



HILLINGDON  
LONDON



# Audit Committee

## Members of the Committee

**Date:** THURSDAY 29 JULY 2021

**Time:** 5.10 PM

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

John Chesshire (Chairman)  
Councillor Duncan Flynn (Vice-Chairman)  
Councillor Tony Eginton  
Councillor Raymond Graham  
Councillor John Morgan

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

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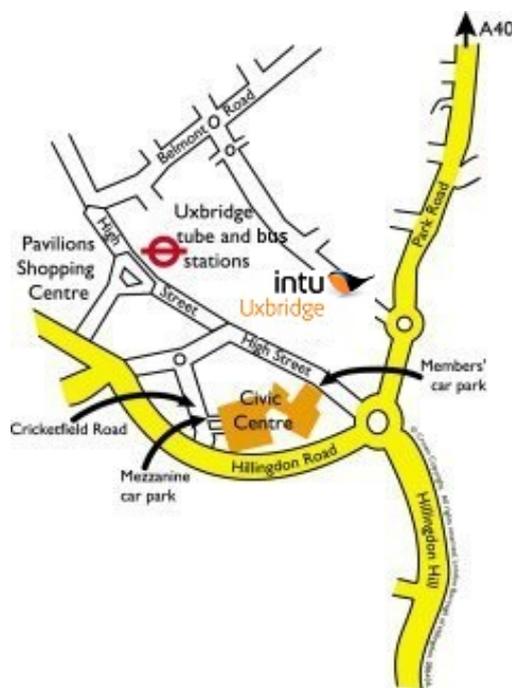
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# Terms of Reference

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

## Introduction

The Audit Committee's role will be to:

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

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

## Internal Audit

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

## **External Audit**

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

## **Governance Framework**

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

recommendations on the Council's compliance with its own and other published standards and controls.

### **Accounts**

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

### **Review and reporting**

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

# Agenda

## **PART I**

- 1 Apologies for absence
- 2 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 20 April 2021 1 - 10
- 6 External Audit Update 11 - 16
- 7 2020/21 Review of the Effectiveness of the Audit Committee 17 - 38
- 8 Annual Report of the Audit Committee 2020/21 39 - 50
- 9 Annual Internal Audit Report & Opinion Statement 2020/21 51 - 82
- 10 Internal Audit Progress Report for 2021/22 Quarter 1 (including the Quarter 2 Internal Audit Plan) 83 - 104
- 11 2020/21 Counter Fraud Annual Report 105 - 124
- 12 2021/22 Quarter 1 Counter Fraud Progress Report 125 - 140
- 13 Audit Committee Forward Programme 2021/22 141 - 144

## **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.*

**14** 2020/21 Quarter 4 Corporate Risk Register

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## Minutes

### Audit Committee

Tuesday, 20 April 2021

Meeting held VIRTUALLY - Live on the Council's

YouTube channel: Hillingdon London



Published on:

Come into effect on: Immediately (or call-in date)

#### **Members Present:**

Councillors Chesshire (Chairman)

Tony Eginton (Opposition Lead)

Duncan Flynn

Raymond Graham

#### **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

Alex Brown, Interim Head of Counter Fraud

Steve Clarke, Democratic Services Officer

#### **Also Present:**

Suresh Patel, Ernst & Young

Larisa Midoni, Ernst & Young

Tomisin Aliu, Ernst & Young

#### **111. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Richard Mills.

#### **112. DECLARATIONS OF INTEREST**

Councillor Tony Eginton declared a non-pecuniary interest in agenda items 5, 6, 7 & 8 arising from the fact that he was a retired member of the Local Government Pension Scheme. He remained for the discussion of all items.

#### **113. TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE**

It was confirmed that agenda items 1-12 were marked as part i and would be considered in public, while agenda item 13 was marked part ii and would therefore be considered in private.

**114. MINUTES OF THE MEETING HELD ON 4 FEBRUARY 2021**

**RESOLVED:** That the minutes of the meeting held on 4 February 2021 be approved as a correct record.

**115. EY 2020/21 ANNUAL AUDIT PLAN & PENSION FUND AUDIT PLAN**

Officers introduced the item highlighting the two plans that had been produced, one for the audit of the Council's accounts and one for the Pension Fund accounts. It was noted that the draft accounts were intended to be ready by the end of June, would be audited throughout July and August and were due to be signed off by the Audit Committee at their September meeting.

Representatives of Ernst & Young summarised both plans for the Committee. It was specifically highlighted that, due to the timing of the onset of the Covid-19 pandemic, the 2020/21 financial year was where the impact of the pandemic would start to be seen with regard to loss of income and grant funding from central government; because of this, there were additional risks within the audit plan but it was noted that these risks were not unique to Hillingdon. The major audit risks and areas of focus were outlined, and attention was drawn to where these risks differed from previous years due to the Covid-19 pandemic. It was noted that a change in auditing standards for identifying, assessing, and responding to risks around accounting estimates would likely result in an increase in the level of information requested by auditors going forward. The Committee were also informed that, with regard to audit materiality, there was no change in assessing materiality for 2020/21.

Regarding Value for Money, the Committee were informed that slight changes to the reporting criteria put more of an emphasis on financial sustainability rather than financial resilience. To this end, it was likely that additional audit work would be carried out around financial sustainability. Members were notified that regarding fees, Public Sector Audit Appointments Ltd (PSAA) were expected to determine proposals around increasing the base fee shortly and additional fees for 2019/20, which had been agreed with management, were also subject to approval by PSAA.

Members questioned the impact of the Covid-19 pandemic on the new significant risk around accounting adjustments made in the Movement in Reserves Statement; the Committee were informed that local authorities were limited in the ways in which they can direct influence over their accounts and movement in reserves was one of them, adopting this as a significant risk recognised that, as the financial impacts of the pandemic are felt, there would be more pressure to implement movement in reserves. It was also noted that, this judgement was being made across a number of local authorities for the 2020/21 financial year. The Committee were assured that accounting adjustments made in the Movement in Reserves Statement were being treated appropriately and all regulations to that regard were being followed.

Members queried whether auditors would be examining a council tax discount given to elderly residents of the Borough, eligibility to which had recently been reduced. It was confirmed that this would come onto the auditor's radar should it be deemed to have a significant impact on the Council's finances.

By way of clarification, officers informed Members that with regard to grant funding, pandemic related grants were being assessed on a case by case basis to determine whether the funding was principle or agent, and where they should be included in the Council's accounts. The rationale for this process had been discussed with Ernst & Young and work to that regard was ongoing.

The Chairman requested a correction be made to the Ernst & Young report; the report supposedly contradicted itself where it had stated "The value of secondary schools was understated by £4.2m...", the report later went on to state "The value of secondary schools was overstated by approximately £4m...". Representatives from Ernst & Young confirmed that the correction would be made.

The Committee sought assurance that the September 2021 target date for completing the annual audit would be achievable given the backdrop of the Covid-19 pandemic. Members were assured that sufficient resources had been put in place to meet this target and given the previous record of working with officers at Hillingdon, this was deemed a comfortable goal.

**RESOLVED that the Audit Committee noted the content of the EY 2020/21 Annual Audit Plan & Pension Fund Audit Plan.**

**116. EY UPDATE ON THE 2019/20 HOUSING BENEFIT ASSURANCE PROCESS**

Officers introduced the item noting that the Housing Benefit Assurance Process (HBAP) was completed by the deadline on 31 January 2021 and had resulted in only one incorrect claim being identified resulting in an overpayment of just £18. Due to the complexity and number of transactions in this area, this was considered an excellent result. The Teachers' Pension was also submitted in December 2020 and the Capital Receipts Pooling was completed by 31 March 2021; from a certification perspective, this brought all of the 2019/20 external audit work to a close.

Representatives from Ernst & Young highlighted that not many local authorities had their housing benefits claims certified by the end of January, this was seen as a testament to the collaborative working between officers and external audit. The Committee commended officers and Ernst & Young for completing this work ahead of schedule and with such an impressive result.

Members queried whether the internal audit team had assisted, or could assist, with the HBAP in an effort to bring costs down. It was noted that the Department for Work and Pensions were quite prescriptive in the work that needed to be done for the HBAP and the detailed way in which the work needed to be documented required experienced housing benefits claims assessors to carry out the work.

**RESOLVED that the Audit Committee noted the contents of the report.**

**117. INTERNAL AUDIT PROGRESS REPORT QUARTER 4 2020/21 (INCLUDING THE QUARTER 1 2021/22 INTERNAL AUDIT PLAN)**

The Head of Internal Audit & Risk Assurance introduced the item noting that good progress had been made since the previous report to the Audit Committee. All

reviews within the Internal Audit Plan were under way, eight assurance reviews had concluded, one consultancy review had been completed and five grant claims had been certified. The Committee were informed that three assurance reviews had been issued with limited assurance opinions; these were, 'Estates – Lease Management', 'Cemeteries – Bereavement Service and Ground Maintenance', and 'Education, Health & Care Plans and Local Offer'. Attention was drawn to Appendix D to the officer's report outlining the outstanding recommendations with revised implementation dates and updates from the action owners; Members were informed that the majority of recommendations had been affected by the Covid-19 pandemic but additional resources were being assigned to assist with their closure. By way of clarification for the Committee, it was explained that a significant part of the additional resource assisting with the closure of recommendations would be an Internal Audit Apprentice who had recently come to the end of their fixed term contract; however they would be staying on with the Council predominantly to assist in undertaking follow-up work and verifying whether risks identified by Internal Audit reviews had been verifiably actioned.

With regard to Internal Audit Key Performance Indicators (KPI), it was noted that seven of the nine KPIs had been met. KPIs five and six, relating to the percentage of the annual Internal Audit Plan delivered to draft and final report stage by 31 March, had seen an improvement from the previous quarter but did not meet their respective yearly targets; progress against these KPIs would be monitored in the coming year with the target being to achieve KPIs five and six. Members highlighted that the way in which KPI performance was displayed in the progress report made it difficult to delineate between follow up work on recommendations from previous reporting years and the current reporting year; officers agreed to incorporate a separate table supporting the number of recommendations raised within the current reporting year.

Members commended officers in their delivery of the Internal Audit Plan against the backdrop of the Covid-19 pandemic and saw the report as a good performance given the situation. The Committee sought clarification on the progress made with regard to risks highlighted in relation to Early Years Centres. Members were informed that the appointment of a new service manager in December 2020 was a positive move in shaping the direction of the Early Years Centres service; additionally, a planned relaunch of the service would be promoted in the community around September 2021. Members requested further information pertaining to the planned improvements to the Early Years Centres service.

The Committee queried the limited assurance opinion given to the 'Cemeteries – Bereavement Service and Ground Maintenance' service asking whether the service had been failing to comply with government legislation at the time of the review. Officers highlighted that, had the service been failing to comply with legislation, Internal Audit would have given an opinion of no assurance to the service; the primary recommendations concerned upgrading the service's record keeping practices to a predominantly electronic one, where it had previously relied on a mainly paper based system. Members asked whether the three limited assurance opinions had been given due to issues relating to the pandemic, or whether these opinions would have been given regardless. It was noted that the concerns seen, resulting in the limited assurance opinions, were longer term issues and would have been flagged outside of the pandemic environment.

Officers also confirmed that the annual review of the effectiveness of Internal Audit would be redefined so as not to be included in the operational Internal Audit Plan as an 'Assurance Review'.

**RESOLVED that the Audit Committee:**

- 1) Noted the Internal Audit Progress Report for 2020/21 Quarter 4; and**
- 2) Approved the 2021/22 Quarter 1 Internal Audit Plan.**

**118. DRAFT INTERNAL AUDIT PLAN 2021/22**

The Head of Internal Audit & Risk Assurance introduced the Draft Internal Audit Plan for 2021/22 noting that the Plan was similar to that of previous years, with the Plan adopting a risk-based approach. It was noted that there had been a 29% increase in the number of allocated Internal Audit Days from 850 in 2020/21 to 1,100 days in 2021/22; this was primarily due to the change in composition and skills mix of the Internal Audit team. Members were encouraged by the significant increase in the number of Internal Audit Days for 2021/22 and were happy with the balance of work areas within the Plan.

The Committee queried the process by which underperforming areas of the Council may come under the purview of Internal Audit. Members were informed that there were a number of avenues by which this could happen including; regular meetings between the Deputy Director of Exchequer Services & Business Assurance, the Leader of the Council and the Cabinet Member for Finance, additionally, feedback from quarterly planning meetings between Corporate Directors, Heads of Service and Senior Managers went into the Internal Audit plan presented to, and approved by, the Audit Committee each quarter.

Clarification was sought with regard to the sources of Internal Audit planning, specifically the review of team plans and what level of scrutiny is given to operational team plans when planning Internal Audit work. The Committee were informed that the review of team plans, and service improvement plans focussed mainly on a senior management level.

The Committee asked whether the Internal Audit team were in a position to give their annual audit opinion at the next meeting of the Audit Committee. Officers noted that there were 11 reviews currently outstanding and chose to hold off on giving an audit opinion for the time being.

Members touched upon the Internal Audit team structure, included as Appendix F to the officer's report, and sought assurance that the Head of Internal Audit was satisfied that appropriate resource was allocated to the work area. Officers highlighted that they were pleased with how the recent round of recruitment had gone and despite the challenges of inducting staff remotely, due to the pandemic, the Internal Audit Plan was attainable and suitable resources were in place to fulfil the 2021/22 Plan.

**RESOLVED that the Audit Committee approved the Draft Annual Internal Audit Plan for 2021/22.**

**119. 2020/21 QUARTER 4 COUNTER FRAUD PROGRESS REPORT**

Zac O'Neil, Head of Counter Fraud, introduced the 2020/21 quarter 4 counter fraud progress report. Officers highlighted that operations were impacted in quarter 4, more so than quarter 3, due to the tightening of Covid-19 restrictions in the first few months of 2021; however, the challenging conditions were not as consequential as they had previously been during the first national lockdown. Members were informed that Counter Fraud operations had delivered £262k in loss prevention savings throughout the 4<sup>th</sup> quarter meaning the 2020/21 target of £1m has been met.

Within Housing, it was noted that 11 Council housing properties had been recovered in quarter 4, this brought the total number of properties recovered throughout 2020/21 to 22. This was seen as a success considering the restrictions in place as a result of the pandemic with regard to the recovery of property through the courts; these restrictions had led to more flexible approaches in negotiating the recovery of properties. The successes of the Business Assurance Counter Fraud Team (BACFT) against the backdrop of Covid-19 were further highlighted when number of properties recovered were compared to the that of 2019/20, in which a total of 28 properties had been recovered. It was noted that within Exchequer Services, the total loss prevention savings and income were £26k for quarter 4, bringing the total for 2020/21 to £138k; this was attributed to a focus on 'Beds in Sheds' project work bringing unregistered dwellings into Council Tax generating dwellings. Within Social Care, no additional savings were made in quarter 4, meaning the total identified loss prevention savings for 2020/21 remained at £130k; however, it was noted that a significant number of investigations were ongoing with further referrals being received from that area of the Council. This was expected to lead to a good performance in quarter 1 of 2021/22.

The Committee were also informed that throughout quarter 4, the Counter Fraud team had met with Directors and Heads of Service with a focus on fraud risk planning, particularly in relation to procurement to explore new areas for proactive projects going forward.

Members were informed that the hours of service received from the Home Office Immigration Enforcement Officer, embedded within the Counter Fraud Team, had been reduced in line with the reduction in referrals received; this was seen as a symptom of the Covid-19 pandemic and the hours could be increased should the situation change going forward. It was also highlighted that just over 6000 Revenues Inspections were carried out in 2020/21 and quarter 4 had shown a marked improvement in performance compared to quarters 1 to 3.

Alex Brown, Interim Head of Counter Fraud, summarised the report's Forward Look for the Committee. It was noted that the impact felt by Covid-19 restrictions would begin to have less of an impact as the lifting of restrictions was expected in line with the Government's roadmap out of lockdown. Visiting and interviewing functions would be continuing where appropriate and the BACFT would continue to support Exchequer Services in the administration of Business Grants Schemes; it was noted

that this work was likely to continue throughout quarter 1 and possibly beyond. It was highlighted that a financial target in loss prevention and financial savings across Council services had been set at £1.5m for 2021/22, the BACFT were confident that this could be achieved.

Furthermore, Members noted that there was to be a change in leadership within the BACFT following the Head of Counter Fraud's forthcoming departure. An Interim Head of Counter Fraud had been internally appointed and a decision on a permanent Head of Counter Fraud was expected in quarter 2 of 2021/22.

The Committee sought clarifications on the flexible working practices adopted in negotiating the recovery of Council housing properties during the pandemic. Officers elaborated to say that the team had been discussing the merits of returning tenancies with tenants in a more protracted manner; it was noted that lessons had been learnt for the future and where costs involved with court action could be avoided, officers would be exploring alternative means negotiation. Though it was also noted that there were occasions where court action would be deemed necessary. Officers also gave the Committee assurance that records were flagged with regard to individuals whereby the Council had stopped short of legal action but would be alerted to in future when liaising with them.

Members were encouraged by the performance of the Counter Fraud Team over what had been a challenging year and thanked officers for their hard work. The Committee wished the previous Head of Counter Fraud well in his new role and congratulated the Interim Head of Counter Fraud on his new position.

**RESOLVED that the counter fraud progress report for 2020/21 quarter 4 be noted.**

## **120. DRAFT COUNTER FRAUD STRATEGIC PLAN 2021/22**

The Head of Counter Fraud summarised the draft Counter Fraud Strategic Plan for 2021/22 highlighting some key points including a strategic aim to deliver a financial savings target of £1.5m. This was deemed reasonable considering the climate. Officers outlined the ways in which they look to develop and maintain the effectiveness of the Counter Fraud Service.

One of the key aims of the plan was to embed a strong culture of fraud awareness within management and to provide a robust understanding of what's required in order to prevent fraud. Work would also be done with internal audit and risk departments on the governance arrangements for counter fraud; to this end a quarterly liaison meeting between these service areas was being established to ensure that planning will be collectively structured. Members noted that this would be a good opportunity to share best practice amongst service areas.

Officers summarised Appendix A to the draft Strategic Plan which outlined the summary of fraud risk areas including Procurement, Social Housing, Revenue Collection, Social Care and Maintained Schools. This fed into the Counter Fraud Team's Operational Work Plan (Appendix B to the draft Strategic Plan), of which key points were summarised including a continued focus on tenancy fraud and housing

investigations; this would see the BACFT conducting a housing key fob data review utilising Council data to identify any sub-letting or non-occupation of properties. A new Housing Key Amnesty project was outlined in which Council tenants and those in emergency accommodation would be able to surrender their tenancies during an amnesty period whereby no action would be taken with regard to housing fraud. Members were also informed of a programme of fraud awareness training to be delivered to maintained schools in the Borough, focussing on potential fraud risks and building a robust control environment.

The Committee queried the prospect of having investigation targets within each of the headings; it was noted that upon commencement of investigations, the duration would be largely unknown and it was difficult to judge the length of an investigation from the outset, this posed a challenge in setting annual targets. Officers agreed it would be useful to have an idea of the volume of work that could be expected in any given area rather than setting outright targets of what will be done.

With regard to the lines of communication available to residents as a means of raising concerns about fraud and corruption, the Committee were keen to see this aspect advertised to residents. Officers noted that there was proactive work that could be done in this area but it would be important to balance dedicating resources to maximum effect; it was highlighted that the fraud hotline and fraud email address were already being pushed through the Council's social media channels as well as the Council's website.

The Committee were encouraged by planned work with maintained schools and the development of a toolkit to aid in promoting fraud awareness within school structures. With regard to the key amnesty, Members queried whether officers had seen evidence of similar schemes working in other boroughs. Officers noted that other boroughs had been adopting similar schemes and it was deemed an effective tool for the recovery of properties with reduced effort on the Council's part; it was highlighted that even if uptake was lower than expected, the scheme would not have been too resource intensive and therefore the potential benefits of such a scheme would outweigh any negatives should the scheme not be successful.

**RESOLVED that the Audit Committee:**

- 1) Noted the Draft Counter Fraud Strategic Plan for 2021/22;**
- 2) Noted the Counter Fraud Team Operational Work Plan for 2021/22; and**
- 3) Commented on the Draft Counter Fraud Strategic Plan 2021/22 and the Counter Fraud Team Operational Work Plan 2021/22.**

**121. AUDIT COMMITTEE MEMBER SKILLS MATRIX**

The Deputy Director of Exchequer Services & Business Assurance introduced the item noting that officers had drafted the skills matrix attached to the report. Members would be given the opportunity to individually fill in the matrix and once the finished documents had been returned, this data would help to identify the training needs of Committee Members and aid the development of a training programme for Audit

Committee Members, whether that be individually focussed or targeted at the entire Committee.

Members agreed that the skills matrix would be a useful tool in developing a training programme going forward and queried whether there could be more of an emphasis on pensions within the skills matrix. It was highlighted that pensions would be included in a prospective financial reporting training session; however, officers would not wish to cover aspects of this which already fall under the Pensions Committee's remit. It was highlighted that, should Members wish to incorporate it, a bespoke session for Pensions Committee Members could be developed focussing on pension fund accounts.

The Committee sought assurance that distribution and completion of the skills matrix would be extended to the Committee's substitute Members and that this would take into account any prospective changes to the Committee's membership at the Council's Annual General Meeting in May. Officers confirmed that this would happen.

**RESOLVED that the Audit Committee:**

- 1) Approved the Audit Committee Member Skills Matrix; and,**
- 2) Commented on the Audit Committee Member Skills Matrix.**

**122. AUDIT COMMITTEE FORWARD PROGRAMME 2021/22**

Consideration was given to the Forward Work Programme for the Committee. It was highlighted that some of the dates within the Forward Work Programme required updating; officers confirmed that this would be actioned.

Members queried whether the annual accounts of Hillingdon First Limited should come to the Audit Committee before being formally signed off. Officers confirmed that they would establish whether the accounts were required to come to the Audit Committee and would update Members once an answer was known.

**RESOLVED that the Audit Committee noted the Forward Work Programme for 2021/22.**

**123. 2020/21 QUARTER 3 CORPORATE RISK REGISTER**

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

The Corporate Risk Register for Quarter 3 report was presented to Members. The report provided evidence about how identified corporate risks were being managed and the actions which were being taken to mitigate those risks.

