gaming for people with severe learning disabilities and complex needs. However, management have become aware that the Centre may have capacity for income generation in addition to the services provided by Adult Social Care. This review will provide assurance over the utilisation, use of space, staffing ratios for activities and the range of sessions and options available at the Centre.
20-C4	Mayor's Charity Accounts 2020/21	Consultancy	LOW	Paul Whaymand Corporate Director of Finance	The Mayor's Charity has been registered as a charitable trust in November 2015 and therefore is required to comply and operate within Charity Commission guidelines. The Council is currently preparing the accounts for the Mayor's Charity and IA has been asked to assist as part of this process. These accounts do not form part of the Council's finances so there would be no conflict in undertaking this review.
20-C5	Stores Stock Check 2020/21	Consultancy	LOW	Mike Talbot Director Corporate Resources & Services	IA provides independent oversight and verification of the 2020/21 year-end stock check performed at the end of March at Harlington Road Depot (HRD). This work is tentative and is dependent on national lockdown restrictions due to Covid-19. If lockdown is in place this work will be rescheduled.

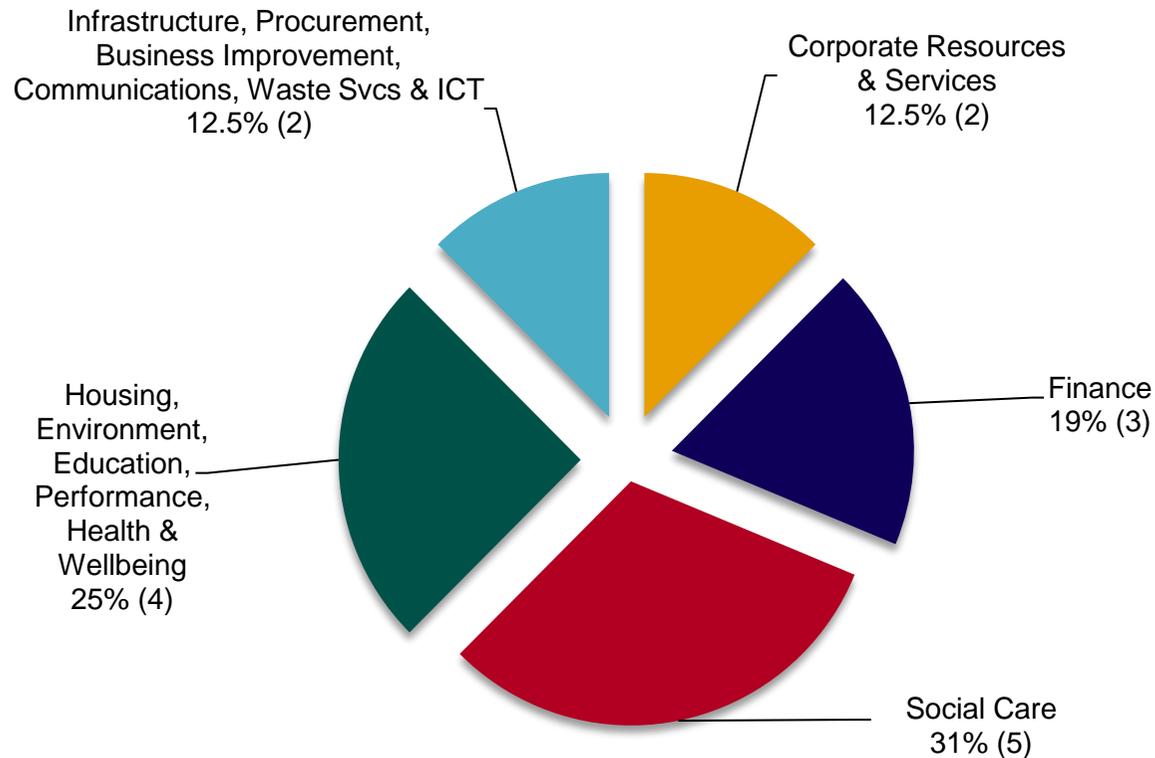
APPENDIX C (cont'd)**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2020/21 ~ QUARTER 4****IA work scheduled to commence in the 1st January to 31st March 2021 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
20-GC6	Troubled Families (TF) Grant - Quarter 4	Grant Claim	N/A	Tony Zaman Corporate Director, 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'.
20-GC7	Public Health England Capital Funding for Alcohol Treatment 2020/21	Grant Claim	N/A	Tony Zaman Corporate Director, Social Care	The Council was awarded £69,660 by Public Health England to assist with the welfare pathway for 'Street Homeless Dependent Drinkers'. The HIA and the CEO are required to certify the conditions of the grant have been complied with by March 2021.
20-GC8	Emergency Active Travel Fund Capital Grant 2020/21	Grant Claim	N/A	Paul Whaymand Corporate Director of Finance	The Council was awarded £100,000 by the Department for Transport to assist with the creation of an environment that is safe for both walking and cycling in our borough. The HIA and the CEO are required to certify the conditions of the grant have been complied with by March 2021.
20-GC9	Local Authority Covid-19 Test and Trace Service Support Grant 2020/21	Grant Claim	N/A	Paul Whaymand Corporate Director of Finance	The Council was awarded c£1.6m by the Department of Health and Social Care to support local authorities toward expenditure incurred lawfully or to be incurred in relation to the mitigation against and management of local outbreaks of Covid-19. The HIA and the CEO are required to certify the conditions of the grant have been complied with.