**RESOLVED:** That the Committee reviewed the Corporate Risk Register for Quarter 3 as part of the Committee's role to independently assure the Council's corporate risk management arrangements.

## External Audit Update

Item 5

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	James Lake, Finance
<b>Papers with report</b>	None
<b>Ward</b>	All

### HEADLINES

#### Public Sector Audit Appointments

During Autumn 2021 all local government and police bodies will need to make important decisions about their external audit arrangements for the period commencing from the financial year 2023/24. In relation to appointing auditors, local bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by Public Sector Audit Appointments (PSAA).

The PSAA issued a draft prospectus which provides an introduction to the PSAA national scheme, and discusses, and invites views and comments from local bodies and other interested parties in relation to the aims of the scheme and how it needs to develop going forward. This process will help the PSAA to shape some of the important features of the scheme ahead of issuing formal invitations to opt-in to all eligible bodies in the Autumn.

The Council has responded to the PSAA consultation and broadly supports the PSAA approach. It will be seeking approval at Full Council to opt into the PSAA procurement service. This paper is provided to update the Audit Committee on the rationale and appointment process.

#### EY Partner Update

Suresh Patel will be leaving EY in August 2021 and taking up a new role at Mazars UK. EY have assigned Helen Thompson as Associate Partner for Hillingdon and she will be leading on the 2020/21 audit. Helen will introduce herself and provide her background at the Committee meeting.

#### Value For Money (VFM)

For 2020/21 audit firms are required to take a different approach to the VFM audit process. The VFM will now form two stages with part one covering a 'risk assessment' based on the responses provided against a prescribed format of control questions. Part two will be the 'execution and conclusion' where depending on the answers provided in the risk assessment, further testing will

be executed to reach a conclusion. EY are required to produce a separate VFM commentary rather than including their assessment in the audit opinion. The VFM commentary should be produced within three months of the issuance of the audit opinion. EY aim to provide a progress update at the Committee meeting.

## **RECOMMENDATIONS:**

### **That the Committee:**

- 1. Note the rationale, timeline and intention to opt into the Public Sector Audit Appointments procurement scheme.**
- 2. Note appointment of the new EY audit lead**
- 3. Note Value for Money update**
- 4. Note verbal update on audit progress**

## **PSAA SUPPORTING INFORMATION**

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014. In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts we enter into with the audit firms.

In 2014 when the Local Audit and Accountability Act received Royal Assent the audit market was relatively stable. In 2017 PSAA benefitted from that continuing stability. Their initial procurement on behalf of more than 480 bodies (98% of those eligible to join the national scheme) was very successful, attracting very competitive bids from firms. As a result, the PSAA were able to enter into long-term contracts with five experienced and respected firms and to make auditor appointments to all bodies.

2018 proved to be a very significant turning point for the audit industry. A series of financial crises and failures in the private sector gave rise to questioning about the role of auditors and the focus and value of their work. In rapid succession the PSAA had the results of four independent reviews commissioned by Government:

- Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator;
- the Competition and Markets Authority review of the audit market;
- Sir Donald Brydon's review of the quality and effectiveness of audit; and
- Sir Tony Redmond's review of local authority financial reporting and external audit.

In total, the four reviews set out more than 170 recommendations which are now in various stages of consideration by Government with the clear implication that a series of significant reforms will follow. Indeed, in some cases where new legislation is not required, significant change is already underway. A particular case in point concerns the FRC, where the Kingman Review has inspired

an urgent drive to deliver rapid, measurable improvements in audit quality. This has already created a major pressure for firms and an imperative to ensure full compliance with regulatory requirements and expectations in every audit they undertake.

By the time firms were conducting 2018/19 local audits, the measures which they were putting in place to respond to a more focused regulator, determined to achieve change, were clearly visible. To deliver the necessary improvements in audit quality firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to firms' ability to complete all of their audits by the target date for publication of audited accounts (then 31 July) – a threat accentuated by growing recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explored innovative ways of developing new or enhanced income streams to help fund services for local people.

This risk to the delivery of timely audit opinions first emerged in April 2019 when one of PSAA's contracted firms flagged the possible delayed completion of approximately 20 audits. Less than four months later, all firms were reporting similar difficulties, resulting in more than 200 delayed audit opinions.

2019/20 audits have presented even greater challenges. With Covid-19 in the mix both finance and audit teams have found themselves in uncharted waters. Even with the benefit of an extended timetable targeting publication of audited accounts by 30 November, more than 260 opinions remained outstanding. The timeliness problem is extremely troubling. It is deep-seated and has a range of causes. There are no easy solutions, and so it is vital that co-ordinated action is taken across the system by all involved in the accounts and audit process to address the current position and achieve sustainable improvement without compromising audit quality. PSAA is fully committed to do all it can to contribute to achieving that goal.

Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Auditors need to be paid for their additional work. As a result, many more fee variation claims have been received than in prior years. None of these problems are unique to local government audit. Similar challenges have played out throughout other sectors where increased fees and disappointing responses to tender invitations have been experienced during the past two years. All this paints a picture of an audit industry under enormous pressure and of a local audit system which is experiencing its share of the strain and unavoidable instability as impacts cascade down to the frontline of individual audits.

Local government audit will not be immune from these difficulties. The Council believes that opting into PSAA's national scheme will put them in a better position than those which choose to make their own separate arrangements. Firms are more likely to make positive decisions to bid for larger, long term contracts, offering secure income streams, than they are to invest in bidding for a multitude of individual opportunities.

The national scheme already offers a range of benefits for its members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;

- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency and value for money;
- on-going management of any independence issues which may arise;
- access to a dedicated team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members;
- collective savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- a sector-led collaborative scheme supported by an established advisory panel of sector representatives to help inform the design and operation of the scheme;
- avoiding the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- providing regular updates to Section 151 officers on a range of local audit related matters and our work, to inform and support effective auditor-audited body relationships; and
- concerted efforts to develop a more sustainable local audit market.

However, the challenge for 2023 and beyond is to develop the scheme further, by listening to the feedback from scheme members, suppliers and other stakeholders and learning from the collective post-2018 experience. This work is already firmly underway. During the past three years the PSAA has taken a number of initiatives to improve the operation of the scheme for the benefit of all parties including:

- proactively and constructively engaging with the numerous high-profile industry reviews, including the significant Redmond Review into Local Authority Financial Reporting and External Audit;
- commissioning an independent review by consultancy firm Touchstone Renard of the sustainability of the local government audit market, which identified a number of distinctive challenges in the current local audit market. PSAA published the report to inform debate and support ongoing work to strengthen the system and help to deliver long term sustainability;
- working with MHCLG to identify ways to address concerns about fees by developing a new approach to fee variations which would seek wherever possible to determine additional fees at a national level where changes in audit work apply to all or most opted-in bodies;
- the establishment of a Local Audit Quality Forum, which is free of charge to opted-in bodies and has to date held five well attended events on relevant topics;
- PSAA attendance at meetings of the various Treasurers' Societies and S151 officers to share updates on our work, discuss audit-related developments, and listen to feedback;
- maintaining contact with those registered audit firms that are not currently contracted with the PSAA, to build relationships and understand their thinking on working within the local audit market;
- undertaking research to enable a better understanding of the outcomes of electors' objections and statements of reasons issued since our establishment in April 2015; and

- sharing PSAA experiences with and learning from other organisations that commission local audit services such as Audit Scotland, the NAO, and Crown Commercial Services.

Importantly, the PSAA is also currently working closely with a range of local audit stakeholders including MHCLG, FRC, NAO, and the LGA to help identify and develop further initiatives to strengthen the local audit. In many cases desirable improvements are not within PSAA's sole gift and accordingly it is essential that this work is undertaken collaboratively with a common aim to ensure that local government continues to be served by an audit market which is able to meet the sector's needs and which is attractive to a range of well-equipped suppliers.

One of PSAA's most important obligations is to make an appropriate auditor appointment to each opted-in body. Prior to making appointments for the second appointing period, commencing on 1 April 2023, the PSAA plan to undertake a major procurement enabling suppliers to enter into new long-term contracts with PSAA. If the procurement fails to attract sufficient capacity to enable auditor appointments to every opted-in body, we have fallback options to extend one or more existing contracts for the period spanning 2023/24 and 2024/25.

With the benefits outlined, the Council has indicated it wishes to opt into the PSAA national scheme and it is expected that in September 2021 eligible bodies will be formally invited to join. Full Council will need to then approve the decision and notify the PSAA by January 2022.

The PSAA procurement exercise will then commence in February 2022. The PSAA timeline shows that it intends to award contracts in June 2022 and confirm 2023/24 auditor appointments in December 2022.

### **Financial Implications**

Costs relating to the PSAA form part of the scale fee payable to the respective auditor.

### **Legal Implications**

Included within the body of this report.

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## AUDIT COMMITTEE - 2020/21 Review of the Effectiveness of the Audit Committee

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Nick Cutbill, Principal Internal Auditor
<b>Papers with report</b>	Final Internal Audit Assurance Report 2020/21 Review of the Effectiveness of the Audit Committee
<b>Ward</b>	All

### HEADLINES

An effective and independent Audit Committee is a key element in the Council's corporate governance and risk management framework. An effective Audit Committee leads to improved internal control, risk management and financial reporting.

Best practice guidance states that in order for an Audit Committee to be fully effective and therefore able to provide meaningful advice and assurance to the Council, its Members need to be independent, diligent, knowledgeable, and receive relevant, timely and reliable information. The guidance also sets out that Audit Committee Members must be in a position to feel able to challenge Corporate Directors and the Cabinet, as well as draw attention to any significant governance weaknesses.

In addition, the guidance states that the Audit Committee should have clear reporting lines and unrestricted rights of access to other Council committees and senior managers (as required/ appropriate). The Audit Committee should also have sufficient administrative support and access to all relevant and timely information.

### RECOMMENDATIONS:

**That the Audit Committee:**

- 1. Review and note and consider the findings, recommendations and management action proposed in the Effectiveness of the Audit Committee final report.**

### SUPPORTING INFORMATION

The report aims to provide independent, objective assurance to the Council over the Effectiveness of the Audit Committee. Specifically, Internal Audit reviewed the following key areas:

- Terms of Reference;
- Independence and membership;

- Members skills, training and development;
- Audit Committee meetings - review of key documentation; and
- Audit Committee benchmarking.

## **BACKGROUND PAPERS**

Final Internal Audit Assurance Report 2020/21 Review of the Effectiveness of the Audit Committee issued on 28<sup>th</sup> May 2021.

# BUSINESS ASSURANCE

## Final Internal Audit Assurance Report 2020/21

### Review of the Effectiveness of the Audit Committee

28<sup>th</sup> May 2021

#### Overall IA Assurance Opinion:

**REASONABLE**

#### Recommendation Overview:

High Risk	0
Medium Risk	0
Low Risk	7
Notable Practice	1

#### Review Sponsor:

Mike Talbot	Corporate Director, Corporate Services & Transformation
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#### Report Distribution:

Audit Committee	All Audit Committee Members (including the Independent Chairman)
Muir Laurie	Deputy Director of Exchequer Services & Business Assurance
Lloyd White	Head of Democratic Services
Mark Braddock	Senior Democratic Services Manager

Ownership of all final Internal Audit assurance reports rests with the relevant Audit Sponsor. However, we will disclose final Internal Audit assurance reports to the Audit Committee upon their specific request.



## 1. Introduction

- 1.1 This risk based Internal Audit (IA) assurance review forms part of the 2020/21 Quarter 4 IA Operational Plan, presented to Audit Committee on 4<sup>th</sup> February 2021. **The purpose of this review is to provide assurance to the Corporate Management Team (CMT) and the Audit Committee over the key risks in relation to the management of The Effectiveness of the Audit Committee:**
- If the scope of work to be performed by the Audit Committee (AC) is not suitably defined in the Terms of Reference; there is an increased risk that it may not encompass all the assurance needs of the Council and the Cabinet, leading to the Audit Committee not performing its role and responsibilities in line with best practice guidelines, resulting in reputational consequences for the Council;
  - If the AC members are not suitably independent and objective and do not have a good understanding of the Council's objectives, priorities, risks and strategies, there is a potential risk that biased and ineffective decisions may be made, which are not aligned to the Council's objectives, resulting in financial and reputational consequences for the Council;
  - If the Audit Committee does not contain or have at its disposal an appropriate mix of skills or its Members are not adequately trained, there is a risk that Members may not be able to perform their duties effectively and fulfil the requirements of their role, resulting in reputational damage for the Council;
  - If the Audit Committee does not effectively support the Council by reviewing and scrutinising the completeness, reliability and integrity of key documentation, there is a risk that the Council may be in breach of their statutory obligations, resulting in reputational damage and financial loss for the Council;
  - If the Audit Committee does not engage effectively with financial and performance reporting issues, work of key stakeholders, primarily IA and External Audit; and does not communicate effectively with the Council's CMT, Cabinet and other stakeholders, there is a risk that public money may be lost, resulting in adverse public reaction and reputational loss for the Council;
  - If the Audit Committee does not engage effectively with financial and performance reporting issues, work of key stakeholders, primarily IA and External Audit; and does not communicate effectively with the Council's CMT, Cabinet and other stakeholders, there is a risk that public money may be lost, resulting in adverse public reaction and reputational loss for the Council; and
  - If the Audit Committee's reputational image amongst other local authorities' audit committees is considered weak and ineffective in its role, scrutiny, and decision making, there is a risk of further adverse effects on the Council, resulting in reputational damage for the Council.
- 1.2 This report is produced on an exception basis, highlighting the key aspects from the IA assurance review to management. Further detailed findings are available upon specific request.

## 2. Background

- 2.1 An effective and independent Audit Committee is a key component of the Council's corporate governance and risk management framework. The purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

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- 2.2 The Audit Committee plays a key role in assisting the Council's Cabinet to fulfil its oversight responsibilities in areas such financial reporting, internal control systems, risk management systems and the internal and external audit functions.
  - 2.3 CIPFA best practice guidance states that in order for the Audit Committee to be fully effective, and therefore able to provide meaningful advice to the Council, its Members need to be independent, diligent, knowledgeable, and receive relevant, timely and reliable information. This guidance also indicates that Audit Committee Members must be in a position to challenge Directors and the Cabinet and draw attention to any governance weaknesses.
  - 2.4 Best practice guidance also states the Audit Committee should have clear reporting lines and unrestricted rights of access to other Council committees and senior managers (as required). In addition, the Audit Committee will have sufficient administrative support and access to all relevant and timely information.

### 3. Executive Summary

- 3.1 Overall, the IA opinion is that we are able to give **REASONABLE** assurance over the key risks to the achievement of objectives for The Effectiveness of the Audit Committee. Definitions of the IA assurance levels and IA risk ratings are included at **Appendix D**.
- 3.2 During testing we found the Audit Committee (AC) to be appropriately positioned as a sub-committee of Council. A review of AC membership identified that the Vice-Chairman is also an Ex-Officio member of Cabinet. Although this does not confer them the same voting rights as other members of Cabinet, there is potential for the independence of AC to be impaired. This could be addressed by introducing co-opted, independent members to the Committee, in line with best practice. A benchmarking exercise conducted against 10 other local authority ACs identified 4 which had co-opted members as part of their membership.
- 3.3 The Public Sector Internal Audit Standards (PSIAS) state that the Head of Internal Audit (HoIA) must report functionally to AC, which can include hiring and removal from the position in addition to regular evaluation of performance. Whilst discussion with officers identified that feedback is sought from AC as part of the periodic review of HoIA performance, these arrangements are not enshrined within the AC ToR, which is not compliant with best practice.
- 3.4 The Committee's ToR states that it is a function of AC to review and approve (but not direct) the Internal Audit and Counter Fraud Strategies, with strategic decisions being reserved for Cabinet. Whilst this was found to be in line with the Council's Constitution, it does not demonstrate AC's role as a sub-committee of Council and, therefore, independent of the executive in discharging the Council's governance responsibilities.
- 3.5 The AC is required to submit an annual report to Council to report its activities and attendance throughout the year. Review of Forward Programmes for the 2020/21 year identified that formulation and review of the annual report for 2019/20 had been scheduled to take place but had not been carried out. It was identified that this was due to meetings being cancelled during the difficulties and restrictions brought on by the Covid-19 pandemic.
- 3.6 Through discussions with officers and AC members, we found that the practice of requiring accountable senior managers and Heads of Service to attend AC meetings could be explored. This would enable the Committee to hold officers to account for their service's management of risks, although it should be used as a last resort measure when scrutinising the management of any risks.
- 3.7 It was found that the Council email account for the independent Chairman of AC had not been functioning following the migration from Google to Microsoft. As a result, the Chairman had reported the issue and had been required to use their personal email address for AC correspondence. The Chairman had reported the issue to the Council's ICT service and it had subsequently been rectified.

- 
- 3.8 Benchmarking against the ACs of 10 other councils identified that Hillingdon was the only Council which considers the Corporate Risk Register as a Part 2 agenda item at each meeting. The Corporate Risk Register and risk management updates of the 10 other ACs was easily obtainable as they had been published as Part 1 items, either with confidential information redacted or as the full, original version.
- 3.9 Testing identified that a member of AC had been absent from 2/2 meetings since their incumbency. A substitute did not attend in their place for 1/2 absences, which could lead to meetings being inquorate if non-attendance is more widespread or continuing.
- 3.10 Benchmarking conducted against the ACs of 2 other councils found more questions to have been asked at those 2 other councils' AC meetings. Although this does not directly indicate that more training might be required due to a lack of expertise, a discussion with AC members found that more training and development opportunities was a common and welcome suggestion. A skills matrix has been created and presentations are being planned to give an overview of each area within AC's remit, although more regular, targeted training could be explored further.
- 3.11 The detailed findings and conclusions of our testing which underpin the above IA opinion have been discussed at the exit meeting with the Chairman of the Audit Committee, Deputy Director of Exchequer Services & Business Assurance, Head of Democratic Services and Senior Democratic Services Manager and are available to management upon specific request. The key findings and IA recommendations raised in respect of the risk and control issues identified are set out in the Management Action Plan included at **Appendix A**. Good practice suggestions and notable practices are set out in **Appendix B** of the report. Results of benchmarking and analyses are set out in **Appendix C**.

#### 4. Acknowledgement

- 4.1 Business Assurance would like to formally thank all of the officers contacted during the course of this review for their co-operation and assistance. In particular the Senior Democratic Services Manager, whose advice and help were gratefully appreciated.

#### 5. Business Assurance Contact Details

This audit was led by: Nick Cutbill CIA  
**Principal Internal Auditor**

Audit support was provided by: Jack Francis-Kent  
**Internal Auditor**

This audit was reviewed by: Jenia Islentsyeva FCCA, CISA  
**Internal Audit Manager**

Thank you,



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

**Management Action Plan**

No.	Key Finding
	No <b>HIGH</b> or <b>MEDIUM</b> risk recommendations have been raised in this report.