APPENDIX C (cont'd)

DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2020/21 ~ QUARTER 4 (cont'd)

IA work scheduled to commence in the 1st January to 31st March 2021 period – Analysis by Corporate Director:



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- 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 Performance	RAG Status
KPI 1	2020/21 HIGH risk IA recommendations where positive management action is proposed	98%	100%	GREEN
KPI 2	2020/21 MEDIUM risk IA recommendations where positive management action is proposed	95%	100%	GREEN
KPI 3	2020/21 HIGH risk IA recommendations where management action is taken within agreed timescale	90%	100%	GREEN
KPI 4	2020/21 MEDIUM risk IA recommendations where management action is taken within agreed timescale	75%	100%	GREEN
KPI 5	Percentage of annual (Q1 to Q4) IA Plan delivered to draft report stage by 31 st March	90%	*41%	RED
KPI 6	Percentage of annual (Q1 to Q4) IA Plan delivered to final report stage by 31 st March	80%	*18%	RED
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%	96%	GREEN
KPI 9	IA work fully compliant with the UK PSIAS and IIA Code of Ethics	100%	100%	GREEN

Key for above:

- CFQs = Client Feedback Questionnaires.
- PSIAS = Public Sector Internal Audit Standards.
- IIA = Chartered Institute of Internal Auditors (UK).

Key for 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
- * = actual performance as at 31st December 2020

APPENDIX E**INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS**

ASSURANCE LEVEL	DEFINITION
SUBSTANTIAL	There is a good level of assurance over the management of the key risks to the Council objectives. The control environment is robust with no major weaknesses in design or operation. There is positive assurance that objectives will be achieved.
REASONABLE	There is a reasonable level of assurance over the management of the key risks to the Council objectives. The control environment is in need of some improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains some risk that objectives will not be achieved.
LIMITED	There is a limited level of assurance over the management of the key risks to the Council objectives. The control environment has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a significant risk that objectives will not be achieved.
NO	There is no assurance to be derived from the management of key risks to the Council objectives. There is an absence of several key elements of the control environment in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite and the residual risk to objectives. There is a high risk that objectives will not be achieved.

1. **Control Environment:** The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
 - establishing and monitoring the achievement of the authority's objectives;
 - the facilitation of policy and decision-making;
 - ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
 - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
 - the financial management of the authority and the reporting of financial management; and
 - the performance management of the authority and the reporting of performance management.
2. **Risk Appetite:** The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.
3. **Residual Risk:** The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

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

RISK	DEFINITION
<p style="text-align: center;">HIGH ●</p>	<p>The recommendation relates to a significant threat or opportunity that impacts the Council's corporate objectives. The action required is to mitigate a substantial risk to the Council. In particular it has an impact on the Council's reputation, statutory compliance, finances or key corporate objectives. The risk requires senior management attention.</p>
<p style="text-align: center;">MEDIUM ●</p>	<p>The recommendation relates to a potentially significant threat or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the Council. In particular an adverse impact on the Department's reputation, adherence to Council policy, the departmental budget or service plan objectives. The risk requires management attention.</p>
<p style="text-align: center;">LOW ●</p>	<p>The recommendation relates to a minor threat or opportunity that impacts on operational objectives. The action required is to mitigate a minor risk to the Council as a whole. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives. The risk may be tolerable in the medium term.</p>
<p style="text-align: center;">NOTABLE PRACTICE ●</p>	<p>The activity reflects current best management practice or is an innovative response to the management of risk within the Council. The practice should be shared with others.</p>