*\*Please refer to **Appendix D** for Risk definitions.*

**Good Practice Suggestions & Notable Practices Identified**

No.	Key Finding	Observation / Suggestion	Risk / Rationale	Risk Rating*
1	<p>The Vice-Chairman of AC holds the position of Chief Whip of the leading political party and is therefore an Ex-Officio Member of the Cabinet. The previous Majority Chief Whip had also been a long-serving Member on both Cabinet and AC simultaneously.</p> <p>The CIPFA best practice guidance document, Audit Committees – Practical Guidance for Local Authorities and Police (2018), discourages having executive Members on the Audit Committee “as it could deter the committee from being able to challenge or hold to account the executive on governance, risk and control matters” (p.40). Further enquiries found that the Chief Whip role does not have any executive powers and does not vote or speak at Cabinet meetings. As such, there is a low risk that they may be seen to not be independent of Cabinet.</p> <p>The CIPFA guidance also identified that the co-option of independent members is beneficial to audit committees to bring external views and a new approach to committee discussions. Benchmarking found that 4/10 councils had independent, co-opted members as part of their ACs.</p>	<p>Consideration should be given to:</p> <ul style="list-style-type: none"> <li>a) Regularly reviewing the membership of Audit Committee to ensure that its independence is preserved and best practice is upheld; and</li> <li>b) Co-opting independent members to diversify the Committee’s expertise.</li> </ul>	<p><i>If Audit Committee membership is not regularly reviewed and does not include independent members, there is a risk that the Committee will not be completely independent of Cabinet and the Committee’s expertise will not be sufficiently maintained, leading to a lack of scrutiny over the Council’s governance, risk and internal control arrangements, resulting in operational and reputational consequences for the Council.</i></p>	<p><b>LOW</b></p> <p>●</p>

**Good Practice Suggestions & Notable Practices Identified**

No.	Key Finding	Observation / Suggestion	Risk / Rationale	Risk Rating*
2	<p>Testing found that:</p> <ul style="list-style-type: none"> <li>The functional reporting relationship between the Head of Internal Audit (HoIA) and AC is not defined within the Committee's Terms of Reference (ToR), specifically in relation to the appointment, removal and performance appraisal of the HoIA. This is not in line with CIPFA best practice guidance; and</li> <li>The Committee's ToR states that it is a function of AC to review and approve (but not direct) the Internal Audit and Counter Fraud Strategy, whilst strategy decisions are reserved for Cabinet. This is in line with the Council's Constitution, but does not demonstrate AC's role as a sub-committee of Council and, therefore, independent of the executive.</li> </ul> <p>Although testing did not identify any specific circumstances where the points above have resulted in the independence of AC or Internal Audit having been compromised, there is potential for such circumstances to arise in the future.</p>	<p>Management should consider reviewing Audit Committee's Terms of Reference to ensure that the independence of Audit Committee and Internal Audit is preserved.</p>	<p><i>If the Audit Committee Terms of Reference is not regularly reviewed and updated in line with best practice, there is a risk that the Committee may fail to adequately define reporting relationships and functions, leading to a failure to adhere to the Public Sector Internal Audit Standards and to promote the Committee's independence as a sub-committee of Council, resulting in operational and reputational consequences for the Council.</i></p>	<p><b>LOW</b></p> <p>●</p>

**Good Practice Suggestions & Notable Practices Identified**

No.	Key Finding	Observation / Suggestion	Risk / Rationale	Risk Rating*
3	The Audit Committee ToR highlight the requirement for the submission of an annual report to Council on the activity of the Audit Committee, which was also reflected on the Committee Forward Programme in the early part of the 2020/21. Testing found that the 2019/20 annual report was not completed, due to the difficulties presented by the Covid-19 pandemic restrictions and cancellation of a Committee meeting.	Management should ensure that an annual report is produced to summarise to Council the activity of the Audit Committee.	<i>If the Audit Committee's activities are not reviewed on an annual basis, there is a risk that the independence and effectiveness of the Committee may become impaired, leading to poor oversight and resulting in reputational damage to the Council.</i>	<b>LOW</b> ●
4	Discussion with Audit Committee Members identified that it would support Audit Committee's oversight of risk, governance and internal control arrangements by being able to speak directly with accountable senior managers and Heads of Service.	Management should review arrangements for being able to request senior managers and heads of service to attend Audit Committee meetings to provide oversight of their service's work in managing identified risks and implementing internal audit recommendations.	<i>If Audit Committee does not have sufficient oversight of the work of Council officers in managing risk, governance and internal control, risks may fail to be managed effectively, resulting in financial, operational and reputational consequences for the Council.</i>	<b>LOW</b> ●
5	Benchmarking against the Audit Committees of 10 other local authorities identified that Hillingdon was the only Council which considers the Corporate Risk Register as a Part 2 agenda item for each meeting. The Corporate Risk Register and risk management updates of the 10 other local authorities' Audit Committees was readily obtainable as they had been published as Part 1 items.	Management should consider including risk management updates as a Part 1 agenda for Audit Committee meetings, in line with other local authorities. Alternatively, consideration should be given to publishing redacted versions of the risk management updates to promote transparency whilst protecting the Council's business interests.	<i>If the Council does not publish its risk management updates openly as a Part 1 agenda item, there is a risk that the transparency of the Council's business is not promoted, leading to potential public distrust and negative media attention, resulting in reputational consequences for the Council.</i>	<b>LOW</b> ●

**Good Practice Suggestions & Notable Practices Identified**

No.	Key Finding	Observation / Suggestion	Risk / Rationale	Risk Rating*
6	<p>Review of meeting attendance of current Audit Committee (AC) Members found that 1 Member had been absent from 2/2 meetings since their incumbency. A substitute did not attend in their place in 1/2 absences.</p>	<p>Management should consider reviewing and challenging the attendance of Committee Members on a regular basis, ensuring that adequate substitute arrangements are always in place.</p>	<p><i>If AC Members do not regularly attend meetings or fail to provide substitute arrangements in their absence, there is a risk that the Committee will not be quorate, leading to a lack of oversight of the governance, risk and internal control arrangements, resulting in reputational, strategic and operational consequences for the Council.</i></p>	<p><b>LOW</b> ●</p>
7	<p>Discussions with Audit Committee (AC) Members identified potential gaps in training. A review of questions asked at the last 3 AC meetings found that out of 53 questions:</p> <ul style="list-style-type: none"> <li>• 7 related to the accounts;</li> <li>• 8 related to External Audit work;</li> <li>• 12 related to Counter Fraud work; and</li> <li>• 26 related to Internal Audit work.</li> </ul> <p>Benchmarking against the meetings of 2 other Council AC's also found that there was an average of 18 questions asked at Hillingdon's AC, compared to 27 and 33 questions asked at the other 2 Councils' meetings. This gap in questioning could indicate the need for further, specific training in each area of the AC's remit. A skills matrix has, been formulated to highlight any gaps in knowledge of the Committee's remit and training is being explored.</p>	<p>Management should consider providing Audit Committee Members with regular, specific training on all areas of the Committee's remit, as well as resource packs or reference sheets for further learning and development. Management should also consider arrangements for a pre-meeting of Audit Committee Members at each meeting, so that questions can be prepared and directed appropriately during the meeting.</p>	<p><i>If the Audit Committee Members do not have appropriate knowledge, skills or experience, there is a risk that the audit committee cannot effectively exercise their scrutiny functions, leading to a lack of questioning and sufficient oversight of the Council's governance, risk and internal control arrangements, resulting in strategic and operational consequences for the Council.</i></p>	<p><b>LOW</b> ●</p>

**Good Practice Suggestions & Notable Practices Identified**

No.	Key Finding	Observation / Suggestion	Risk / Rationale	Risk Rating*
8	A benchmarking exercise identified that the LBH's Audit Committee was the only Committee out of a sample of 11 local authorities that has an Independent Chairman.	A strong and suitably experienced and skilled independent Chairman is one of the characteristics of a good Audit Committee.	<i>The activity reflects current good practice or is an innovative response to the management of risk which has been shared with others.</i>	<b>NOTABLE PRACTICE</b> ●

\*Please refer to **Appendix D** for Risk definitions.

## RESULTS OF AUDIT COMMITTEE BENCHMARKING

### 1. Audit Committee Attendance and Membership

- 1.1 Table 1 shows the attendance rates for all current members of the Audit Committee (AC), including the attendance of the Chairman. It includes all meetings where a Member was required to attend and covers a period of 9 meetings, from 6<sup>th</sup> February 2019 to present.

**Table 1 – Average Attendance for Members of the Audit Committee**

Committee Member	Role	Political Party	Avg. AC Attendance (%)	Number of Meetings Attended
John Cheshire	Independent Chairman	N/A	100	9/9
Cllr Duncan Flynn	Vice-Chairman	Conservative	80	4/5
Cllr Raymond Graham	Member	Conservative	100	2/2
Cllr Richard Mills	Member	Conservative	0	0/2
Cllr Tony Eginton	Member	Labour	89	8/9

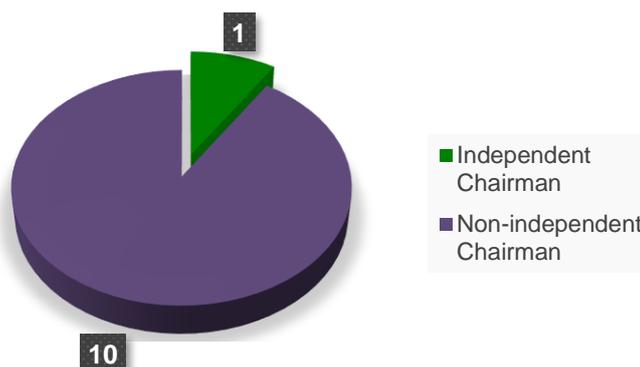
- 1.2 Table 2 shows overall absence and attendance rates for AC meetings during each financial year, from 1<sup>st</sup> April 2018 to present.

**Table 2 – Absence and Attendance Rates for All Members of the Audit Committee**

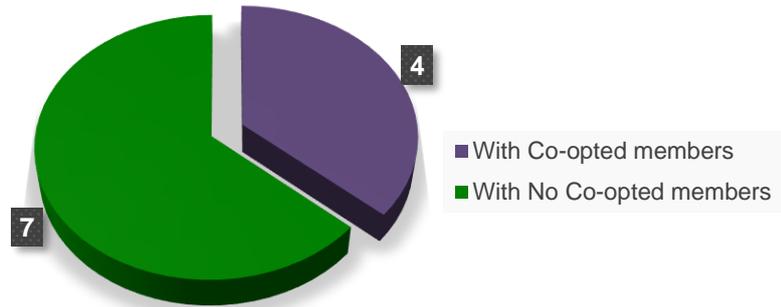
Financial Year	Meetings During Period	Absences During Period	Absence Rate (%)	Attendance Rate (%)	Attendance Rate Without Chairman (%)
2021/22	1	1	20	80	75
2020/21	3	2	13.33	86.67	83.33
2019/20	4	3	15	85	81
2018/19	5	3	12	88	85

- 1.3 Charts 1-3 compare membership of the Council's AC to that of 10 other local authority ACs. Note that in Chart 1, Hillingdon is the only Council to have an Independent Chairman.

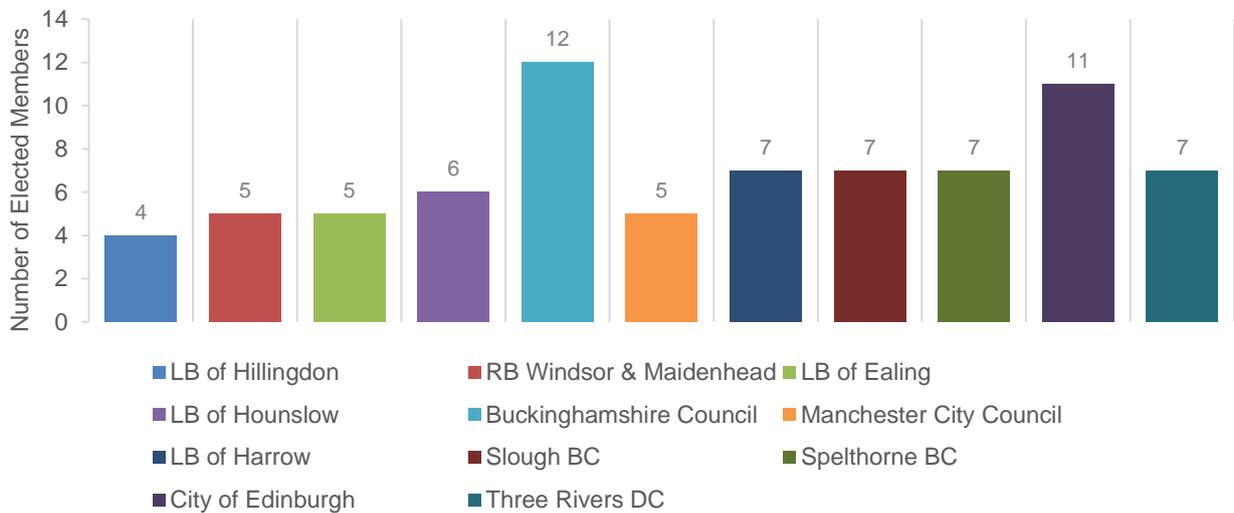
**Chart 1 – Number of Audit Committees with an Independent Chairman**



**Chart 2 – Number of Audit Committees with Co-opted Members**



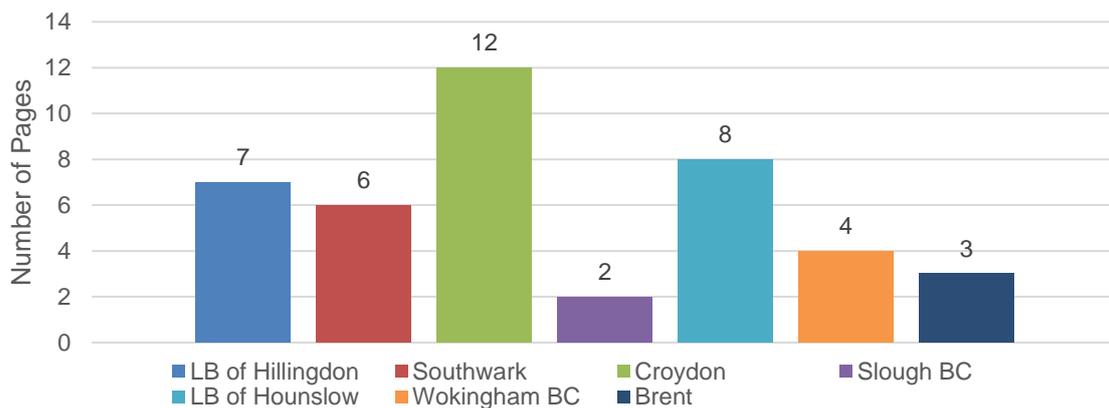
**Chart 3 – Number of Elected Members Serving on Audit Committees**



**2. Annual Report of the Audit Committee**

2.1 Our benchmarking included review of a sample of ACs from 7 councils, including Hillingdon, to identify how each produces their annual report to Council. We identified that the Chairman of AC produced the annual report in 3/7 councils, including at Hillingdon. The remaining 4 were presented by officers on behalf of the Committee. A review of the content of annual reports identified that Hillingdon’s was slightly above the average of 6 pages, at 7 pages long. Chart 4 shows the difference in annual report lengths across the sample.

**Chart 4 – Length of Audit Committee Annual Reports to Council**



## APPENDIX C (cont'd)

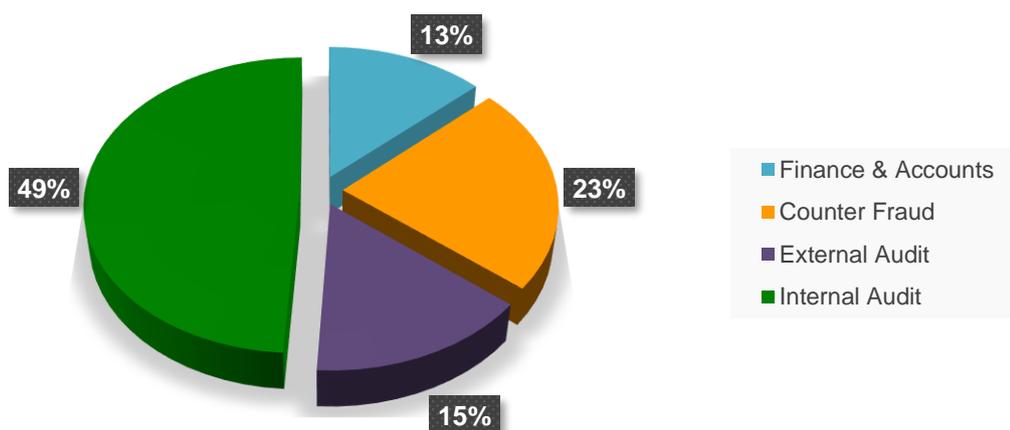
### 3. Distribution of Questions at Audit Committee

3.1 Part of our benchmarking involved assessing the number and types of questions asked at the Council's last 3 AC meetings and comparing these to questions asked at AC meetings of 2 other councils, LB of Hounslow and Manchester City Council. Tables 3-5 and Charts 5-7 contain summary information on the number of questions asked at each AC meeting.

**Table 3 – Number and Type of Questions Asked at LBH AC Meetings**

Meeting Date	Finance & Accounts	Counter Fraud	External Audit	Internal Audit	Total Questions	Meeting Length (Mins)	Avg. Questions Per Min
1 <sup>st</sup> Oct 2020	3	4	0	11	18	64	0.28
24 <sup>th</sup> Nov 2020	3	4	4	3	14	73	0.19
4 <sup>th</sup> Feb 2021	1	4	4	12	21	64	0.33
<b>Total</b>	<b>7</b>	<b>12</b>	<b>8</b>	<b>26</b>	<b>53</b>	<b>201</b>	<b>N/A</b>

**Chart 5 – Distribution of Questions at LBH AC Meetings**



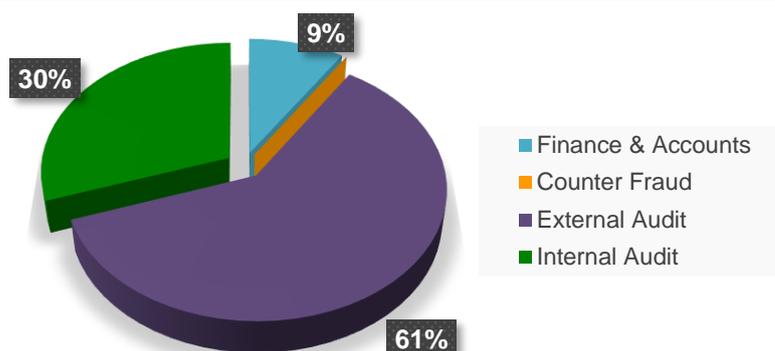
*Note: Risk Management updates are considered as a Part 2 agenda item and, therefore, records of questions asked could not be obtained*

**Table 4 – Number and Type of Questions Asked at LB of Hounslow AC Meeting**

Meeting Date	Finance & Accounts	Counter Fraud	External Audit	Internal Audit	Total Questions	Meeting Length (Mins)	Avg. Questions Per Min
11 <sup>th</sup> Jan 2021	3	0	20	10	33	90	0.37

## APPENDIX C (cont'd)

**Chart 6 – Distribution of Questions at LB of Hounslow AC Meeting**

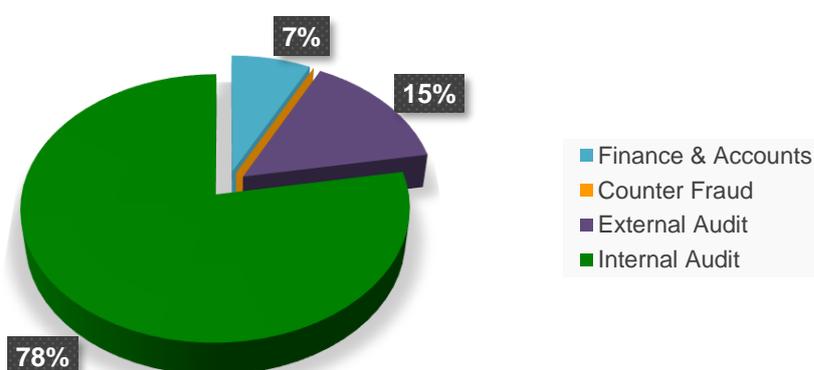


*Note: Counter Fraud updates are not provided as part of AC meetings at LB Hounslow*

**Table 5 – Number and Type of Questions Asked at Manchester City Council AC Meeting**

Meeting Date	Finance & Accounts	Counter Fraud	External Audit	Internal Audit	Total Questions	Meeting Length (Min)	Avg. Questions Per Min
16 <sup>th</sup> Mar 2021	2	0	4	21	27	79	0.34

**Chart 7 – Distribution of Questions at Manchester City Council AC Meeting**



*Note: Counter Fraud updates are not provided as part of Audit Committee meetings at Manchester City Council.*

- 3.2 Table 6 shows some statistics on the time utilisation and questions asked at the council's AC meeting compared to those of LB of Hounslow and Manchester City Council. Review of the AC meetings at these Councils also identified that members asked more probing questions than at Hillingdon's AC meetings.

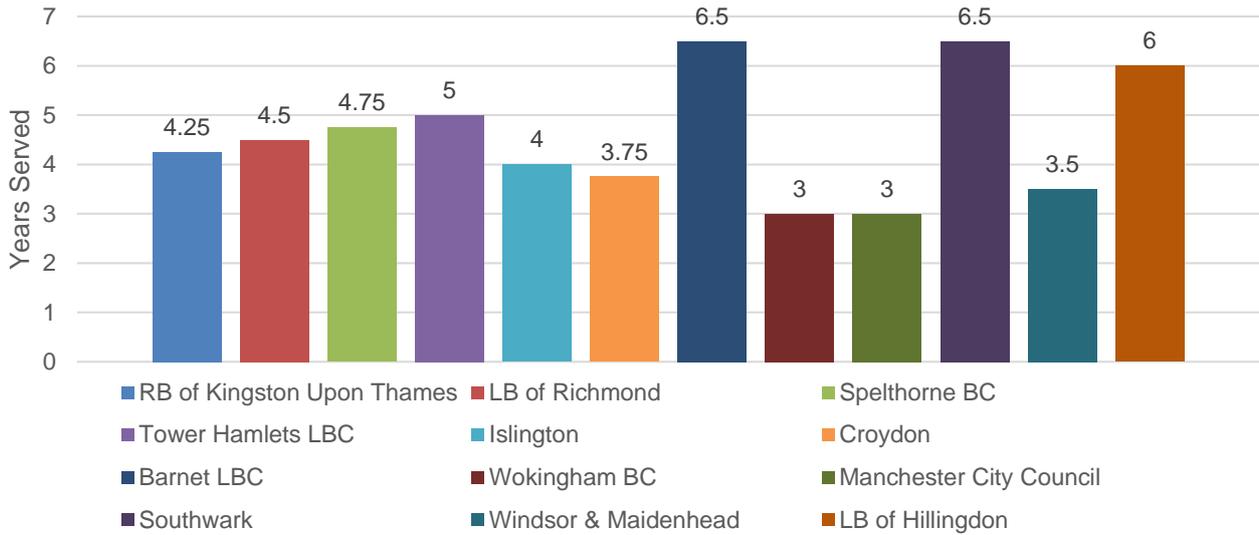
**Table 6 – Average Questions Asked and Time Utilisation at AC Meetings**

Area Reviewed	LB Hillingdon	LB Hounslow	Manchester City Council
Avg. No. of Questions at AC Meetings	17.67	33	27
Time Utilisation (Avg. No. of Questions Per Min)	0.27	0.37	0.34

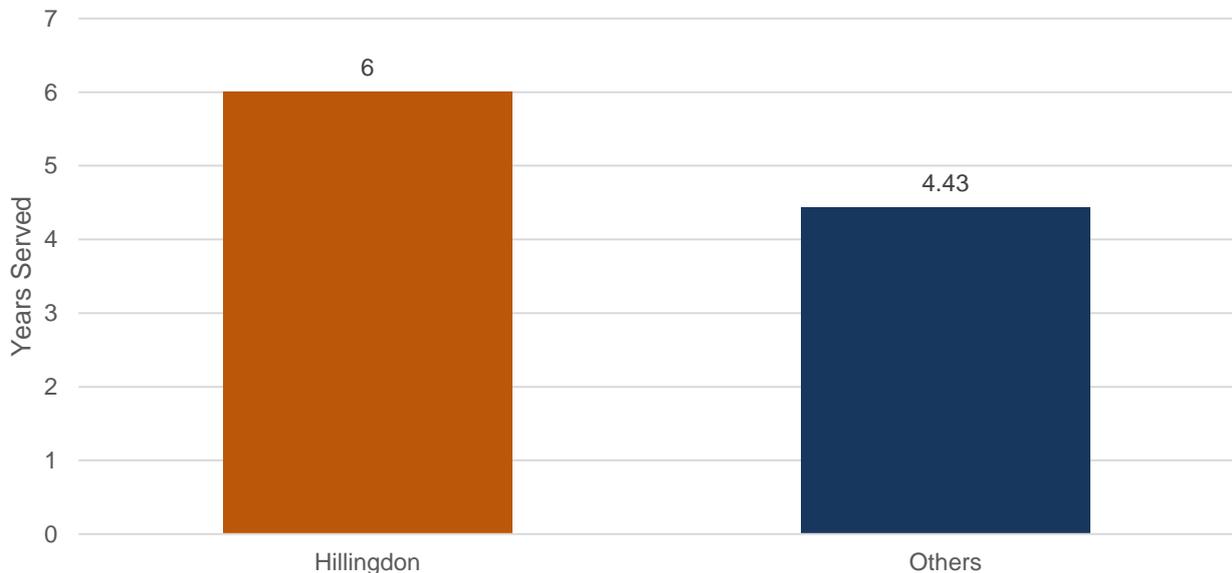
**4. Length of Service**

4.1 This area of benchmarking looked at a total of 12 councils, including LBH and compared the length of service of the 4 longest-serving members from each council's AC between April 2011 and March 2021. Charts 8 and 9, show the average length of service across the 12 councils and compares Hillingdon's average to that of the other 11 councils collectively.

**Chart 8 – Average Length of Service for 4 Longest-Serving AC Members**



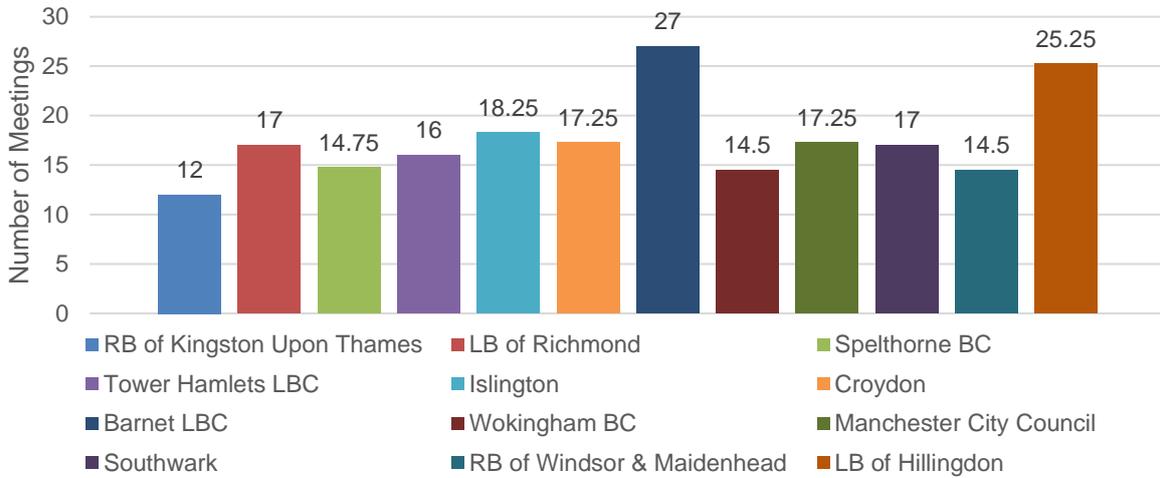
**Chart 9 – Average Length of Service – Hillingdon vs Others**



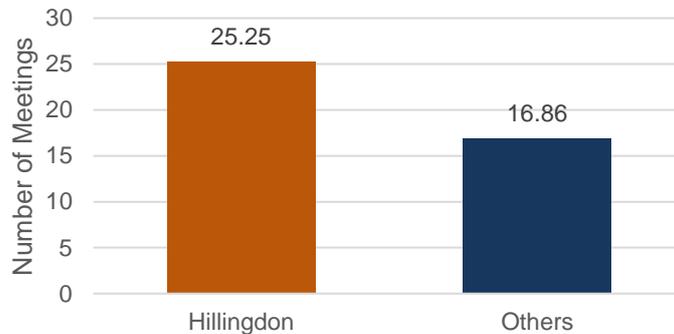
4.2 Charts 10 and 11, below, show the average number of AC meetings attended by the 4 longest-serving AC members between April 2011 to March 2021.

## APPENDIX C (cont'd)

**Chart 10 – Average Number of Meetings Attended by 4 Longest-Serving AC Members**



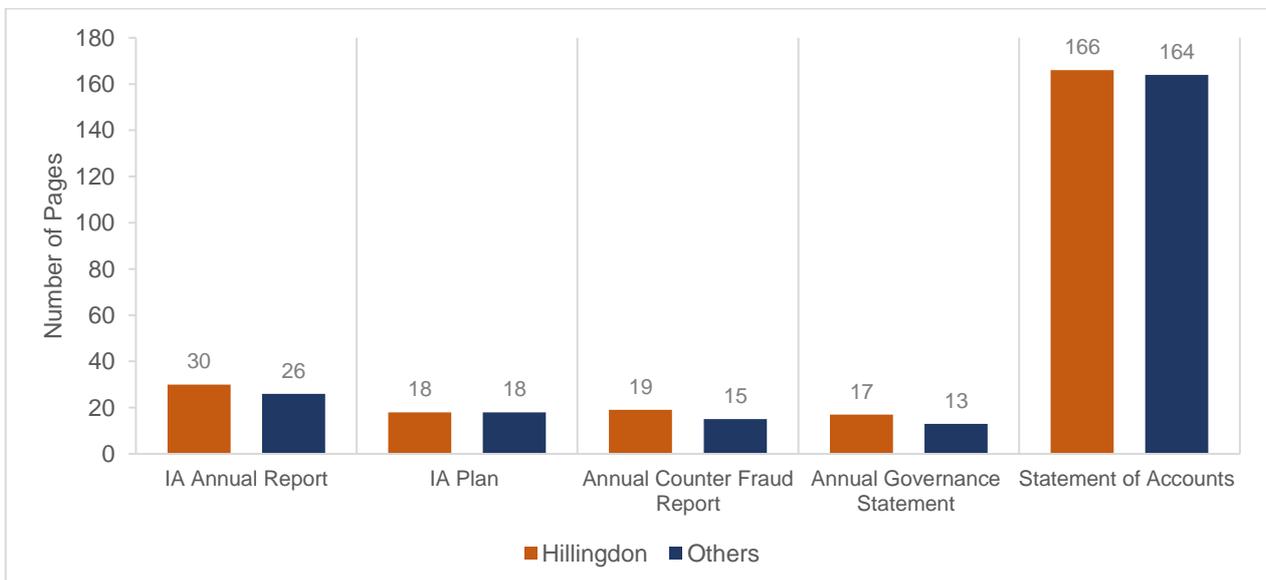
**Chart 11 – Average Number of Meetings Attended – Hillingdon vs Others**



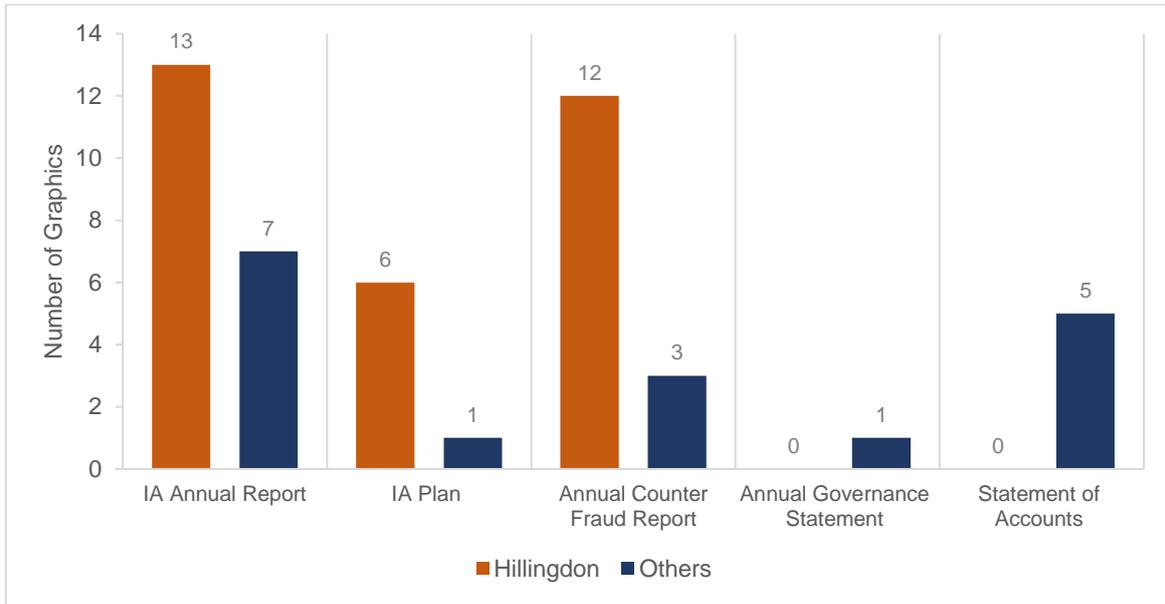
### 5. Report Benchmarking

5.1 We assessed the length and content of different reports presented at AC. Our sample included 13 councils' ACs, including LBH's. Charts 12 and 13, compare the length and use of graphics within each of these reports presented at LBH's AC versus other councils.

**Chart 12 – Average Number of Report Pages – Hillingdon vs Others**



**Chart 13 – Average Number of Graphics Used in Each Report – Hillingdon vs Others**

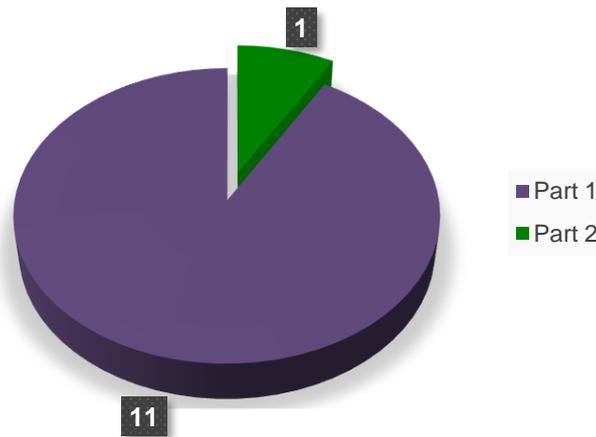


Note: 'Graphics' includes any information that is presented in a non-text format, e.g. graph or table

**6. Risk Management Updates**

6.1 Chart 14 shows the results from a comparison exercise to determine how councils' ACs consider risk management updates, whether as a 'Part 1' (public) or 'Part 2' (private) agenda item during meetings. 12 councils were reviewed in total, including Hillingdon. All 11 other councils consider risk management as a Part 1 agenda item, but in Hillingdon AC meetings this is a Part 2 item. It was noted that other councils often presented redacted versions of risk register updates, but otherwise risk registers were presented in full.

**Chart 14 – Risk Management Updates**



**INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS**

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

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

**RISK RESPONSE DEFINITIONS**

<b>RISK RESPONSE</b>	<b>DEFINITION</b>
<b>TREAT</b>	The probability and / or impact of the risk are reduced to an acceptable level through the proposal of positive management action.
<b>TOLERATE</b>	The risk is accepted by management and no further action is proposed.
<b>TRANSFER</b>	Moving the impact and responsibility (but not the accountability) of the risk to a third party.
<b>TERMINATE</b>	The activity / project from which the risk originates from are no longer undertaken.

**INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

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

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## AUDIT COMMITTEE - Annual Report of the Audit Committee 2020/21

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Muir Laurie, Deputy Director of Exchequer Services & Business Assurance
<b>Papers with report</b>	Annual Report of the Audit Committee 2020/21
<b>Ward</b>	All

### HEADLINES

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

### RECOMMENDATIONS:

**That the Audit Committee:**

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

### SUPPORTING INFORMATION

This report summarises, for the Council, the work of the Audit Committee during 2020/21 and how it has undertaken its responsibilities for reviewing the key areas within its remit. Specifically, these include:

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

Accordingly, in compliance with the Accounts and Audit (Amendment) Regulations 2021, the Audit Committee has reviewed the effectiveness of the systems of internal control by receiving regular reports from these areas above that contribute to the control framework.

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

## **BACKGROUND PAPERS**

The Terms of Reference for the Audit Committee.

# BUSINESS ASSURANCE

## Annual Report of the Audit Committee 2020/21

16<sup>th</sup> July 2021

### Report Distribution

#### Meeting / Date

Audit Committee ~ 29<sup>th</sup> July 2021

Council ~ 9<sup>th</sup> September 2021



HILLINGDON  
LONDON

[www.hillingdon.gov.uk](http://www.hillingdon.gov.uk)

## 1. Introduction

- 1.1 In line with best practice guidance, the Audit Committee is required to submit an annual report to Council, outlining the Audit Committee's activities over the previous year. This report summarises, for the Council, the work of the Audit Committee during 2020/21 and how it has undertaken its responsibilities for reviewing the key areas within its remit. Specifically, these include:
- Internal Audit (including internal controls);
  - Risk Management;
  - Corporate Governance;
  - External Audit;
  - Counter Fraud; and
  - Financial reporting process of the Statement of Accounts.
- 1.2 Accordingly, in compliance with the Accounts and Audit (Amended) (England) Regulations 2021 the Audit Committee has reviewed the effectiveness of the systems of internal control by receiving regular reports from these areas above that contribute to the control framework. This report provides an opportunity for Council Members to review the work of the Audit Committee and comment on its contribution and performance.

## 2. Key Activities of the Audit Committee

- 2.1 The Terms of Reference (ToR) of the Audit Committee are attached at **Appendix A**. These were **last amended** at the Council meeting held on 11<sup>th</sup> May 2017, following an Internal Audit review of the Effectiveness of the Audit Committee. The updated ToR provides clarity and clearly outlines the different roles and responsibilities that surround the Council's wide-ranging audit and governance activities; strategy and policy (Leader/ Cabinet Members), operational/ service delivery (Officers) and review and monitoring (Audit Committee). There have been no changes required to the ToR since May 2017, but they are reviewed regularly as part of Internal Audit's work on reviewing the effectiveness of the Audit Committee.
- 2.2 **During the 2020/21 municipal year the Audit Committee met on four occasions:** 1<sup>st</sup> October 2020, 24<sup>th</sup> November 2020, 4<sup>th</sup> February 2021, and 20<sup>th</sup> April 2021. Over 2020/21 the Audit Committee continued to be chaired by John Chesshire as the independent member, with Cllr Goddard as Vice-Chairman along with Cllr Eginton as Opposition Lead and Cllr Lavery and Cllr Flynn as other committee members. Following a change to the leadership of the Council on 14<sup>th</sup> January 2021, Cllr Goddard and Cllr Lavery stepped down from Audit Committee due to their appointment to the Cabinet and were replaced by Cllr Graham and Cllr R Mills. Additionally, during the year, Cllr Morgan attended a meeting as a substitute member. Further details of 2020/21 membership and attendance of the Committee is included at **Appendix B**.
- 2.3 The current **Independent Chairman has over 20 years' relevant experience** in the public and private sectors working in the internal audit, risk management, business improvement and governance fields.
- 2.4 The role delegated by the Council to the Audit Committee is to provide independent assurance over the governance, risk management and the system of internal control in operation at the Council. The Audit Committee has fulfilled this role by undertaking the following key activities:
- a) Oversight of Internal Audit**
- The Audit Committee oversaw the activity of the Council's Internal Audit service to assist it in its role of monitoring the internal control, risk management and governance arrangements of the Council's operations. During 2020/21, the Audit Committee reviewed the 2019/20 Annual Internal Audit Report and Head of Internal Audit Opinion Statement, received quarterly progress reports and operational plans, scrutinised Internal Audit performance and approved the 2020/21 Internal Audit Annual Resources Plan.

- An assessment of the Internal Audit Service is required by the Public Sector Internal Audit Standards (PSIAS) to be completed every five years. Hillingdon's Internal Audit Service was last reviewed in 2017/18 and as reported at the time to Audit Committee, Hillingdon was just one of a few Internal Audit services across London to be issued with a **'FULLY CONFORMS' to the PSIAS'** independent opinion. The next External Quality Assurance review of Internal Audit is due to be carried out in 2022/23.
- The Internal Audit Charter was last reviewed and updated then approved by the Audit Committee at its meeting on 22<sup>nd</sup> July 2019 (previously April 2018).
- The Audit Committee also reviewed the key findings from Internal Audit reviews and sought explanations from the Head of Internal Audit about the recommendations emanating from 'Limited' or 'No' assurance audits. It monitored the number of outstanding recommendations and was pleased to note a continued collaborative approach between Internal Audit and Management to manage identified risks appropriately.
- The Committee has continued to play an important role in raising the profile of Internal Audit by supporting it in its role of assisting Management in the Council.
- In keeping with good governance arrangements, Members of the Audit Committee have held a private meeting with the Deputy Director of Exchequer Services & Business Assurance.

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

#### **b) Oversight of External Audit**

- The Committee has reviewed the activity of the Council's External Auditors (Ernst & Young) to assist it in its role of monitoring the internal control, risk management and governance arrangements of the Council's operations. The Committee has received and considered the external audit plan, received progress updates and reviewed EY performance.
- In November 2020, an unqualified audit opinion was provided by the external auditors on the Council's 2019/20 financial statements.
- In keeping with good governance arrangements, In November 2020, members of the Audit Committee had a private meeting with External Audit.

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

- The Council operates a zero-tolerance policy towards all fraud and corruption. Responsibilities for the Council's anti-fraud and anti-corruption arrangements were transferred to the Business Assurance Counter Fraud Team (BACFT) in August 2017.
- The BACFT carry out a range of criminal and non-criminal investigations, although during the 2020/21 year the BACFT undertook alternative ways of working and operational activities due to the Covid-19 restrictions in accordance with Government guidance.
- Due to the Covid-19 pandemic, officers from the BACFT undertook verification checks on local businesses who applied for one of several Covid-19 business grants, following their introduction in April 2020. By the end of 2020/21 over 7,000 verification checks had been completed in conjunction with Exchequer Services. From those checked, the BACFT has instigated recovery action recouping over £460K to date, with a further 3 verifications still under further formal investigation.
- In October 2020, a restructure was implemented in the BACFT with three new sub-teams, each led by an experienced Counter Fraud Manager: the Housing Investigations Unit, Revenues Investigations Unit and Special Investigations Unit. The new structure creates a stronger skills-mix within the BACFT together with efficiencies in case handling, enabling the service to better adapt to emerging fraud risks from the pandemic.
- The Audit Committee has received consolidated quarterly progress reports from the BACFT. The team has responsibility for the oversight of the effectiveness of the Council's policies and procedures to prevent and detect fraud and corruption.

- The National Fraud Initiative (NFI), is embedded in practice in the BACFT through detecting potential fraud by matching electronic data sets within and between public and private sector bodies. Relevant service areas across the Council review the initial data matches and then refer them to the BACFT for investigation (where appropriate to do so).
- A move to a risk-based approach to counter fraud activities was introduced in 2017/18 and is fully embedded across the BACFT. Counter Fraud Analysts within the team gather intelligence and risk assess any referrals before passing them to the counter fraud officers and investigators in the team for further work (where appropriate to do so).
- In 2020/21 the team achieved total loss preventions of £1.04m, against a £1m target.

*The Audit Committee is satisfied with the effectiveness of the Council's counter fraud arrangements during 2020/21 and is looking forward to seeing more loss prevention work being completed in 2021/22.*

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

- The Audit Committee reviewed the Annual Risk Management Report in October 2020 as part of the Committee's role to independently assure the Council's corporate risk management arrangements. In addition, the Council's Risk Management Policy and Guidance was updated in August 2020.
- The Committee has monitored and reviewed the Council's risk management arrangements during the year through a quarterly risk management report, including the updated Corporate Risk Register. It also sought assurances that action was being taken on risk related issues.

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

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

- In November 2020, the Audit Committee approved the Council's annual statement of accounts for 2019/20. This included considering whether appropriate accounting policies have been followed and whether there are concerns arising from the external audit of the financial statements that need to be brought to the attention of the Council.
- The Audit Committee scrutinised the accounts in some detail and challenged the officers where appropriate. As part of this process the Committee considered the External Auditor's Annual Report to those charged with governance on issues arising from the external audit of the accounts. An unqualified opinion was provided by Ernst & Young in November 2020.

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

- The Audit Committee successfully oversaw the production of the Council's Annual Governance Statement (AGS) for 2019/20 and approved it as part of the Statement of Accounts in November 2020. As at 19<sup>th</sup> July 2021, the Audit Committee is in the process of providing oversight in relation to the production of the AGS for 2020/21.

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

- 3.1 In line with best practice, an independent review of the Audit Committee's effectiveness has been conducted by Internal Audit. This review provided **REASONABLE** assurance that the Committee is operating effectively. The final report was issued on 28<sup>th</sup> May 2021 and is due to be presented to the Audit Committee at its planned meeting on 29<sup>th</sup> July 2021.
- 3.2 The Audit Committee is required to submit an annual report to Council to report its activities and attendance throughout the year. It was noted that for 2019/20 this was scheduled to take place but was not carried out due to Audit Committee meetings being cancelled during the difficulties and restrictions brought on by the Covid-19 pandemic.

- 3.3 During the 2020/21 year it was identified there are potential gaps in training despite the development of a skills matrix and training development plan for all Audit Committee members during the 2018/19 year. It has been agreed that the skills matrix will be used to highlight any gaps in knowledge of the Committee's remit and training will be undertaken in 2021/22. These initiatives will enable the Audit Committee to perform its duties even more efficiently moving forward.
- 3.4 Following amendments to the Audit Committee's ToR in 2012, concern was expressed at the deletion of the power the Audit Committee had to require senior managers of Council services to attend meetings. The External Auditors have noted that it is unusual for the Audit Committee of a local authority not to have this power. As a consequence, the ToR do not comply fully with best practice, potentially affecting the effectiveness of the Committee.
- 3.5 However, during the 2020/21 year, the Committee is satisfied that there have been no occasions where it believes that this lack of power has hindered its effectiveness. The Audit Committee will consider its ToR and this position during each of its meetings this year.
- 3.6 It is also noted that despite the deletion of the power of the Audit Committee to require senior managers to attend meetings, Members still have the authority to request senior management attendance at meetings. The Audit Committee will consider whether to review its ToR in the year ahead and propose any changes if required.