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AUDIT COMMITTEE - 2020/21 Quarter 3 Counter Fraud Progress Report

Committee name	Audit Committee
Officer reporting	Muir Laurie, Deputy Director, Exchequer Services and Business Assurance
Papers with report	2020/21 Quarter 3 Counter Fraud Progress Report
Ward	All

HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2020/21 Quarter 3 and assurance in this respect. It also provides an opportunity for the Deputy Director, Exchequer Services and Business Assurance 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, Exchequer Services and Business Assurance 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 2020/21 Quarter 3; and**
- 2. Suggests any comments/amendments.**

SUPPORTING INFORMATION

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

BACKGROUND PAPERS

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

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BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee:

2020/21 Quarter 3

4th January 2021



Contents

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

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1. Introduction

1.1 The Role of the Business Assurance Counter Fraud Team

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

1.2 The Purpose of the Counter Fraud Progress Report

- 1.2.1 The Counter Fraud Progress Report provides the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all counter fraud work carried out during the Quarter 3 period (1st October to 31st December 2020). In addition, it provides an opportunity for the Head of Counter Fraud (HCF) and the Deputy Director of Exchequer Services & Business Assurance (DDESBA) to highlight any significant issues arising from the counter fraud work in Quarter 3.
- 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 HCF and DDEBA to be held to account in this respect.

2. Executive Summary

- 2.1 During Quarter 3, the BACFT returned to full operations across all counter fraud activity, leading to an **improvement in performance** and **loss prevention savings of £413,251** for the quarter across all areas of work. This brings the total counter fraud loss prevention savings achieved by the BACFT for the 9 month period to **£741,283**, which is a significant step towards meeting the team's financial savings target for the full year of £1m.
- 2.2 The DDESBA can report that as of the start of Quarter 3 the **new BACFT structure has been implemented** with the three new sub-teams: The **Housing Investigations Unit**, **Revenues Investigations Unit** and the **Special Investigations Unit**. Each team is led by an experienced and professionally qualified Counter Fraud Manager and creates a stronger skills-mix within the BACFT together with efficiencies in case handling. This allows the service to better adapt to emerging and critical fraud risks from the pandemic.
- 2.3 Following the introduction of further national Covid-19 related restrictions in November, the government announced **new financial support measures for businesses** in the form of grants schemes, which are paid based on local tier level and which are industry specific. Since their introduction the BACFT has provided **pre and post assurance checks** for all grants being administered, which will continue for the foreseeable future. This provides vital assurance that public funds are being used appropriately and **mitigates the risk of fraud** within these schemes. The BACFT, along with colleagues in Exchequer Services, complete a **monthly report to the Cabinet Office** on the progress of the scheme and assurance over fraud risks provided by counter fraud activity.
- 2.4 In Quarter 3 the BACFT has achieved **the recovery of 5 housing properties**, bringing the **total properties recovered** for 2020/21 to **11**. The team has also successfully prevented **one wrongful Right to Buy application** and **one case of fraudulent sub-letting is currently being taken forward for criminal prosecution**.