#### 4. Conclusion

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

Mr. John Chesshire

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

16<sup>th</sup> July 2021

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

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

The Audit Committee's role will be to:

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

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

**Internal Audit**

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

**External Audit**

8. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
9. Monitor management action in response to issues raised by External Audit.
10. Receive and consider specific reports as agreed with the External Auditor.
11. Comment on the scope and depth of External Audit work and ensure that it gives value for money, making any recommendations to the Corporate Director of Finance.

**APPENDIX A (cont'd)**

12. Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
13. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.
14. Monitor arrangements for ensuring effective liaison between Internal Audit and External Audit, in consultation with the Corporate Director of Finance.

**Article I. Governance Framework**

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

**Article II. Accounts**

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

**Review and Reporting**

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

**APPENDIX B****AUDIT COMMITTEE ATTENDANCE IN THE 2020/21 MUNICIPAL YEAR**

Audit Committee membership and attendance during the 2020/21 municipal year was as follows:

<b>AC Member Name</b>	<b>AC Tenure</b>	<b>2020/21 Meeting Attendance</b>
Mr John Chesshire (Independent Chairman)	2 <sup>nd</sup> November 2017 to present	100% (all 4 meetings)
Cllr Tony Eginton	5 <sup>th</sup> June 2014 to present	100% (all 4 meetings)
Cllr Duncan Flynn	16 <sup>th</sup> January 2020 to present (Elected Vice-Chairman on 4 <sup>th</sup> February 2021)	75% (3 from 4 meetings): <ul style="list-style-type: none"> <li>• 24<sup>th</sup> November 2020;</li> <li>• 4<sup>th</sup> February 2021 (as Vice-Chairman);</li> <li>• 20<sup>th</sup> April 2021 (as Vice-Chairman).</li> </ul>
Cllr Martin Goddard	10 <sup>th</sup> May 2018 to 14 <sup>th</sup> January 2021	100% (2 from 2 meetings): <ul style="list-style-type: none"> <li>• 1<sup>st</sup> October 2020 (as Vice-Chairman);</li> <li>• 24<sup>th</sup> November 2020 (as Vice-Chairman).</li> </ul>
Cllr Raymond Graham	14 <sup>th</sup> January 2021 to present	100% (2 from 2 meetings): <ul style="list-style-type: none"> <li>• 4<sup>th</sup> February 2021;</li> <li>• 20<sup>th</sup> April 2021;</li> <li>• Also attended 1<sup>st</sup> October 2020 (as substitute for Cllr Flynn).</li> </ul>
Cllr Edward Lavery	9 <sup>th</sup> May 2019 to 14 <sup>th</sup> January 2021	100% (2 from 2 meetings): <ul style="list-style-type: none"> <li>• 1<sup>st</sup> October 2020;</li> <li>• 24<sup>th</sup> November 2020.</li> </ul>
Cllr Richard Mills	14 <sup>th</sup> January 2021 to 20 <sup>th</sup> May 2021	0% (0 from 2 meetings).
Cllr John Morgan	Substitute during the 2020/21 MY	<ul style="list-style-type: none"> <li>• Attended on 4<sup>th</sup> February 2021 (as substitute for Cllr Mills).</li> </ul>

**APPENDIX B (cont'd)**

Audit Committee Attendance in 2020/21 Municipal Year by Meeting Date:

<b>AC Meeting Date</b>	<b>AC Members Present</b>	<b>Substitutes Present</b>
1 <sup>st</sup> October 2020	Mr John Chesshire (Independent Chairman) Cllr Martin Goddard (Vice-Chairman) Cllr Tony Eginton Cllr Edward Lavery	Cllr Raymond Graham (for Cllr Duncan Flynn)
24 <sup>th</sup> November 2020	Mr John Chesshire (Independent Chairman) Cllr Martin Goddard (Vice-Chairman) Cllr Tony Eginton Cllr Duncan Flynn Cllr Edward Lavery	Not applicable – all Members present.
4 <sup>th</sup> February 2021	Mr John Chesshire (Independent Chairman) Cllr Duncan Flynn (Vice-Chairman) Cllr Tony Eginton Cllr Raymond Graham	Cllr John Morgan (for Cllr Richard Mills)
20 <sup>th</sup> April 2021	Mr John Chesshire (Independent Chairman) Cllr Duncan Flynn (Vice-Chairman) Cllr Tony Eginton Cllr Raymond Graham	None – apologies received from Cllr Richard Mills; no substitute in attendance.

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## AUDIT COMMITTEE - Annual Internal Audit Report & Opinion Statement 2020/21

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Sarah Hydrie, Head of Internal Audit & Risk Assurance
<b>Papers with report</b>	Annual Internal Audit Report & Opinion Statement 2020/21
<b>Ward</b>	All

### HEADLINES

The UK Public Sector Internal Audit Standards (PSIAS) requires the Head of Internal Audit & Risk Assurance, to deliver an Annual Internal Audit Report and Opinion Statement that can be used by the Council to inform and support its Annual Governance Statement. Therefore, in setting out how it meets the reporting requirements, this report and opinion statement also outlines how Internal Audit (IA) has supported the Council in meeting the requirements of the Accounts and Audit (Amendment) Regulations 2021. The report also summarises the main findings arising from the work performed by IA during 2020/21. This report provides the opportunity for the Head of Internal Audit & Risk Assurance to highlight to the Committee any significant matters arising from the work of IA during 2020/21. The draft report was considered by CMT in June 2021 to allow comment by the officer body responsible for the Council's internal control, corporate governance and risk management arrangements.

### RECOMMENDATIONS:

**That the Audit Committee:**

- 1. Review and note the Annual IA Report and Opinion Statement 2020/21.**

### 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 London Borough of Hillingdon. It is also a requirement of the Accounts and Audit (Amendment) Regulations 2021 that the Council undertakes an adequate and effective IA of its accounting records and of its system of internal control in accordance with the proper practices.

### BACKGROUND PAPERS

Annual Internal Audit Report & Opinion Statement 2020/21.

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# BUSINESS ASSURANCE

## Annual Internal Audit Report & Opinion Statement 2020/21

1<sup>st</sup> July 2021



# Contents

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## 1. Introduction

### 1.1 The Role of Internal Audit

- 1.1.1 Internal Audit (IA), which is part of the Council's Business Assurance (BA) Service, provides an independent assurance and consultancy service that underpins good governance. This is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon (LBH). It is also a requirement of the Accounts and Audit (Amendment) Regulations 2021 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account public sector internal auditing standards or guidance.
- 1.1.2 IA give an objective opinion to the Council on whether the control environment is operating as expected. In 'traditional' IA teams this usually means compliance testing of internal controls. However, the IA service at LBH fully embraces the risk based approach which means IA provides greater assurance to the Council because it is focused on the key risks to the achievement of the organisation's objectives. As a result, IA does not just comment on whether the controls operate, but whether they are the right controls to mitigate risk and enhance the likelihood of achieving the overall aims of the service.
- 1.1.3 The UK Public Sector IA Standards (PSIAS) promote further improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. They stress the importance of robust, independent and objective IA arrangements to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement (AGS).

### 1.2 The Purpose of the Annual Internal Audit Report and Opinion Statement

- 1.2.1 This annual report summarises the main findings arising from all of the 2020/21 IA work. The report also provides IA key stakeholders including the Council's Corporate Management Team (CMT) and the Audit Committee, with an opportunity to hold the Council's Head of Internal Audit & Risk Assurance (as the Council's statutory Head of Internal Audit [HIA]) to account on delivery of the 2020/21 IA Plan and on the effectiveness of the IA service.
- 1.2.2 The UK PSIAS require the HIA to deliver an annual IA report and opinion statement that can be used by the organisation to inform its AGS. Therefore, in setting out how it meets the reporting requirements, this report and opinion statement also outlines how IA has supported the Authority in meeting the requirements of the Accounts and Audit (Amendment) Regulations 2021.

## 2. Executive Summary

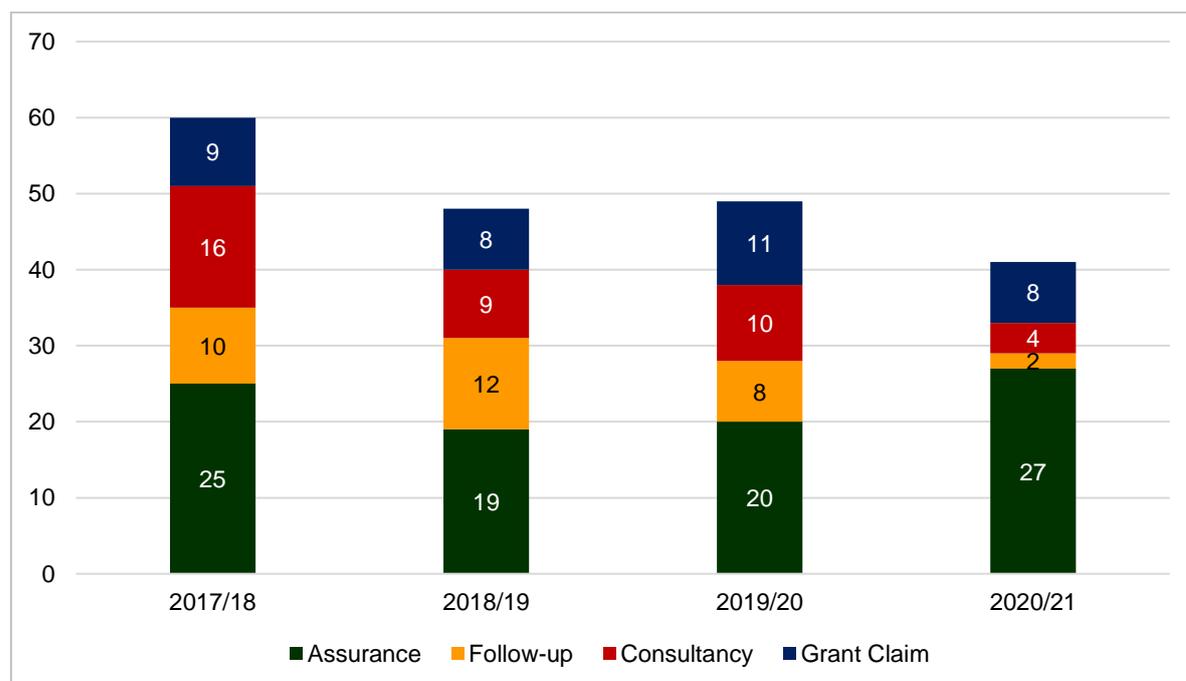
- 2.1 2020/21 has been an unprecedented year; the global Coronavirus pandemic has had a major impact on everyday life for everyone. The Council has continued to operate effectively during the crisis and adapted its ways of working to suit the needs of its residents and support the most vulnerable in the borough. One of the new initiatives introduced during pandemic was the Council's **Food Delivery Service (FDS)**. Between March and June 2020, the majority of IA staff along with other Business Assurance colleagues in the Counter Fraud, Insurance and Health & Safety teams were redeployed to work on the Council's FDS.
- 2.2 The IA team returned to IA work in June 2020 as part of the Council's 'Recovery' phase and the return to 'business as usual'. From that point the team's immediate focus was on completing the remaining 2019/20 work that was outstanding before lockdown was instigated, as well as verifying the business grant claims and completing some Quality Assurance and Improvement work.

- 2.3 Despite the significant disruptions to IA work in 2019/20 Quarter 4 and 2020/21 Quarter 1, the HIA is pleased to report that **the 2020/21 IA plan was 98% complete to final report stage by 31<sup>st</sup> May 2021**. The sole exception being the assurance review of Anti-Social Behaviour and Environment Team (ASBET) which was not completed by the 31<sup>st</sup> May 2021 deadline due to operational issues within ASBET. However, the IA review was completed in June 2021 with cooperation and support from colleagues in ASBET.
- 2.4 Although IA is a statutory service and delivery of the IA work is essential, the precise timing of IA work is not time critical. The statutory duty of the IA function is to provide independent and objective assurance to underpin the HIA opinion statement which supports the Council's Annual Governance Statement.
- 2.5 For the purpose of the Council's Annual Governance Statement, following work undertaken and from the other sources of assurance referred to in para 3.7:

*It is the HIA's opinion that overall IA can provide **REASONABLE** assurance that the system of internal control that has been in place at Hillingdon Council for the year ended 31<sup>st</sup> March 2021 accords with proper practice, except for the significant internal control issues referred to in para 3.8 (see para 3.12 for further details).*

- 2.6 In total **41** pieces of IA work have been delivered as part of the 2020/21 IA plan. This included **27** assurance reviews, **2** follow-up reviews, **4** consultancy reviews and **8** grant claim audits.
- 2.7 An analysis of IA work over the past 4 years shows a significant **increase** in assurance work this year. Dedicated follow-up reviews have **decreased** this year due to the revised process (refer to para 2.11 for further information on this work). Consultancy work has also decreased this year, this is mainly due to focusing the IA resources on high risk assurance reviews, brought on by the Covid-19 pandemic. Due to the pandemic, 1 assurance review and 1 consultancy review were **DEFERRED** to 2021/22 (refer to **Appendix A** for further details).

**Chart 1 ~ IA Work Undertaken**



- 2.8 **56%** of the 2020/21 assurance reviews resulted in a **REASONABLE** opinion and **33%** of assurance reviews resulted in **LIMITED** and **NO** opinions; this provides positive assurance to the Audit Committee and CMT that IA resource is focused on the right areas, often highlighted by senior management as known areas of concern.

2.9 **100%** of the 2020/21 **HIGH** and **MEDIUM** risk recommendations raised by IA were accepted by the relevant manager’s/risk owners, with positive action proposed to **TREAT** all these risks (this includes the issues highlighted in the quarterly IA progress reports presented to the Audit Committee and CMT during 2020/21). Further analysis of the IA assurance levels issued in 2020/21 along with a breakdown of the risk recommendations raised can be found at sections 4 and 5 of this report respectively.

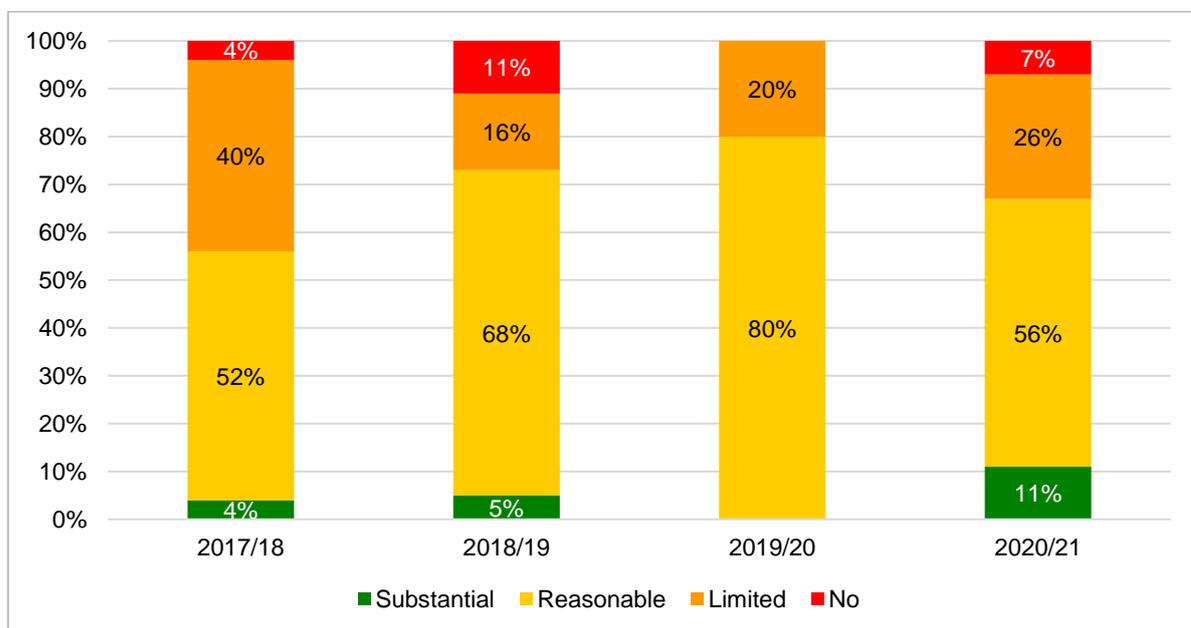
2.10 Table 1 provides an analytical review of assurance opinions issued by IA over the last 4 years. This partly demonstrates a broadly consistent picture, although this is within the context of 7 (35%) more assurance reviews in 2020/21 compared to 2019/20:

**Table 1 ~ IA Assurance Levels**

Assurance Level	2017/18	2018/19	2019/20	2020/21
<b>SUBSTANTIAL</b>	1 (4%)	1 (5%)	0 (0%)	<b>3</b> (11%)
<b>REASONABLE</b>	13 (52%)	13 (68%)	16 (80%)	<b>15</b> (56%)
<b>LIMITED</b>	10 (40%)	3 (16%)	4 (20%)	<b>7</b> (26%)
<b>NO</b>	1 (4%)	2 (11%)	0 (0%)	<b>2</b> (7%)
<b>TOTALS</b>	25	19	20	<b>27</b>

2.11 The bar chart below highlights that IA assurance reviews continue to be focussed on the areas of greatest risk:

**Chart 2 ~ IA Assurance Levels**



2.12 2020/21 has been a challenging year regarding the implementation of IA recommendations. There has been an increase in the number of recommendations that have passed their implementation date and have been extended without sufficient reason. As a result of this risk exposure, the follow-up process has been revised. Changes include IA actively following-up on all **HIGH** risk recommendations **within 2 weeks** after their implementation date and **MEDIUM** risks **within 4 weeks**. We have removed the functionality for risk owners to revise implementation dates on TeamCentral and we have hired additional IA resource to assist with the revised follow-up process and the backlog of outstanding recommendations created during the height of the pandemic.

- 2.13 Following IA's return to business as usual from the FDS, a restructure of the IA team was proposed and once agreed via the BID process was implemented. IA at LBH was in a relatively unique position, in that the Council agreed to invest additional resource into the IA team against a backdrop of significant budget pressures across the organisation. As a result, the new structure contains a stronger skills-mix which is allowing the IA team to deliver more complex assurance work required in a timely manner, as well a robust process for following-up previous IA recommendations.

### 3. Head of Internal Audit Opinion Statement 2020/21

#### 3.1 Background

- 3.1.1 The HIA opinion statement is provided partly to help inform the Chief Executive and Leader of the Council to assist them in completing the AGS, which forms part of the statutory Statement of Accounts for the 2020/21 year. The AGS provides public assurances about the effectiveness of the Council's governance arrangements, including the system of internal control. The HIA opinion statement meets the Authority's statutory requirement under Regulation 6 of the Accounts and Audit (Amendment) Regulations 2021 and is in line with the UK PSIAS.

#### 3.2 Scope of Responsibility

- 3.2.1 LBH is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty, under the Local Government Act 2000, to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.2.2 In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. Specifically, the Council has a statutory responsibility for conducting a review of the effectiveness of the system of internal control on at least an annual basis.

#### 3.3 The Purpose of the System of Internal Control

- 3.3.1 The Council's system of internal control is designed to manage risk to a reasonable level rather than to completely eliminate the risk of failure to achieve policies, aims and objectives. Consequently, it can only provide a reasonable, and not absolute, assurance of effectiveness.
- 3.3.2 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's vision, strategic priorities, policies, aims and objectives. It also is designed to evaluate the likelihood of those risks being realised, their impact, and to manage them efficiently, effectively and economically.

#### 3.4 Annual Opinion Statement on the Effectiveness of the System of Internal Control

- 3.4.1 The HIA opinion is based primarily on the work carried out by the Council's IA service during 2020/21, as well as a small number of other assurance providers. Where the work of the Business Assurance Counter Fraud Team (BACFT) has identified weaknesses of a systematic nature that impact on the system of internal control, this has been considered in forming the HIA opinion.
- 3.4.2 The IA Plan for 2020/21 was developed primarily to provide CMT and the Audit Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, including an assessment of the Council's corporate governance arrangements and risk management framework.

### 3.5 Basis of Assurance

- 3.5.1 All of the IA reviews carried out in 2020/21 have been conducted in accordance with the UK PSIAS. An independent External Quality Assurance (EQA) review of the IA service, finalised in September 2017, confirmed that **Hillingdon's IA service FULLY conforms** to the PSIAS, complies with each of the statements of good practice and core principles. The EQA stated that IA has a very positive impact on the governance, risk and control environment within the organisation.
- 3.5.2 In line with the UK PSIAS, the HIA is professionally qualified and suitably experienced. The skills mix within the rest of the in-house IA team has evolved during the year with every single member of the IA team either fully qualified or actively studying for a relevant professional IA qualification. As a result, the 2020/21 IA resources fulfilled the UK PSIAS requirements in terms of the combination of professionally qualified and suitably experienced staff.

### 3.6 Qualifications to the Opinion

3.6.1 During 2020/21 the Council's IA service:

- Had **unrestricted access to all areas and systems** across the authority;
- Received **appropriate co-operation from officers and members**; and
- Had **sufficient resources to enable it to provide adequate coverage** of the authority's control environment to provide the overall opinion (refer to para 3.12.4).

As a consequence, **there are no qualifications to the 2020/21 HIA opinion statement.**

### 3.7 Other Assurance Providers

- 3.7.1 In formulating the HIA overall opinion on the Council's system of internal control, the HIA has taken into account the work undertaken by other sources of assurance, and their resulting findings and conclusions.
- 3.7.2 These other assurance providers which included:
- Coverage of the BACFT;
  - The work of the **Corporate Risk Management Group** (refer to para 3.10);
  - The work of the **Hillingdon Information Assurance Group**;
  - The work of the **Hillingdon Health & Safety Group**;
  - The **Audit Committee** - an IA assurance review of the effectiveness of the Audit Committee was reported in 2020/21;
  - **External inspections** i.e. Ofsted; and
  - Coverage by **External Audit** (EY) including grant claim certification i.e. HB Subsidy.

### 3.8 Significant Internal Control Weaknesses

- 3.8.1 IA is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise during the year.
- 3.8.2 **There were several significant control weaknesses identified by IA during 2020/21.** Work is ongoing to strengthen the Council's control environment in relation to the significant control weaknesses identified. These included (but are not limited to):

1. The 2020/21 IA assurance review of **ASBET Case Management** was awarded a **NO** assurance opinion. The ASBET recognises improvements are required on operational matters including updating policies and procedures, managing caseloads, updating electronic records, risk assessing cases and enhancing performance metrics. The team have been proactive with the managing their risk exposure, with the first tranche of **HIGH** risk recommendations to be implemented in July and August 2021.
2. The 2020/21 IA assurance review of **Tree Inspections** was awarded a **NO** assurance opinion and identified inconsistent record keeping for tree maintenance and inspection reports and the absence of a tree maintenance strategy. Without sufficient maintenance and inspection reports there is a risk that poorly maintained trees can cause serious harm to members of the public and damage to property which the Council could be liable for. IA are reviewing the teams progress with all **7 recommendations** as per the revised follow-up process.
3. The 2020/21 IA assurance review of **Music Service – Invoicing and Debt Collection** was awarded a **LIMITED** assurance opinion. Senior Management and the IA team found that the current system for invoicing and debt collection had been built outside of the Council's financial framework and without collaboration with the Corporate Payments team. The Music Service has started to mitigate all the identified risks and have been working with ICT and Finance to resolve the highlighted issues.
4. During 2020/21 the IA team performed 2 thematic reviews across 10 maintained schools within the borough. The first IA assurance review was **Purchasing and Payments** and the second was **Governance and Financial Management**. Both assurance reviews were awarded **LIMITED** audit opinions. During the audits it became apparent that schools remain a **HIGH** risk for the Council and consistent IA coverage and support is required. A summary of each IA review was published on the 'Local Authority Update' to all schools. Good practice is shared, and weaknesses are highlighted for learning and improvement purposes.
5. The **Dedicated Schools Grant (DSG)** continues to put pressure on the Dedicated Schools Budget, which has a cumulative deficit of £15m at the end of 2019/20, and estimated in-year budget gap of £7.2m for 2020/21. The risk has been captured on the Council's Corporate Risk Register and is currently a **MEDIUM** risk rated **E1**. The lack of central government support to approve the Council's Deficit Recovery Plan and to provide funding to alleviate the deficit means the risk is not improving and instead could potentially worsen as the gap increases.
6. The **Coronavirus pandemic** continues to present LBH with a unique set of risks and a considerable number of issues to address and respond to within tight timeframes (particularly within Test & Trace, Social Care and Housing). CMT consulted daily during the height of the pandemic and the Covid-19 Gold Group remains in place to closely monitor developments to ensure we are following the latest advice and protocols from Public Health England and central government. Whilst the Council is still dealing with the aftermath of the lockdowns, it is working with residents as well as staff to help support the community. The risk of another wave is of course a possibility and the Gold Group continues to work diligently to plan for any eventuality if an increase in localised Coronavirus cases are identified.
7. Due to Covid-19, **Brexit** matters became slightly side-lined temporarily although this continues to be a risk for the Council. LBH undertook a range of activities to raise awareness and signpost residents and businesses in line with guidance, utilising the 'Get Ready for Brexit' and EU Settlement Scheme campaigns and programme of social media posts. The Council worked collaboratively with partner agencies and stakeholders, enabling key concerns and the identification of priority issues, which could be escalated through wider reporting structures via the Resilience and Emergencies Division to support pan-London assessments of immediate and longer-term impacts of the UK's exit from the EU on London local authorities. The risk has been captured on the Council's Corporate Risk Register and is monitored regularly.

### 3.9 Internal Control Improvements

3.9.1 In addition to the action taken by senior management to address the significant control weaknesses, IA has identified during the year several areas where other improvements have strengthened the control environment. These include:

- **Management and organisational structures have strengthened within the year.** Following the appointment of the new Leader of the Council and the retirement of the Deputy Chief Executive, Senior Management restructures and changes to Directorates across the Council have enhanced the control framework, stabilising and enhancing the robustness of the internal environment as well as the associated monitoring activities; and
- The Council has been successful at continuing to **achieve transformational savings and maintaining its financial resilience**. This has been done whilst at the same time continuing to deliver a range of innovative projects to help drive forward major change across the Council. The Hillingdon Improvement Programme (HIP) has been a fundamental part of this success and helped **improve the services delivered to residents** in line with the Council's vision of *'Putting Our Residents First'*.

### 3.10 Risk Management

3.10.1 Risk Management is the process by which risks are identified and evaluated so that appropriate risk treatment measures can be applied to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Council to achieve its objectives and fulfil its strategic priorities. The IA opinion on the effectiveness of the Council's Risk Management arrangements is based on **the Chartered Institute of Internal Auditors' Risk Maturity Model**. IA has identified that there is good Risk Management practice in an increasing number of areas of the Council's operations, but the issue remains that most of the Council's services' understanding of Risk Management could be improved. IA plans to do offer staff and services more risk management training in the 2021/22 financial year.

3.10.2 IA's review of the Council's Risk Management arrangements concluded that the approach to Risk Management at a strategic level was very effective, but risk identification and management at an operational level remains that of a scattered, silo-based approach with inconsistent practices.

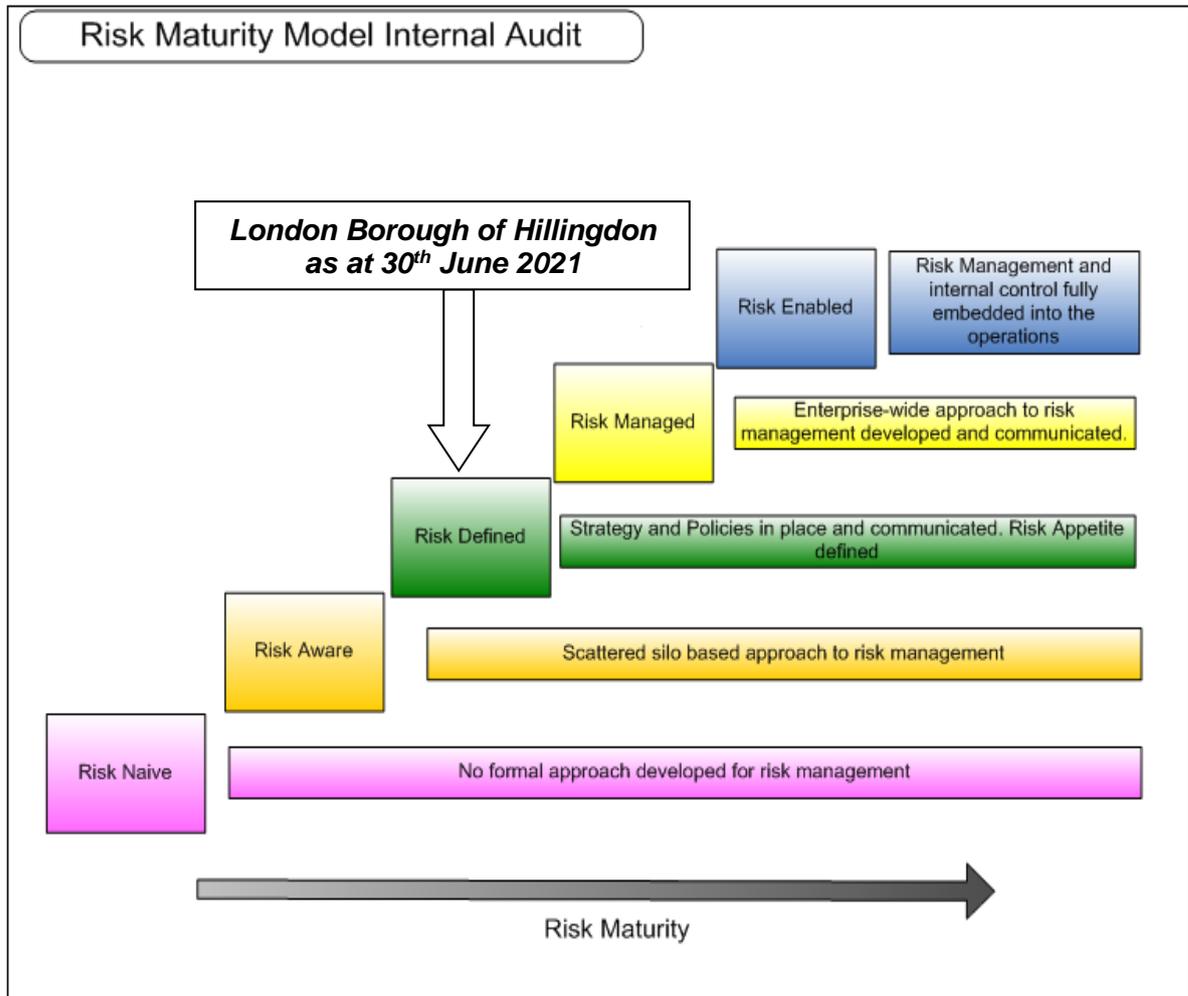
3.10.3 The Risk Management policy and guidance was last updated and approved in August 2020. It is reviewed by the Corporate Risk Management Group (CRMG), before going on to be considered by the Corporate Management Team (CMT) and Audit Committee. The policy contains comprehensive detail including clarity of roles, responsibilities and accountabilities of Members and Officers in relation to Risk Management.

3.10.4 The Council has a well-established CRMG in place which meets quarterly and discusses strategic (corporate) risk issues in a sufficient manner. Strategic risks are monitored and reviewed by Directorate (Group) SMTs, CMT as well as the Audit Committee generally on a quarterly basis. In addition, whilst it is the responsibility of all employees to identify and manage risks effectively, there are designated risk champions representing each Group with accountability assigned for each identified strategic risk to own and manage, in liaison with the lead Cabinet Member.

3.10.5 However, the Council needs to further improve the process for identifying and recording risks at an operational level. IA's judgement in this area is that risks below Group level are not being consistently identified, treated and escalated across the organisation. Further, service risk registers, whilst encouraged, are not in place for many areas across the Council. We have therefore concluded that the approach to managing operational risks still requires significant work if the Council is to achieve a **Risk Managed** enterprise-wide approach to risk management.

3.10.6 Nevertheless, several enhancements to risk management arrangements have been noted throughout the year. This includes the establishment of risk appetite statements for each risk within the corporate risk register and the communication of the updated Risk Management policy and guidance. As a result, the IA assessment of **the Council’s Risk Management maturity is that the Council was Risk Defined** as at 30<sup>th</sup> June 2021. In our opinion, the Council demonstrates all the main characteristics of a **Risk Defined** maturity level and the key requirements that apply to this maturity level are now in place.

**Chart 3 ~ Chartered Institute of Internal Auditors’ Risk Maturity Model**



**3.11 Corporate Governance**

3.11.1 The 2020/21 IA opinion on the effectiveness of the Council’s corporate governance arrangements is based on the **Langland’s Report on 'Good Governance Standard for Public Services'**. The Langland’s report contains best practice governance in the public sector and IA’s assessment is highlighted in the table below:

**Table 2 ~ 2019/20 Corporate Governance Assessment**

Langland’s Governance Principles	IA Assessment of Hillingdon
1. Good governance means focusing on the organisation’s purpose and on outcomes for citizens and service users.	<p><b>REASONABLE Assurance</b></p> <p>The Council has a clear vision and strategic priorities in place to guide the organisation in the short, medium and long term. A search of the Council’s intranet and website found that the organisation has 4 key themes which clearly align with its overall vision of: <i>“Putting our residents first”</i>.</p>

Langland's Governance Principles	IA Assessment of Hillingdon
<i>(Principle 1 – cont'd)</i>	<p><i>(Principle 1 – cont'd)</i></p> <p>These themes and the vision further inform the Council's objectives, enshrined primarily within the Hillingdon Improvement Programme (HIP) and Local Plan.</p> <p>However, the vision was not found to be clearly advertised on a new version of the Council's website. Further, results of an internet search using the keywords "Hillingdon" and "objectives" found a document outlining a 'Core Strategy' and Council objectives, which were updated in 2012.</p> <p>The Council was found to have a clear vision, strategies, and objectives in place, along with its HIP programme for improving services for residents. However, there was no evidence that the Council had engaged in an external review of its effectiveness. The Local Government Association operate a 'peer challenge' programme with the aim of providing external review, challenge, and shared learning, in which 71 Councils took part in 2018/19. The Council could consider utilising such programmes to provide external assurance of its organisational values, behaviour, and operations, promoting knowledge sharing.</p>
2. Good governance means performing effectively in clearly defined functions and roles.	<p><b>REASONABLE Assurance</b></p> <p>The Council has an up to date Constitution in place that is communicated to residents, officers and Members. Each directorate is supported by a Scheme of Delegations (SoD) document, which clearly specifies decision-making responsibilities across all management levels. These are further supported by a Procurement and Standing Order Rules document, specifying levels of authority for procurement exercises.</p> <p>Statutory chief officer roles were all found to be in place at the Council, with none currently vacant. Supporting job description documents were obtained for each of these chief officer roles and found to adequately capture statutory responsibilities. However, a job description for the Monitoring Officer role could not be obtained, although the risk of this not being in place is mitigated due to responsibilities being enshrined within legislation.</p>
3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour.	<p><b>REASONABLE Assurance</b></p> <p>The Code of Conduct documents clearly define the expected behaviour and values of officers and Members. These documents also define the relationship between officers and Members and are enshrined within the Constitution. Behaviour is further governed by processes to monitor conflicts of interest and complaints for officers and Members, alongside Counter Fraud, Anti-Corruption, Anti-Bribery, Whistleblowing, and Gifts and Hospitality arrangements. A Standards Committee is in place to oversee these arrangements, although it was noted that the Committee has not convened due to there being a lack of items to consider, showing that strong values and behaviour are consistently practiced. Under the Local Government Transparency Code 2015, the Council is required to regularly publish certain data openly and transparently.</p>

Langland's Governance Principles	IA Assessment of Hillingdon
<i>(Principle 3 – cont'd)</i>	<i>(Principle 3 – cont'd)</i> The Council's website has a dedicated page for the publishing of its data under this Code. Whilst it was clear that all 16 mandatory datasets had been published, 7 out of 16 were not up to date and 3 out of 16 were identified as not published in a format that conformed to the Code.
4. Good governance means taking informed, transparent decisions and managing risk.	<b>SUBSTANTIAL Assurance</b> There are strong arrangements in place for decision making at the Council, where decisions are made in accordance with the Cabinet SoD and directorate SoDs. Each decision is supported by an assessment of risks and financial and legal implications, with minutes and reports of each Cabinet and committee meetings published for transparency. The Council's Executive Scrutiny Committee also considers each Cabinet decision and has the ability to 'call-in' a decision so that it can be re-considered, although this power has not been exercised for several years. Finally, there is a robust risk management process in place to highlight and act upon emerging risks. This culminates in the production of an Annual Governance Statement, supported by assurance statements from each senior officer.
5. Good governance means developing the capacity and capability of the governing body to be effective.	<b>SUBSTANTIAL Assurance</b> A range of tools and training is in place to assist the Council's Members in the performance of their roles, including the provision of mandatory training courses. Each new Member is given an induction to the role and is subsequently provided with opportunities for development each year, which is managed by a dedicated officer. Further, the effectiveness of Cabinet and committees is considered periodically, as and when changes are identified as being needed. Evidence showed that changes to the Cabinet are clearly documented in a toolkit for ease of reference, for both officers and Members. This ensures that strong direction and governance for the Council.
6. Good governance means engaging stakeholders and making accountability real.	<b>SUBSTANTIAL Assurance</b> Key achievements, performance and objectives are communicated to residents, officers and other Council stakeholders using a variety of methods. These messages are enhanced by processes in place for such stakeholders to engage with the Council through surveys, consultations, petitions, and other methods of feedback, creating accountability for the Council's actions. Additionally, annual reports are created by each of the Council's Scrutiny and Policy Overview Committees and are considered by full Council, highlighting areas of work undertaken by each committee during the year and the outcomes for residents. These reporting arrangements are also set out in the Constitution, which governs the scope of each committee and its responsibilities to Cabinet and Council.

- 3.11.2 As a result, **Hillingdon’s overall Governance arrangements were assessed by IA as REASONABLE**. The Council's vision and strategic priorities provides both officers and Members with a very clear direction. This is complimented by a strong and stable political leadership that controls and leads the organisation to achieve positive outcomes for residents. Further, the Council's governance arrangements are underpinned by its Constitution which explains how the Council is governed and how it operates.
- 3.11.3 IA also noted the Cabinet is collectively viewed as effective and renowned for generally quick decision making. In IA's opinion, although the Council's CG arrangements are not fully in line with more traditional CG models, **the outcomes the Council has achieved within a period of austerity measures and constant change are exceptionally good**. This demonstrates that the overall direction and control is a good fit for the organisation at this time. It is clear that the Council put their residents at the forefront of all activity that it engages in, maintaining a high resident satisfaction rating.
- 3.11.4 The Council exemplifies strong financial management and control that is illustrated by the relatively healthy reserves balances and history of record low Council Tax levels. Nevertheless, the Council continues to operate in an environment of declining financial support from government against a backdrop of rising inflation costs and significant demographic changes (i.e. there are an increasing number of children in the borough and people are living longer). In addition, the impact the Coronavirus has had on the local community including residents and businesses and the financial pressures this has placed on the local authority.
- 3.11.5 As a result, this presents the Council with the challenge of managing the greater demand for its broad range of services, which in the absence of any response would result in a rising annual deficit. However, LBH continues to review and transform services to drive improvement and efficiency through initiatives such as the successful BID programme, which has bridged the budget gap with 2020/21 savings of £6.3 million delivered, on track for delivery or covered in the short term by alternative savings/the Covid-19 grant. This proven successful approach is set to be continued beyond 2020/21, enabling the Council to continue 'putting our residents first' despite the challenging financial conditions and demographic pressures.

**3.12 Internal Control**

- 3.12.1 The IA opinion on the Council’s internal control system is **based on the best practice on Internal Control from the Committee of Sponsoring Organisations of the Treadway Commission (COSO)**. The diagram below details the elements of the COSO internal integrated control framework and categorises all **120 HIGH** and **MEDIUM** risk IA recommendations (per para. 5.3.2) raised during the 2020/21 year:

**Chart 4 ~ The COSO Internal Control Framework**



3.12.2 Using the components of the COSO model, the recommendations raised in 2020/21 have been categorised as:

- Internal Environment – 7 Recommendations (2 High and 5 Medium) 6%;
- Objective Setting – 8 Recommendations (1 High and 7 Medium) 7%;
- Risk Assessment – 3 Recommendations (1 High and 2 Medium) 2%;
- Risk Response – 1 Recommendation (1 Medium) 1%;
- Control Activities – 75 Recommendations (37 High and 38 Medium) 63%;
- Information and Communication – 3 Recommendations (3 Medium) 2%; and
- Monitoring – 23 Recommendations (2 High and 21 Medium) 19%.

3.12.3 As expected the majority of IA recommendations related to improvements over control activities. These include recommendations relating to written procedures, authorisations, reconciliations and segregation of duties. The other components have a relative proportionate share of recommendations. As noted at para 3.10, there are some weaknesses within the operational risk management processes. Similarly, it should not be inferred that risk assessment is completely robust.

3.12.4 The individual IA assurance ratings help determine the overall audit opinion at the end of the financial year, although other factors such as implementation of IA recommendations have a bearing too. From the IA work undertaken in 2020/21, and the other sources of assurance referred to in para 3.7, **it is the HIA's opinion that overall IA can provide REASONABLE assurance that the system of internal control that has been in place at the Council for the financial year ending 31<sup>st</sup> March 2021 accords with proper practice**, except for the significant internal control issues referred to in para 3.8.

#### 4. Analysis of Internal Audit Activity 2020/21

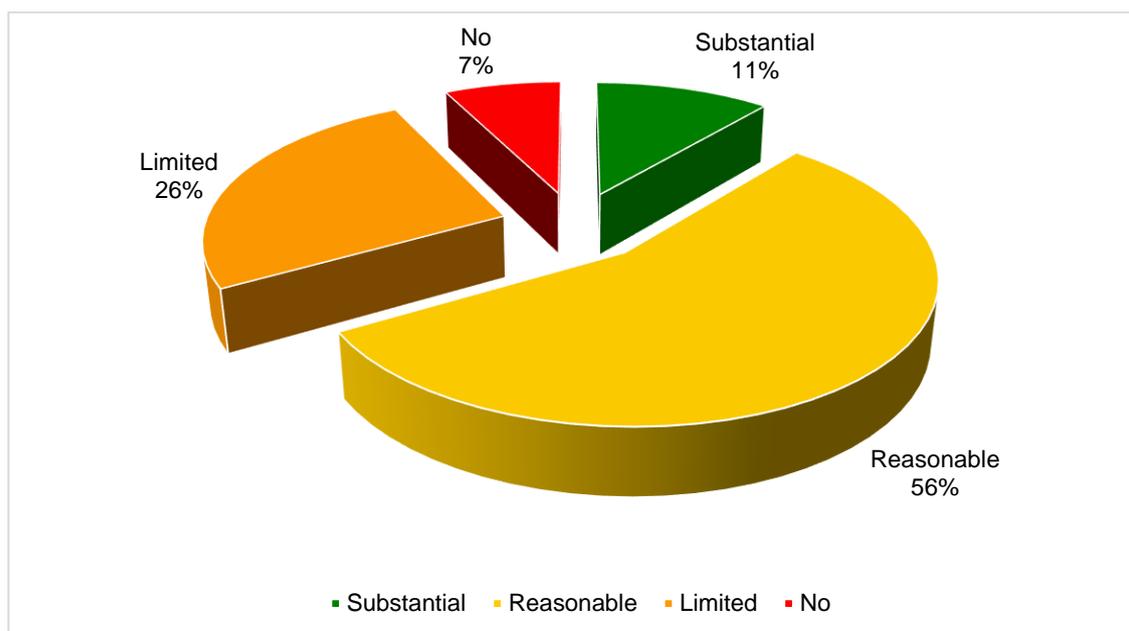
##### 4.1 Internal Audit Assurance Work 2020/21

4.1.1 The 2020/21 IA assurance work is summarised by the assurance level achieved (definitions of the IA assurance levels are included at **Appendix B**) as per the table below:

**Table 3 ~ Comparison of Assurance Levels from 2017/18 to 2020/21**

Assurance Level	2020/21 IA Assurance Reports	% Split 2020/21	Comparison		
			2019/20	2018/19	2017/18
<b>SUBSTANTIAL</b>	3	11%	0% (0)	5% (1)	4% (1)
<b>REASONABLE</b>	15	56%	80% (16)	68% (13)	52% (13)
<b>LIMITED</b>	7	26%	20% (4)	16% (3)	40% (10)
<b>NO</b>	2	7%	0% (0)	11% (2)	4% (1)
<b>TOTAL</b>	<b>27</b>	<b>100%</b>	<b>100% (20)</b>	<b>100% (19)</b>	<b>100% (25)</b>

4.1.2 The pie chart overleaf depicts the levels of assurances achieved based on a percentage of the total 2020/21 assurance audits completed by IA:

**Chart 5 ~ Comparison of Assurance Levels from 2017/18 to 2020/21**

4.1.3 Chart 5 highlights the positive news for the Council that 56% of the areas audited in 2020/21 were assessed by IA as providing **REASONABLE** levels of assurance and 33% of areas audited in 2020/21 were assessed as **NO** and **LIMITED** levels of assurance over the management of the key risks to achieving the service objectives. This is positive given the risk based focus of IA coverage and the increased alignment of IA work to the key risks facing the Council and demonstrates consistency in the control environment across the Council in 2020/21.