- 2.5 Project work covering the area of **Beds in Sheds** has been successfully carried out in Quarter 3, using a range of data, including internal Planning and Revenues information, to identify potential unregistered residential dwellings. This quarter the team found a total of **12 dwellings** which will now be charged Council Tax. This brings the **total number of beds in sheds identified by the BACFT brought into rates for this year to 20**. It also provides assurance to the Council that the issue of unregistered residential buildings within the borough is being appropriately addressed.
- 2.6 Within the broad area of **Social Services**, the BACFT has significantly widened its approach and the scope of work carried out in Quarter 3. This is as a direct result of introducing the **Special Investigations Unit**, which has responsibility for helping management detect fraud in this area. This has had a significant positive impact on financial outcomes as a direct result, with **loss prevention savings totalling £130,635**, already an increase of **157%** on 19/20.
- 2.7 In the lead up to the festive period the BACFT carried out a **successful proactive Blue Badge fraud operation** looking at misuse within the Uxbridge town centre area. This led to a total of **20 badges that were seized** due to either expiry or suspected misuse. Those found to have been misusing a Blue Badge will be either issued with **an official caution and financial penalty or face criminal prosecution**. The BACFT will report on these outcomes in Quarter 4.
- 2.8 In Quarter 3 the BACFT received **138 new referrals** for investigation and, as at 31st of December, is **actively investigating 237* cases of suspected fraud**. 35% of these (84 cases) relate to Housing Fraud, with increased numbers of investigations within Exchequer Services (30% - 70 cases). The remaining cases are largely within the areas of Blue Badge, Social Services and Beds in Sheds.

** = Reported in the Q1 to Q2 2020 Counter Fraud Progress Report was that the team was carrying out 102 active investigations as at 30th September 2020. This figure has since been identified as excluding Housing investigations and therefore the revised figure is 193 active investigations as at 30th September.*

3. Analysis of Counter Fraud Activity in Quarter 3

3.1 Housing Fraud

- 3.1.1 The Covid-19 pandemic continues to create a pressure on the performance of the BACFT in combating housing fraud, in terms of carrying out effective investigations including interviewing those suspected of fraud and recovering properties. Despite this, **housing fraud continues to be the largest area of work for the BACFT**, with the largest allocation of investigative resource and successful outcomes in preventing and detecting fraud in this area in Quarter 3.
- 3.1.2 Provisions within the **Coronavirus Act 2020** have been extended requiring a **notice period for 'Notices of Seeking Possession' of 6 months** for all but 'serious cases'. This includes cases where a tenancy has been obtained by fraud but does not include cases of non-occupation and fraudulent sub-letting, which make up the majority of BACFT housing fraud cases. The courts continue to prioritise serious cases meaning the **BACFT is now pursuing the recovery of properties by other methods**. Whilst impacting on the ability to recover properties by legal action, it has in turn helped to avoid court proceedings and saved on legal costs and officer time.
- 3.1.3 Per **Table 1** over the page, in Quarter 3 the BACFT has successfully **recovered 5 Council properties**. There are **74** ongoing investigations into suspected tenancy fraud and the HIU is actively pursuing legal action on **6** of these cases. As already mentioned in this report, these types of investigations are significantly limited by the ongoing reduced court activity.

Table 1 ~ Housing Tenancy Fraud Cases

Housing Tenancy Fraud Cases	2020/21*		2019/20		2018/19	
	Cases	£k/value**	Cases	£k/value	Cases	£k/value
Total number of properties recovered	11	£198k	28	£504k	19	£342k
Total number of ongoing cases	74	£1.33m	-	-	-	-

* As at 31st December 2020.

** 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 large 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.

- 3.1.4 As mentioned para 3.1.2, there has been no successful recovery of any properties through the courts in Quarter 3. However, the BACFT were able to conduct more effective investigations prior to the implementation of tighter restrictions in November. A further government review is due in early January 2021 and the BACFT's ability to recover properties in Quarter 4 may be impacted further should tighter restrictions be introduced.
- 3.1.5 The BACFT Key Performance Indicator (KPI) 4 (refer **Table 4** in **Appendix A**) targets an outcome of a Council property to be recovered for 20% of tenancy fraud referrals received. **In Quarter 3 the team achieved 23%**, which is a positive result given the current environmental factors.
- 3.1.6 In addition to tenancy fraud work, the team conducts investigations into cases of suspected **fraudulent Right to Buy (RTB)** applications made under the statutory RTB scheme. This allows Council tenants to apply to buy their council property at a significant discount from its market value. The scheme operates under strict conditions that must be met by the applicant if they are to qualify for the discount. In Quarter 3, the BACFT has prevented **one fraudulent RTB application leading to loss prevention of £110,500**. Currently there are a further **8 cases of suspected RTB fraud** being investigated by the BACFT.
- 3.1.7 During Quarter 3, the BACFT conducted a **proactive tenancy fraud project** which involved residency checks for social housing properties. This was carried out in parts of the borough that have been highlighted as a potential hot-spot for tenancy fraud, based on actual data of previous cases. This project was part of a **collaborative approach with the Community Safety Team** and provides assurance to Housing management over tenancies with the highest fraud risk. The project is ongoing and the BACFT have to date conducted **139 visits** to 111 properties. As a result, **two cases are under active investigation and 10 cases remain unverified**, with further checks required. The full results for this project will be reported in Quarter 4.
- 3.1.8 As part of the BACFT's **fraud prevention work** it proactively carries out verifications work on existing Council tenancies and other housing service areas. The BACFT uses the information gathered to conduct necessary checks, including announced (and unannounced) visits. The team also works 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.
- 3.1.9 Per **Table 2** over the page, in the year to date, the BACFT has successfully identified **437** housing register applications that should be rejected for a variety of different reasons.

Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	2020/21*	2019/20
Total number of cases reviewed	1,437	2,295
Total number verified as accurate	1,000	1,697
Total number rejected	437	598
% identified by BACFT for rejection	30%	26%

* As at 31st December 2020.

3.1.10 Of the **437** cases that have been rejected, **13** individuals' applications have been completely closed. This was due to a range of reasons, such as they do not have 10 years borough 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.

3.1.11 The BACFT KPI 2a (refer to **Table 4** in **Appendix A**) targets an outcome of 95% of Housing allocations verifications to be completed within the target date set by the Housing department. **In 2020/21 the team has achieved an average of 94%**. Whilst this is under target, the team restructure carried out in Quarter 3 required training for staff in new roles which has had a negative impact on performance. The HCF is confident that this is temporary drop in performance which will improve in Q4 now that staff are embedded into new roles.

3.2 National Fraud Initiative & Internal Data Matching

3.2.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office and 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. The latest **data for the next NFI matching exercise has been uploaded** and the new set of matches for Hillingdon will be received early in Quarter 4. The BACFT will be allocating significant resource to reviewing and investigating matches, the results of which will be reported in Quarter 4.

3.3 Revenues Fraud & Inspections

3.3.1 The BACFT has been focussing on **Business Rates avoidance** as part of the Quarter 3 coverage. The RIU is currently working closely with colleagues from **Experian** to develop a **new pilot project to identify new unreported businesses within the borough**. This project should help to increase the revenues base and the collection of rates, ensuring the ratings list and internal databases are up to date and complete. An update on performance in this area will be provided in the Quarter 4 progress report.

3.3.2 Per **Table 3** over the page, the RIU has carried out **3,304 inspections** in the year to date, with **1,274 (39%) completed within the target**. A significant effort has been made in Quarter 3 to clear the backlog of outstanding inspections accrued during the first lockdown, whilst incorporating new staff and undertaking essential training. Quarter 3 performance is an improvement over Quarters 1 and 2, with 48% completed within target. The HCF recognises, however, that performance must improve in Quarter 4 in order to meet the KPI 7 (refer to **Table 4** in **Appendix A**) of 95%. The HCF is confident this will be achieved unless the Tier 4 restrictions introduced in December significantly impact the ability to undertake inspections in Quarter 4.

Table 3 ~ Revenues Inspections Performance 2020/21

Revenues Inspections	Q1	Q2	Q3	2020/21*	2019/20
Total number of inspections completed	340	1,431	1,508	3,304	5,592
Percentage within 10-day target	34%	30%	48%	39%	63%

* As at 31st December 2020.

3.3.3 In Quarter 3, proactive project work has been carried out to identify '**Beds in Sheds**' within the borough. 'Beds in Sheds' is the term used to describe habitable outbuildings, or annexes to private properties, erected without the awareness of the Council or Valuation Office. Due to BACFT staff redeployed in Quarter 3, work in this area was on a smaller scale than planned. However, the team **successfully identified 12 unregistered dwellings** and will continue the project into Quarter 4. Whilst the identified increase in yearly revenue is relatively small at **£1,314**, further financial results are pending. The identification of **Beds in Sheds** also has **significant reputational positive impact for the Council** due to its high profile with residents and within all London boroughs, which explains why this line of work is a priority for the BACFT.