4.1.4 The individual assurance reviews carried out during 2020/21 are fully listed at **Appendix A** which highlights the assurance levels achieved (as outlined at **Appendix B**) and provides an analysis of the IA recommendations made (in accordance with the risk ratings as outlined at **Appendix C**).

4.1.5 Within the **27** IA assurance reviews completed in 2020/21, we raised **181** IA assurance recommendations in total as set out in the table below:

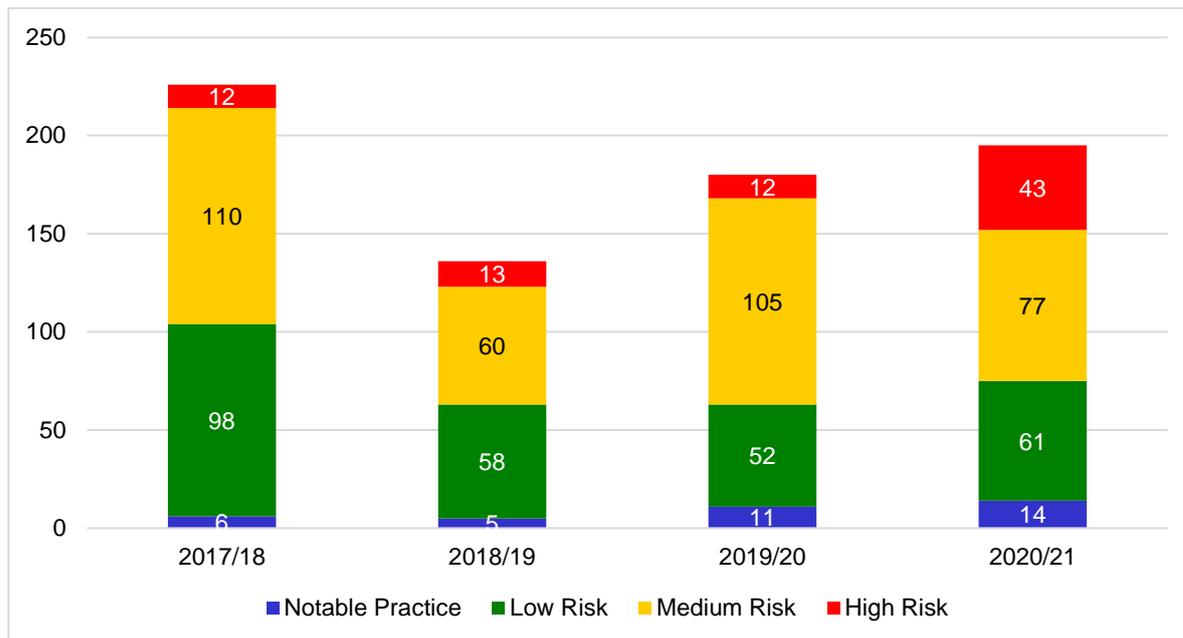
**Table 4 ~ IA Recommendations Comparison**

Risk Rating	2020/21		Comparison		
	Recommendations	%	2019/20	2018/19	2017/18
<b>HIGH</b>	<b>43</b>	<b>24%</b>	7% (12)	10% (13)	5% (12)
<b>MEDIUM</b>	<b>77</b>	<b>42%</b>	62% 105	46% (60)	50% (110)
<b>LOW</b>	<b>61</b>	<b>34%</b>	31% 52	44% (58)	45% (98)
<b>TOTALS</b>	<b>181</b>	<b>100% (181)</b>	<b>100% (169)</b>	<b>100% (131)</b>	<b>100% (220)</b>
<b>NOTABLE PRACTICE</b>	<b>14</b>	-	11	5	6

4.1.6 Given that a risk based IA approach has continued to be applied during 2020/21, it is in line with IA's expectations that **66% of the IA recommendations raised** were rated as either **HIGH** or **MEDIUM** risk.

4.1.7 The breakdown of all 2020/21 IA recommendations (plus notable practices) by risk rating (as outlined at [Appendix C](#)), is provided in the bar chart below, including a comparison with comparative prior year data:

**Chart 6 ~ IA Recommendations Comparison**



4.1.8 Chart 6 highlights that **24% (43)** of recommendations raised by IA in 2020/21 were rated as **HIGH** risk, which is a significant increase from previous years and is partly due to the **23 HIGH** risk recommendations **raised across 10 schools**. We therefore believe that the results depicted above, given the risk based approach to IA work introduced since 2013/14, demonstrate good IA coverage in the control environment across the Council and focusing our work on the areas of highest risk. This year has seen a notable increase in the proportion of **HIGH** risk recommendations and a reduction in the proportion of **MEDIUM** risk recommendations raised within 2020/21.

## 4.2 Internal Audit Consultancy Work 2020/21

4.2.1 Due to the disruption caused by Covid-19, the Council has relied on the IA team to support their high risk areas by providing assurance reviews rather than consultancy work. As a result, **the number of consultancy reviews in 2020/21 decreased to 4** pieces of work as detailed in [Appendix A](#) (compared to **10** in 2019/20). Consultancy work continues to provide advice and guidance across the Council. This, in addition to the enhanced role that IA now has in helping Council services improve, is a sign of the achievement of the collaborative approach that IA strives to deliver to help services to succeed.

4.2.2 In addition to the traditional consultancy reviews, this type of work includes IA staff sitting on project/ working groups, whilst ensuring IA staff are clear about whether they are there in an assurance or advisory capacity. This type of approach is helping increase IA's knowledge of corporate developments which feeds into the risk based deployment of IA resource on assurance work. Also, participation in project/ working groups as well as secondments within the business is helping individual IA staff develop, whilst at the same time increasing the value IA provides to the Council.

4.2.3 Further to this, in line with the UK PSIAS, IA coverage this year included a range of consultancy work. This included testing/ certification of several grant claims including **the Housing Benefits Subsidy grant claim** on behalf of External Audit (EY). In addition, the Head of IA was an active member or the chair of a number of corporate project groups including the Hillingdon Health & Safety Group and the Hillingdon Information Assurance Group. As part of this participation, IA aims to provide insightful, independent and informed advice in order to reduce the risk of the Council failing to achieve its objectives.

### 4.3 Quality Assurance and Improvement Programme 2020/21

- 4.3.1 In accordance with the UK PSIAS Attribute Standard 1300 and the IA Charter, a Quality Assurance and Improvement Programme (QAIP) has been developed by IA. This covers all aspects of IA Activity (IAA) and is designed to enable an evaluation of the IAA's conformance with the UK PSIAS and an evaluation of whether internal auditors apply the *Code of Ethics*. The QAIP also helps enable the ongoing monitoring of IAA and sets out how IA is maintaining the required quality standards/ achieving continuous improvement.
- 4.3.2 A significant amount of time was spent refining the IA QAIP during 2015/16 and 2016/17, enabling the QAIP to be refocused and reflective of the challenges incurred, providing an opportunity to help generate ideas on how IA can further improve to help services continue to succeed. Progress and results of QAIP reviews have subsequently been reported within quarterly updates to CMT and the Audit Committee. This approach helped achieve the IA service achieve a '**Fully Conforms**' rating in the 2017/18 independent EQA that was carried out. We are now seeking to form a revised QAIP to further drive the IA service forward to ensure the function continues is aligned to best practice as we prepare for our next EQA in June 2022.

## 5. Internal Audit Follow-Up 2020/21

### 5.1 Revised Follow-Up Process

- 5.1.1 IA monitors all **HIGH** and **MEDIUM** risk recommendations raised, through to the point where the recommendation has either been fully implemented, or a satisfactory alternative risk response has been proposed. Due to the significant support that is required to embed a strong control framework within maintained schools (refer to para 3.8.2, section 2), the IA team is now monitoring all **HIGH** and **MEDIUM** risk recommendations raised during thematic reviews. This is a new practice as schools were omitted from this exercise in the past.
- 5.1.2 Following the Audit Committee's request in November 2020 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. Further to this, IA has removed the functionality for risk owners to revise implementation dates and instead any requests for implementation date 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.

### 5.2 2020/21 Follow-Up Exercise

- 5.2.1 The table below and overleaf shows **the number of IA recommendations (as at 31<sup>st</sup> March 2021) that have not been actioned within the agreed timescales** (where an extension has not been agreed) and lists the numbers of **HIGH** and **MEDIUM** risk IA recommendations that have passed their implementation date and details their current status.

**Table 5 ~ 2020/21 Follow-Up Work Undertaken to Date**

	<b>HIGH</b> risk IA recommendations	<b>MEDIUM</b> risk IA recommendations
<b>1. No. of recommendations that have passed their implementation date</b>	13	47
<b>2. No. of implemented recommendations</b>	3	24
<b>3. No. of recommendations with new implementation date agreed by HIA &amp; CMT</b>	11	9

	HIGH risk IA recommendations	MEDIUM risk IA recommendations
4. *No. of recommendations whose status IA is currently verifying	1	7
Total number of recommendations	28	87

\* These recommendations have passed their implementation date and IA have been liaising with the Action Owner and relevant Corporate Director to verify/confirm their status

5.2.2 Table 5 shows **13 HIGH** and **47 MEDIUM** risk recommendations have passed their implementation date (as at 31<sup>st</sup> March 2021). Out of those, **11 HIGH** and **9 MEDIUM** risk recommendations have a revised implementation date which has been agreed by the HIA and the respective CMT Corporate Director.

5.2.3 It should be noted that **12** of the **13 HIGH** risk recommendations and **40** of **47 MEDIUM** risk recommendations were due to be implemented between 31<sup>st</sup> January 2020 and 31<sup>st</sup> January 2021. This highlights the negative impact the Covid-19 pandemic has had on the implementation of IA recommendations and the management of the related risks. During this period, it was agreed that IA would temporarily suspend TeamCentral (TC - a module of the IA software TeamMate) so that reminder emails on outstanding IA recommendations were not sent to Action Owners. This was whilst they concentrated their efforts on delivering critical services to residents during the height of the pandemic.

5.2.4 Further, there are **1 HIGH** and **7 MEDIUM** risk recommendations which IA is currently verifying the status of in liaison with the relevant Action Owner/Corporate Director. Updates on the progress of all outstanding IA recommendations will be reported in the quarterly IA progress reports for CMT and Audit Committee.

5.2.5 IA does not follow-up **LOW** risk IA recommendations as they are minor risks including compliance with best practice, or issues that have a minimal impact on a Service's reputation i.e. adherence to local procedures. It would also take a disproportionate amount of time for IA to robustly follow-up **LOW** risk recommendations. The full definitions of the IA recommendation risk ratings are included at **Appendix C**.

5.2.6 The implementation of recommendations raised by IA continues to be monitored through TC. Whilst TC automates the follow-up process, we facilitate the work allowing the IA team to focus on delivery of the IA plan, streamlining the process of following up recommendations. TC provides key stakeholders with greater oversight and/or ownership of IA recommendations and the underlying risks.

5.2.7 IA always offer support and advise managers when they are formulating a response to the risks identified. As an organisational improvement function, IA also offer assistance to management to help them devise pragmatic and robust action plans arising from the IA recommendations raised. Good practice in IA and risk management encourages management to respond to risks in any combination of the following four ways; *Treat, Terminate, Tolerate, Transfer* - **the 4 T's**. The full definitions of the response to risk are included at **Appendix C**.

### 5.3 Status of Recommendations Raised in 2020/21

5.3.1 In 2020/21 IA has undertaken verification work on **HIGH** and **MEDIUM** risk recommendations in addition to 2 specific follow-up reviews. For the dedicated reviews our follow-up work found that **11 (65%)** of the **17** recommendations followed-up were deemed **Implemented**. Of the remaining recommendations we deemed **5 (29%) Partly Implemented** and **1 (6%)** were **Not Implemented** and the recommendation date was extended (further details at **Appendix A**).

5.3.2 The 27 IA assurance reviews have resulted in 181 IA recommendations being raised in 2020/21 as well as 14 **NOTABLE PRACTICES** (refer to **Appendix A** for further details). Given that we apply a risk based IA approach to our coverage, it is a positive outcome that there was almost twice as many **MEDIUM** risk recommendations than **HIGH** risk recommendations raised in 2020/21. The table below summarises the status of IA recommendations raised in 2020/21:

**Table 6 ~ 2020/21 Recommendation Status**

2020/21 IA Recommendation Status	HIGH	MEDIUM	LOW	Total	NOTABLE PRACTICE
Total No. of Recommendations Raised (per <b>Appendix A</b> )	43	77	61	181	14
Total No. of Recommendations Risks Tolerated by Management	-	-	-	-	-
No. Not Yet Due for Implementation	38	67	-	105	-
No. Implemented	1	3	-	4	-
No. of Recommendations Outstanding	4	7	-	11	-

5.3.3 Positive management action was proposed to address 120 of the 2020/21 **HIGH** and **MEDIUM** risk recommendations raised, 105 of which have not yet reached their target date for implementation. IA can report that 1 **HIGH** and 3 **MEDIUM** risk recommendations which were due for implementation have been confirmed by management as being implemented. **IA are checking the implementation status of the 11 outstanding recommendations as part of our all-encompassing follow-up work.** IA will be undertaking verifications testing on all implemented **HIGH** and **MEDIUM** risk recommendations to confirm and support management's assertion that recommended action has been successfully taken and is now embedded within the control environment.

## 6. Review of Internal Audit Performance 2020/21

### 6.1 Key Performance Indicators (KPIs)

6.1.1 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. Actual cumulative IA performance for 2020/21 against its KPIs is highlighted in the table below and overleaf:

**Table 7 ~ 2020/21 IA Key Performance Indicators**

IA KPI	Description	Target Performance	Actual Performance	RAG Status
KPI 1	2020/21 <b>HIGH</b> risk IA recommendations where positive management action is proposed.	98%	100%	GREEN
KPI 2	2020/21 <b>MEDIUM</b> risk IA recommendations where positive management action is proposed.	95%	100%	GREEN
KPI 3	2020/21 <b>HIGH</b> risk IA recommendations where management action is taken within agreed timescale.	90%	90%	GREEN

IA KPI	Description	Target Performance	Actual Performance	RAG Status
KPI 4	2020/21 <b>MEDIUM</b> risk IA recommendations where management action is taken within agreed timescale.	75%	91%	GREEN
KPI 5	Percentage of annual (Q1 to Q4) IA Plan delivered to <b>draft report</b> stage by 31 <sup>st</sup> March.	90%	44%	RED
KPI 6	Percentage of annual (Q1 to Q4) IA Plan delivered to <b>final report</b> stage by 31 <sup>st</sup> March.	80%	41%	RED
KPI 7	Percentage of draft reports issued as a final report within 15 working days of completion of fieldwork (this being the final day of fieldwork, exit meeting and receipt of all outstanding information).	80%	89%	GREEN
KPI 8	Client Satisfaction Rating (from CFQs).	85%	95%	GREEN
KPI 9	IA work fully compliant with the UK <b>PSIAS</b> and <b>IIA Code of Ethics</b> .	100%	100%	GREEN

- 6.1.2 **KPI 5** shows that 12 assurance reviews (out of 27) reached draft report stage as at 31<sup>st</sup> March 2021 which accounts for **44%** of work undertaken in Q1 to Q4 compared to the **90% target** and **KPI 6** shows 11 assurance reviews (out of 27) reached final report stage at 31<sup>st</sup> March 2021 which accounts for **41%** of work undertaken in Q1 to Q4 compared to the **80% target**. As a result, both KPIs have been reported as **RED** in line with the IA KPI reporting standards.
- 6.1.3 The reported drop in IA performance is primarily due to the lack of IA work that was undertaken in Q1 due to the pandemic and the redeployment of IA staff to support crucial services. However, this drop in performance against these two KPIs was anticipated and the HIA is confident that the IA KPIs performance will improve now that IA has returned to focussing on delivery of the IA Plan and IA assurance resource has increased.
- 6.1.4 The IA team meets regularly to discuss delivery against its KPIs and the HIA will continue to carefully monitor progress against KPI 5 and 6 in particular moving forward. In addition, now that colleagues are familiar with the IA methodology and are establishing themselves across the Council, the HIA is confident that these targets will continue to be improved upon in 2021/22.
- 6.1.5 Management feedback continues to be positive about our coverage. This year's actual performance against **KPI 8** of 95% shows continued increase when compared to prior years, analysis provided at 6.2 below.

## 6.2 Client Feedback Questionnaires (CFQ)

- 6.2.1 As part of continuous improvement, a CFQ is sent out at the completion of all audit reviews to obtain formal management feedback. The **IA CFQ target** previously agreed with CMT and the Audit Committee was for IA to achieve **an overall average score of 3.4 (85%) or above** across the eight CFQ areas. As a recap on the CFQ scores, **4** means the client **strongly agrees**; **3** is **agree**; **2** is **disagree**; and **1** is **strongly disagree**.

6.2.2 There is not an option on the CFQ for the client to indicate that they 'neither agree nor disagree'. This is a deliberate decision by the HIA to enable management to form an overall opinion on the work that IA does i.e. did the audit review add value or not? Inherently with any feedback mechanism such as this, there is a risk that the CFQ results can become skewed where a client is dissatisfied i.e. if there are large number of recommendations or a poorer assurance level than expected/ anticipated, the client may be inclined to dismiss the value of the IA work with a low CFQ score.

6.2.3 The table below shows the average score from the **31** CFQs completed in relation to the 2020/21 IA Plan (as per **Appendix A**):

**Table 8 ~ Comparison of Client Feedback Questionnaires**

IA CFQ Areas	Average Score 2017/18	Average Score 2018/19	Average Score 2019/20	Average Score 2020/21	% Change (19/20-20/21)
<b>Q1. Planning:</b> The planning arrangements for the IA review were good	3.63	3.63	3.71	<b>3.76</b>	<b>+1.86%</b>
<b>Q2. Scope:</b> The scope of the IA review was relevant	3.59	3.66	3.79	<b>3.83</b>	<b>+1.26%</b>
<b>Q3. Conduct:</b> The IA review was conducted in a highly professional manner	3.67	3.68	3.85	<b>3.93</b>	<b>+2.37%</b>
<b>Q4. Timing:</b> The IA review was carried out in a timely manner	3.59	3.55	3.76	<b>3.76</b>	-
<b>Q5. Report:</b> The IA report was presented in a clear, logical, and organised way	3.67	3.71	3.79	<b>3.86</b>	<b>+2.17%</b>
<b>Q6. Recommendations:</b> The IA recommendations were constructive and practical	3.46	3.53	3.71	<b>3.72</b>	<b>+0.93%</b>
<b>Q7. Value:</b> The IA review added value to your service area	3.48	3.53	3.62	<b>3.69</b>	<b>+2.78%</b>
<b>Q8. Overall:</b> I look forward to working with IA in future	3.72	3.71	3.88	<b>3.79</b>	<b>-2.24%</b>
<b>Average Total Score</b>	<b>3.60 (90%)</b>	<b>3.63 (91%)</b>	<b>3.76 (94%)</b>	<b>3.79 (95%)</b>	

6.2.4 Analysis of the above results provides a very positive picture. Further, when **compared to prior years this shows a continual improvement**, particularly when taking into account the continuing complexity and higher risk areas reviewed and number of limited assurance opinions issued.

6.2.5 Despite this, increases in CFQ scores for scope, conduct, report, recommendations and value are positive. Overall, the IA CFQ results demonstrate the positive recognition of IA work across the Council, the quarterly planning process undertaken, and the continued collaborative approach undertaken with management.

6.2.6 From the **31** CFQs returned in 2020/21, IA has received a range of formal client comments on IA performance, **a snapshot of additional comments is provided overleaf:**

Estates – Lease Management

- *“This was a complex audit as it covered roles and responsibilities cutting across several council services. The management action plan reflects this as the actions refer to three separate services, all playing a part in the management of the council's leased properties.”*

Homelessness

- *“It was good to have the interna; audit team in - they have a fresh set of eyes which is always helpful in improving service delivery.”*

Thematic Review of Purchasing and Payments in Schools

- *“A really helpful audit which will help drive up standards.”*

Information Sharing – Adult Social Care

- *“This was a helpful audit and was conducted in a collaborative and practical way.”*

6.2.7 Whilst the HIA proactively seeks informal feedback from management on IA, we are extremely grateful to management for formal feedback received in CFQs. A high completion rate of CFQs helps IA identify areas where we can continue to improve as a service.