3.4 Grants Assurance Work

3.4.1 In Quarter 3, officers from the BACFT have continued to assist in the **verification of several new business grants schemes** introduced in November. A set of six grants were introduced to assist local businesses impacted by the ongoing Covid-19 restrictions. The BACFT have been assisting colleagues in Exchequer Services with the verification of eligibility for payments. So far, a total of **567 verification checks** have been completed. Of those checked, **518 have been verified, 7 have not been verified and 42 are under further investigation**. This work will continue into Quarter 4 due to the requirement for the Council to ensure fraud risk is minimised within these schemes.

3.5 Social Services

3.5.1 During the quarter the BACFT conducted an analysis of counter fraud work within Social Services, with a view to increasing loss prevention activity across both Children's and Adults' Social Care. Discussions with key stakeholders have been encouraging, with new areas of counter fraud work introduced during Quarter 3 within **Financial Assessments and Adult Social Care**. Further engagement is ongoing with new counter fraud activity expected in Quarter 4.

3.5.2 The **Financial Assessments (FA)** team reviews eligibility to receive financial support for care home placements or homecare. There are strict eligibility criteria and the assessment takes into consideration savings, income and assets. In Quarter 3 The BACFT received its first referrals from FA and Adult Social Care resulting in further investigations and **loss prevention savings identified of £53,791 to date**. Two further cases are still under investigation with more referrals from FA anticipated. The BACFT are also working with FA on a pilot to identify fraudulent financial support applications as well as efficiencies and improvements to the visiting process. This pilot will be reported to CMT and the Audit Committee in the Quarter 4 BACFT progress report.

3.5.3 A proactive project conducting **residency checks for Section 17 accommodation** was undertaken by the team in Quarter 3. The objective of this project was to ensure accommodation provided to families under emergency legal provisions continued to be legitimately occupied. During the project **26 visits were conducted with 22 being verified**. A further two were investigated for non-occupation resulting in funding for the accommodation being ended, **saving the Council £27,344 in costs**. A further 2 cases are still under investigation.

- 3.5.4 As part of counter fraud work within Social Care, the BACFT carries out investigations into suspected fraud within the **Disabled Facilities Grant scheme (DFG)**. The DFG scheme operates within rigorous eligibility criteria which must be met if applicants are to receive a grant. In Quarter 3, the team has **prevented one DFG** from being paid due to irregularities with their income, resulting in **loss prevention to the council of £30,000**.
- 3.5.5 **Blue Badge** permits provide parking concessions for people with severe mobility problems. Historically the scheme was restricted to people with physical disabilities related to mobility allowing them to park closer to their destination. However, in 2019 the scheme's eligibility was extended to people with less visible conditions. Residents that have been diagnosed with autism and/or mental health conditions are now able to apply for a Blue Badge.
- 3.5.6 The direct monetary value of Blue Badge Fraud is relatively low but the reputational risk in relation to this area is significant for the Council. Consequently, Blue Badge Fraud continues to feature in the BACFT's work plan. In Quarter 3, a proactive **Blue Badge misuse operation** was carried out in Uxbridge High Street in the lead up to Christmas, due to the high risk of misuse at this time of year. The results were as follows:
- **86 badges checked;**
 - **10 expired badges seized** and returned to the Blue Badge team; and
 - **10 cases under further investigation** for suspected fraudulent misuse.

3.6 Immigration Enforcement Officer

- 3.6.1 The BACFT has had a Home Office Immigration Enforcement Officer (IEO) working as part of the team since April 2018, providing 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. Unlike the first lockdown, **there has been no suspension of IEO services due to the current restrictions**.
- 3.6.2 Quarter 3 saw a significant decrease in the number of referrals for the IEO which is likely due to the pandemic restrictions and potentially staff may have thought that access to the IEO had been suspended as per the first lockdown. However, despite the drop in referrals, since returning to full service on 1st July 2020, the IEO has contributed **loss prevention savings of £56,759**. These savings are related to the prevention of Homelessness Applications where the applicant was identified by the IEO to have no recourse to public funds. Please refer to **Table 5** in **Appendix B** for a detailed breakdown of the identified loss prevention savings to date.
- 3.6.3 **To address the reduction in referrals** and increase the IEO's exposure across the Council, the BACFT will engage with a greater number of colleagues in Quarter 4 to further raise awareness of the availability of the IEO across the Council. This should help ensure staff know that IEO services are still available and also encourage growth in referrals resulting in an increase in loss prevention outcomes from the IEO's work, as well as potentially identifying new areas of counter fraud work for the IEO.

3.7 Other Counter Fraud Activities

- 3.7.1 During November the BACFT carried out their annual **Fraud Awareness Week** to coincide with the National Fraud Awareness Week. Covid-19 restrictions presented challenges to the delivery, so an **awareness program was developed around the use of social media**. Internal staff as well as members of the public were engaged with using tweets. Posts were sent daily via social media platforms, informing the public of fraud risks as well as how to contact the BACFT to report suspected fraud. Physical banners were placed across various reception areas across the Council and **fraud awareness sessions** were delivered to various departments including Housing and Social Care.

4. Analysis of the Counter Fraud Team's Performance in Quarter 3

- 4.1 Attached at **Appendix A** is **Table 4**, which sets out the performance by the BACFT against the seven KPIs in the year to date. **5 of the 7 KPIs are at or above targeted performance**, whilst **2 are red**. Performance can be explained in part by the team's redeployment during the Tier 4 restrictions and the integration of the new team structure. In addition, operational restrictions on counter fraud activities due to the pandemic are a contributory factor i.e. visits/inspections, face to face interviews, capacity of the courts to progress cases and teething issues related to introduction of new ICT systems. Pandemic restrictions allowing there is a need to improve performance outcomes in Quarter 4 in a number of areas, especially in the handling and risk assessment of referrals, verification of Housing Allocations and Revenues Inspections. The BACFT will focus on these areas to ensure an improved performance and to maintain the quality of counter fraud services.
- 4.2 **Table 5** at **Appendix B** provides an overview of the financial performance of the team in 2020/21 to date within each of the main areas of counter fraud activity.

5. Forward Look

- 5.1 As we look forward to Quarter 4, the BACFT will continue to face challenges with the ongoing restrictions due to Covid-19, meaning all visits and interviews have been suspended. The BACFT will therefore be concentrating on a desk-based investigative approaches for all cases and project work whilst the restrictions remain in place, and will be **exploring methods of conducting investigations, interviews and inspections remotely**.
- 5.2 **Data matching projects** are being planned for Quarter 4 including the **National Fraud Initiative** (NFI) data matching exercise. Staff will assess matches to identify financial savings in areas such as Revenues, Housing and Social Care. The **key fob data analysis project** scheduled for Quarter 3 will now be conducted in Quarter 4, with the aim to continue the team's proactive and risk-based approach to tenancy fraud.
- 5.3 In Quarter 4 the BACFT will deliver further **Fraud Awareness programmes** to colleagues within the council, including virtual awareness sessions and virtual fraud risk workshops specific to fraud risks within different service areas. The BACFT will also make **greater use of the council's social media platforms** in order to raise fraud awareness internally and externally. Whilst intended to generate a greater number of fraud referrals going forward, it will also provide another platform for the BACFT to interact with residents and promote counter fraud issues.
- 5.4 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 3. There are no other counter fraud matters that the DDESBA needs to bring to the attention of CMT or the Audit Committee at this time.

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

4th January 2021

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

BACFT KPIs	Target	Q1	Q2	Q3	20/21**	19/20
1. Percentage of fraud referrals risk assessed within 3 working days	95%	43%	100%	94%	77%	98%
2. Verification work timescales for completion:						
a. Housing Allocations completion within the target date set by Housing.	95%	95%	99%	91%	94%	95%
b. First Time Buyer completion within 5 working days	95%	100%	N/A*	29%	33%	100%
c. Right to Buy case completion within 28 working days	95%	N/A*	100%	100%	100%	81%
3. Investigation plan completion within 5 working days of case allocation	95%	69%	86%	100%	86%	94%
4. Tenancy fraud referrals received resulting in property recovery	20%	50%	34%	28%	37%	28%
5. Investigations resulting in sanction (prosecution/penalty/caution)	10%	N/A*	6%	11%	8%	3%
6. Investigations resulting in loss prevention/financial saving outcome	25%	75%	33%	54%	47%	33%
7. Revenues inspections completed within 10 days of raising	95%	34%	30%	48%	39%	63%

* N/A indicates where no work was carried out in the quarter due to no new cases or that the team did not carry out any work due to redeployment.

** As at 31st December 2020.

APPENDIX B**Table 5 ~ BACFT Quarter 3 2020/21 ~ Financial Performance**

Work Area	Description	Quarter 1	Quarter 2	Quarter 3	2020/21*
Housing	Right to Buy discounts	£103,900	£0	£110,500	£214,400
	Property Recovery (notional savings)	£36,000	£72,000	£90,000	£198,000
	Other savings/loss prevention	£0	£5,384	£24,061	£29,446
Social Services	Section 17	£0	£0	£27,344	£27,344
	Financial Assessments	£0	£0	£53,791	£53,791
	Disabled Facilities Grants	£0	19,500	£30,000	£49,500
Revenues	Council Tax Reduction	£1,487	£1,425	£0	£2,913
	Single Person Discount	£8,157	£1,900	£7,927	£17,982
	Council Tax Arrears	£3,180	£1,185	£5,884	£10,249
	Beds in Sheds	£0	£14,579	£1,314	£15,894
	Housing Benefit Overpayments	£2,934	£9,000	£10,640	£22,575
	Small Business Rates Relief (SBBR)	£0	£0	£27,503	£27,503
	NNDR	£0	£0	£2,509	£2,509
	Business Directory	£0	£0	£12,118	£12,118
Blue Badge	Simple Caution & Financial Penalty	£0	£100	£200	£300
Immigration Officer	Housing Homelessness Applications**	£0	£47,299	£9,460	£56,759
Totals	Loss Prevention Savings	£103,900	£66,799	£282,659	£453,357
	Notional Savings	£38,934	£81,000	£100,640	£220,575
	Cashable Savings	£12,824	£24,474	£29,752	£67,051
	Costs awarded and penalties	£0	£100	£200	£300
	Total	£155,659	£172,373	£413,251	£741,283

* As at 31st December 2020.

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

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AUDIT COMMITTEE FORWARD PROGRAMME 2020/21

Committee name	Audit Committee
Officer reporting	Neil Fraser, Democratic Services
Papers with report	None
Ward	All

HEADLINES

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

RECOMMENDATIONS

That the 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 virtual meeting on Tuesday 04 February 2021 will start at 17:10.

Meetings	Room
4 February 2021	Virtual
20 April 2021	Virtual
TBC	TBC

Meeting Date	Item	Lead Officer
4 February 2021	*Private meeting with External Audit (Ernst & Young) to take place before the meeting	
	External Audit Annual Audit Letter 19/20	Corporate Director of Finance /Ernst & Young
	Internal Audit Progress Report Quarter 3 2020/21 (incl. the Quarter 4 Internal Audit Plan)	Head of Internal Audit and Risk Assurance
	Counter Fraud Progress Report Quarter 3 2020/21	Deputy Director of Exchequer Services & Business Assurance
	2019/20 Q2 Corporate Risk Register - Part II	Deputy Director of Exchequer Services & Business Assurance
	Audit Committee Forward Programme	Democratic Services

Meeting Date	Item	Lead Officer
20 April 2021	**Private meeting with Deputy Director of Exchequer Services & Business Assurance to take place before the meeting	
	EY 2020/21 Annual Audit Plan; 2020/21 Pension Fund Audit plan	Corporate Director of Finance /Ernst & Young
	EY update on the 2019/20 Housing Benefit Assurance Process	Corporate Director of Finance /Ernst & Young
	Internal Audit Progress Report Quarter 4 2020/21 (incl. the Quarter 1 2021/22 Internal Audit Plan)	Head of Internal Audit and Risk Assurance
	Draft Internal Audit Plan 2021/22	Head of Internal Audit and Risk Assurance
	Counter Fraud Progress Report Quarter 4 2019/20	Deputy Director of Exchequer Services & Business Assurance
	Counter Fraud Strategic Plan 2021/22	Deputy Director of Exchequer Services & Business Assurance
	Internal Audit Charter 2020/21	Head of Internal Audit and Risk Assurance
	2019/20 Q3 Corporate Risk Register - Part II	Deputy Director of Exchequer Services & Business Assurance
	Audit Committee Forward Programme	Democratic Services

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