## 7. Forward Look to 2021/22

- 7.1 Looking ahead to 2021/22, the **Coronavirus pandemic** continues to have a major impact globally and 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. It is against this backdrop that IA continues to review its **Audit Needs Analysis** to help formulate the quarterly risk based IA plans for 2021/22.
- 7.2 This year the HIA will be developing a new **3-year IA strategy**, which will focus on the use of technology, data analytics and workforce development against the backdrop of a post Covid-19 world. The strategy will provide structure and objectives for the next 3 years, will help the IA team support the Council with their strategic priorities and help drive an improved, modern IA service.
- 7.3 Following the team restructure and a review of our IA processes, particularly the follow-up process, 2021/22 will be focused on embedding and implementing these changes. All of which will help prepare the IA team for their next **EQA review** which is due to commence in June 2022. Further, the HIA and the Deputy Director will be carrying out an EQA for another London local authority, which should help identify good practice and benchmark our IA work and processes against another Council.
- 7.4 IA would like to take this opportunity to formally thank all staff throughout the Council with whom it had contact during the year. There has been a continued collaborative approach in IA's working relationship with staff and management who have in general responded positively to IA findings.
- 7.5 There are no other matters that IA 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**

1<sup>st</sup> July 2021

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

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

**2020/21 IA Assurance Reviews:**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2021	Assurance Level	Risk Rating				CFQ Received
				H	M	L	NP	
20-A2	Tree Inspections	Final report issued on 23 <sup>rd</sup> Oct 2020	No	4	3	1	0	✓
20-A25	ASBET - Case Management	Final report issued on 30 <sup>th</sup> Jun 2021	No	5	1	1	0	Not Yet Due
20-A6	Estates - Lease Management	Final report issued on 22 <sup>nd</sup> Feb 2021	Limited	1	2	3	0	✓
20-A3	Cemeteries - Bereavement Service & Ground Maintenance	Final report issued on 3 <sup>rd</sup> Mar 2021	Limited	3	7	2	1	✓
20-A12	Education, Health & Care Plans and Local Offer	Final report issued on 30 <sup>th</sup> Mar 2021	Limited	4	5	1	0	✓
20-A22	Former Tenant Arrears	Final report issued on 27 <sup>th</sup> May 2021	Limited	0	6	2	0	✓
20-A11	Music Service - Invoicing and Debt Collection	Final report issued on 28 <sup>th</sup> May 2021	Limited	3	2	3	0	✓
20-A15	*Purchasing and Payments in Schools	Final report issued on 28 <sup>th</sup> May 2021	Limited	18	7	7	0	✓
20-A28	**Governance and Financial Mgmt in Schools	Final report issued on 28 <sup>th</sup> May 2021	Limited	5	1	7	0	✓
20-A1	Starting and Terminating a Tenancy	Final report issued on 5 <sup>th</sup> Oct 2020	Reasonable	0	3	2	2	✓
20-A5	Property Acquisitions - Payment Process	Final report issued on 23 <sup>rd</sup> Nov 2020	Reasonable	0	1	2	0	✓
20-A21	Children and Young People's Service (CYPS) Pathway Plans	Final report issued on 6 <sup>th</sup> Jan 2021	Reasonable	0	4	1	2	✓
20-A13	Reunification	Final report issued on 6 <sup>th</sup> Jan 2021	Reasonable	0	2	2	0	✓
20-A7	Remote Working	Final report issued on 18 <sup>th</sup> Mar 2021	Reasonable	0	5	0	0	✓

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

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2021	Assurance Level	Risk Rating				CFQ Received
				H	M	L	NP	
20-A4	Homelessness	Final report issued on 23 <sup>rd</sup> Mar 2021	Reasonable	0	4	5	1	✓
20-A10	CYPS Multi Agency Response to Risk	Final report issued on 7 <sup>th</sup> Apr 2021	Reasonable	0	2	2	0	✓
20-A24	Housing Applications	Final report issued on 26 <sup>th</sup> May 2021	Reasonable	0	1	1	1	✓
20-A26	Building Control	Final report issued on 27 <sup>th</sup> May 2021	Reasonable	0	2	0	0	✓
20-A32	Queens Walk Resource Centre	Final report issued on 27 <sup>th</sup> May 2021	Reasonable	0	3	4	1	✓
20-A14	Flooding - Lessons Learned	Final report issued on 28 <sup>th</sup> May 2021	Reasonable	0	3	0	1	✓
20-A23	Information Sharing - Adult Social Care	Final report issued on 28 <sup>th</sup> May 2021	Reasonable	0	2	1	0	✓
20-A29	Planning	Final report issued on 28 <sup>th</sup> May 2021	Reasonable	0	4	2	0	✓
20-A30	Review of the Effectiveness of the Audit Committee	Final report issued on 28 <sup>th</sup> May 2021	Reasonable	0	0	7	1	✓
20-A31	Exclusions and Education Cases for Vulnerable Young People	Final report issued on 28 <sup>th</sup> May 2021	Reasonable	0	5	2	1	✓
20-A16	Treasury Management	Final report issued on 11 <sup>th</sup> Feb 2021	Substantial	0	1	3	0	✓
20-A8	Covid-19 Emergency Assistance Grant	Final report issued on 19 <sup>th</sup> Apr 2021	Substantial	0	0	0	3	✓
20-A27	*Ofsted Readiness for CIN, CP and HARP	Final report issued on 24 <sup>th</sup> May 2021	Substantial	0	1	0	0	✓
20-A9	IT Governance	Deferred to 2021/22 due to Covid-19						
<b>Total <u>number</u> of IA Assurance Recommendations raised in 2020/21</b>				<b>43</b>	<b>77</b>	<b>61</b>	<b>14</b>	
<b>Total <u>percentage</u> of IA Assurance Recommendations raised in 2020/21</b>				<b>22%</b>	<b>39%</b>	<b>31%</b>	<b>8%</b>	

\*Thematic review with total number of recommendations raised across 6 schools

\*\*Thematic review with total number of recommendations raised across 4 schools

\*Audit title: Ofsted Readiness for Children in Need (CIN), Child Protection (CP) and Hillingdon Access to Resources Panel (HARP)

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

IA Ref.	IA Follow-Up Review Area	Status as at 30 <sup>th</sup> June 2021	Recommendations				Total
			Implemented	Partly Implemented	Not Implemented	No Longer Applicable	
20-A19	Payment Process in NYGL	Memo issued on 10 <sup>th</sup> Dec 2020	7	3	1	0	11
19-A20	Cyber Incident Management	Memo issued on 14 <sup>th</sup> May 2021	4	2	0	0	6
<b>Total Number</b>			<b>11 (65%)</b>	<b>5 (29%)</b>	<b>1 (6%)</b>	<b>0 (0%)</b>	<b>17 (100%)</b>

**2020/21 IA Consultancy Reviews:**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2021	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 <sup>th</sup> August 2020	✓
20-C3	Benefits Performance Indicators	Memo issued on 23 <sup>rd</sup> September 2020	✓
20-C4	Mayors Charity Accounts 2020/21	Memo issued on 15 <sup>th</sup> February 2021	N/A
20-C5	Stores Stock Check 2020/21	Deferred to 2021/22 due to Covid-19	

**2020/21 IA Grant Claims certified:**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2021
20-GC2	Troubled Families Grant - Quarter 2	Certified, memos issued on 29 <sup>th</sup> Jul, 26 <sup>th</sup> Aug and 24 <sup>th</sup> Sep 2020
20-GC1	2019/20 Housing Benefit Subsidy Grant	Certified and memo issued on 21 <sup>st</sup> August 2020
20-GC3	Bus Service Operators Grant	Certified and memo issued on 1 <sup>st</sup> October 2020
20-GC5	2019/20 Disabled Facilities Capital Grant	Certified and memo issued on 30 <sup>th</sup> October 2020

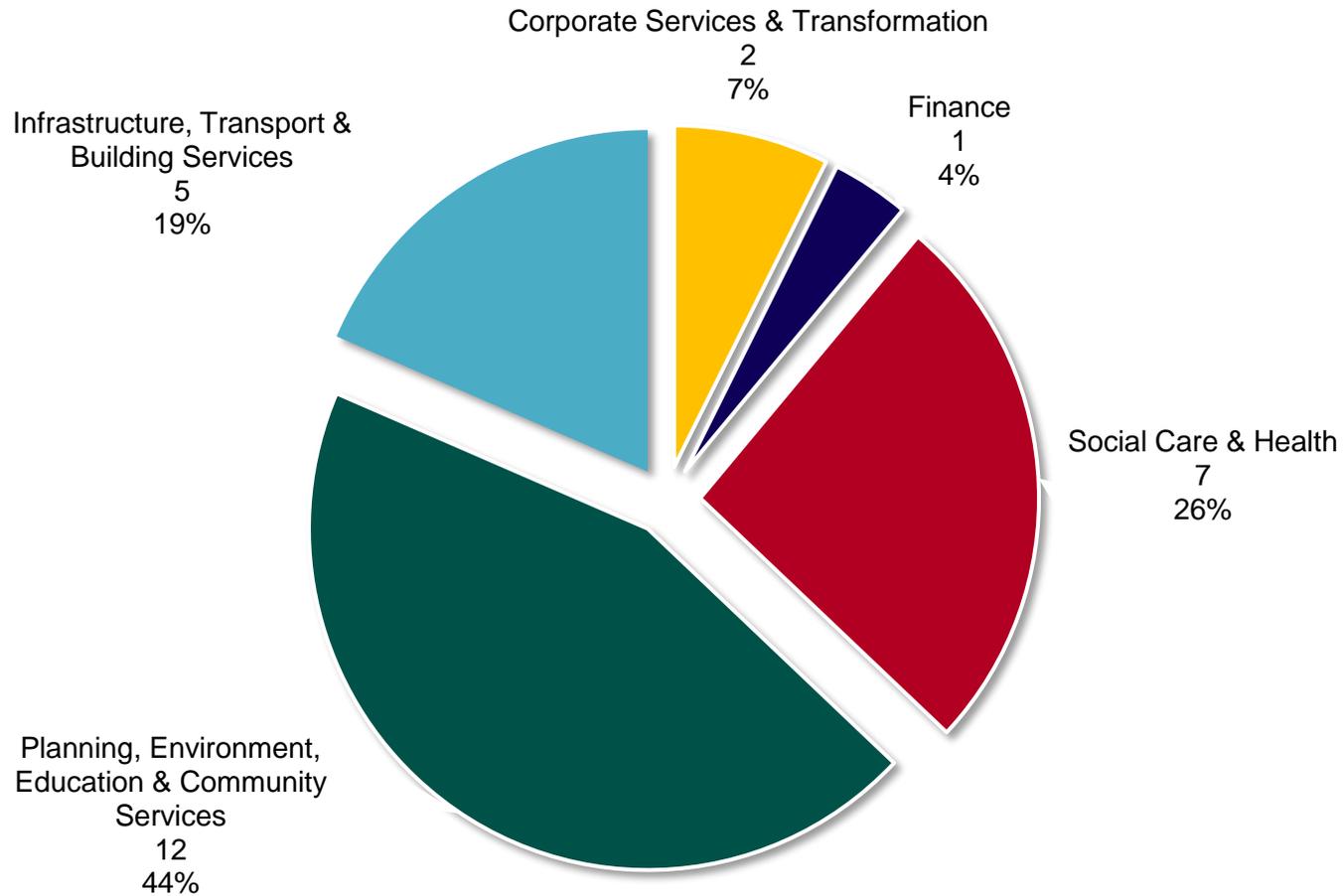
**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2020/21 (cont'd)****2020/21 IA Grant Claims certified (cont'd):**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2021
20-GC4	Troubled Families Grant - Quarter 3	Certified, memos issued on 13 <sup>th</sup> Nov, 25 <sup>th</sup> Nov 20, 15 <sup>th</sup> Jan 2021
20-GC6	Troubled Families Grant - Quarter 4	Certified, memos issued on 4 <sup>th</sup> Feb, 4 <sup>th</sup> Mar and 25 <sup>th</sup> Mar 2021
20-GC8	Emergency Active Travel Fund Capital Grant 2020/21	Certified and memo issued on 23 <sup>rd</sup> March 2021
20-GC9	Local Authority Covid-19 Test and Trace Service Support Grant 2020/21	Certified and memo issued on 30 <sup>th</sup> March 2021

**APPENDIX A (cont'd)**

**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2020/21 (cont'd)**

**Chart 7 – Analysis by Corporate Director of 2020/21 IA work (undertaken in the 1<sup>st</sup> April 2020 to 30<sup>th</sup> June 2021 period)**



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

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

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

**APPENDIX C****INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS**

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

**RISK RESPONSE DEFINITIONS**

RISK RESPONSE	DEFINITION
<b>TREAT</b>	The probability and / or impact of the risk are reduced to an acceptable level through the proposal of positive management action.
<b>TOLERATE</b>	The risk is accepted by management and no further action is proposed.
<b>TRANSFER</b>	Moving the impact and responsibility (but not the accountability) of the risk to a third party.
<b>TERMINATE</b>	The activity / project from which the risk originates from are no longer undertaken.

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## AUDIT COMMITTEE - Internal Audit Progress Report for 2021/22 Quarter 1 (including the Quarter 2 Internal Audit Plan)

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Sarah Hydrie, Head of Internal Audit & Risk Assurance
<b>Papers with report</b>	Internal Audit Progress Report for 2021/22 Quarter 1 (including the Internal Audit Plan for 2021/22 Quarter 2)
<b>Ward</b>	All

### HEADLINES

The attached report presents the Audit Committee with summary information on all Internal Audit (IA) work covered in 2021/22 Quarter 1, and assurance in this respect. It also provides an opportunity for the Head of Internal Audit & Risk Assurance to highlight to the Audit Committee any significant issues that they need be aware of that have arisen since the last IA progress report. Further, it enables the Audit Committee to hold the Head of Internal Audit & Risk Assurance to account on delivery of the IA Plan and facilitates in holding management to account for managing risk and control weaknesses identified during the course of IA activity. Appended to this report is the IA Plan for 2021/22 Quarter 2 which has been produced in consultation with senior managers and outlines the planned programme of IA work due to commence in the July to September period.

### RECOMMENDATIONS:

That the Audit Committee:

- 1. Notes the IA Progress Report for 2021/22 Quarter 1 and considers the Quarter 2 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 is 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 2021/22 Quarter 2 IA Plan.

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# BUSINESS ASSURANCE

## **Internal Audit Progress Report to Audit Committee:**

### **2021/22 Quarter 1**

**(including the 2021/22 Quarter 2 Internal Audit Plan)**

**19<sup>th</sup> July 2021**



**HILLINGDON**  
LONDON

[www.hillingdon.gov.uk](http://www.hillingdon.gov.uk)

# Contents

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## 1. Introduction

### 1.1 The Role of Internal Audit (IA)

- 1.1.1 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 (Amendment) Regulations 2021 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 1 (1<sup>st</sup> April to 30<sup>th</sup> June 2021). In addition, it provides an opportunity for the Council's Head of Internal Audit & Risk Assurance (HIA), to highlight any significant issues which have arisen from IA work in Quarter 1. It also highlights to CMT, the Audit Committee and other IA stakeholders the revisions to the Quarter 1 (Q1) IA plan since its approval (refer to **Appendix B**).
- 1.2.2 A key feature of this report is the inclusion of the Quarter 2 IA plan (refer to **Appendix C**). This has been produced over the last few weeks following our assessment of the key risks in consultation with senior managers. It sets out the planned programme of IA coverage due to commence in the Q2 period (1<sup>st</sup> July to 30<sup>th</sup> September 2021).

## 2. Executive Summary

- 2.1 Since the last IA Progress Report to CMT and the Audit Committee dated 1<sup>st</sup> April 2021, **1 grant claim** has been certified, **5 assurance reviews**, **2 consultancy reviews** and **1 grant claim** are at advanced testing stage, **1 assurance review** is in the planning phase and **17 pieces of 2020/21 work have been finalised**. As highlighted at **Appendix A** the vast majority of the work finalised in Q1 has been in relation to the finalisation of the 2020/21 IA plan, which is broadly in line with our expectations.
- 2.2 Our work on the 2021/22 Q1 IA Plan commenced on 1<sup>st</sup> April 2021 and the initial planning stage is mostly complete and testing is well underway on almost all Q1 pieces of IA work. As stated above, progress against the Q1 IA Plan has been relatively slow, with only **1 grant claim** finalised. Nevertheless, **5 IA assurance reviews**, **1 consultancy review** and **1 grant claim** are at an advanced testing/ fieldwork stage.
- 2.3 We continue to perform our follow-up verification work aimed at providing enhanced assurance to CMT and the Audit Committee that IA recommendations have been fully embedded. This quarter, the IA team has spent an increased amount of time establishing the status of **64 outstanding HIGH and MEDIUM risk recommendations**. We continue to support management with the closure and volume of outstanding IA recommendations, thereby reducing the Council's risk exposure. Further details of the work undertaken in this area can be found in section 3.4 and at **Appendix D** of this report.
- 2.4 Following IA undertaking its initial planning stage, **1 assurance review has been deferred** at Management's request (and in agreement with the HIA) to Q4. During Q2 there have also been **3 amendments** to the IA plan (refer to **Appendix B**). Further details of all IA work carried out in this period are summarised at section 3 of this report overleaf.

### 3. Analysis of Internal Audit Activity

#### 3.1 Assurance Work in Quarter 1

- 3.1.1 On 1<sup>st</sup> April 2021, IA formally commenced work on the 2021/22 Q1 IA plan. As is usual at this time of year, the primary focus for IA this quarter was on finalising completion of the 2020/21 IA Plan. A detailed summary of all 2020/21 IA work finalised within Q1 of 2021/22 is contained within the 2020/21 Annual IA Report and Opinion Statement, due to be presented to the Audit Committee at its planned meeting of 29<sup>th</sup> July 2021, alongside this progress report.
- 3.1.2 Planning has been completed for **5** Q1 assurance audits and they are now at an advanced testing stage. **1** assurance audit (**ICT Service Desk**) is at planning stage where the draft terms of reference is with management for review and agreement. All IA assurance work is individually listed at **Appendix A**. The assurance level definitions and recommendation risk categories are outlined at **Appendix F**.

#### 3.2 Consultancy Work in Quarter 1

- 3.2.1 The IA team continues to undertake some consultancy work across the Council. Attached at **Appendix A** is the list of consultancy work carried out this quarter with **2** consultancy reviews (**Civica Casework – Enforcement** and **General Ledger**) at an advanced testing stage.

#### 3.3 Grant Claim Verification Work in Quarter 1

- 3.3.1 During this quarter IA has assisted the Council in certifying **1** grant claim. As detailed at **Appendix A**, IA continues to carry out verification work on the **Supporting Families (SF) Grant** (which is the new name for the Troubled Families Grant). IA is currently undertaking testing for the **Safety at Ports Grant** (refer to **Appendix A**).
- 3.3.2 As detailed at **Appendix A** the planned quarterly verification work on the SF Grant has progressed well this quarter. IA has tested a sample of SF cases that had been identified as being 'turned around' by the Council's SF Team. At the conclusion of the IA work we issued 3 memos in April, May and June 2021. The total number of families claimed for in Q1 was **109**. IA continues to work with the SF Co-ordinator to discuss their strategy for the SF programme.

#### 3.4 Follow-Up of Previous Internal Audit Recommendations

- 3.4.1 Following the Audit Committee's request in November 2020 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.
- 3.4.2 Further to this, IA has removed the functionality for risk owners to revise implementation dates and instead any requests for implementation date 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.
- 3.4.3 In previous years, recommendations raised for schools were not subject to monitoring on TeamCentral but were reported to the Council's School Improvement Team for their risk profile purposes. Following the completion of the 2020/21 IA plan we noted that both thematic reviews in schools received **LIMITED** assurance opinions (**Purchasing & Payments in Schools** as well as **Governance & Financial Management in Schools**) and that the implementation of previous IA recommendations were not being actioned. Due to the risk exposure this poses for schools and the Council, IA has begun to review the progress of schools **HIGH** and **MEDIUM** risk recommendations as part of its IA follow-up work.

3.4.4 **Table 1** below highlights that **64 IA recommendations for LBH and schools that have not been actioned within the agreed timescales** in Q1 (where an extension has not been agreed). It also lists the numbers of **HIGH** and **MEDIUM** risk IA recommendations that have passed their implementation date and details their current status.

**Table 1 ~ 2021/22 Follow-Up Work Undertaken in Q1**

	HIGH risk IA recommendations		MEDIUM risk IA recommendations	
	LBH	Schools	LBH	Schools
1. No. of recommendations that have been marked as implemented on TeamCentral	4	-	8	2
2. *No. of recommendations with new implementation date agreed by HIA and CMT	1	-	3	-
3. **No. of recommendations whose status IA are currently verifying	10	-	14	22
<b>TOTAL (1+2+3) no. of recommendations that have passed their implementation date</b>	<b>15</b>	<b>-</b>	<b>25</b>	<b>24</b>

\* Refer to **Appendix D**

\*\* These recommendations have passed their implementation date and IA have been liaising with the Action Owner and relevant Corporate Director to verify/confirm their status

3.4.5 **Table 1** above shows **IA has verified 64 recommendations in total** whose implementation date has passed (as at 30<sup>th</sup> June 2021); **15 HIGH** and **49 MEDIUM** risk recommendations. Out of those, **12 HIGH** and **2 MEDIUM** risk recommendations have been marked as implemented and **1 HIGH** and **3 MEDIUM** risk recommendations have a **revised implementation date** which has been agreed by the HIA and the respective CMT Corporate Director (refer to **Appendix D** for further details on the status of these 4 recommendations).

3.4.6 In addition, there are **10 HIGH** and **36 MEDIUM** risk recommendations which IA is currently verifying the status of in liaison with the relevant Action Owner/ Corporate Director. **This is an improvement on the previous status report**; updates on the progress of all outstanding IA recommendations will continue to be reported on a regular basis.

### 3.5 Other Internal Audit Work in Quarter 1

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 pandemic and the risk this still places on the Authority. During Q1 we continued to undertake risk-based planning meetings alongside risk register reviews due to the synergies between these two functions.

3.5.2 The detailed operational IA plan for Q2 of 2021/22 (refer to **Appendix C**) has been produced in consultation with management. The quarterly planning cycle helps ensure that IA resources are directed in a flexible, risk-based and targeted manner.

## 4. Analysis of Internal Audit Performance

4.1 The IA Key Performance Indicators (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. In line with best practice, for the 2021/22 year IA will report quarterly to CMT and the Audit Committee on the 9 KPIs agreed with the Audit Committee at the meeting held on 20<sup>th</sup> April 2021.

- 4.2 As at 30<sup>th</sup> June 2021, 5 2021/22 IA assurance reviews in advanced testing/fieldwork stage, therefore it would not be of sufficient value at this stage to report on 2021/22 performance against the IA KPIs. The analysis of overall IA performance for the 2020/21 period is reported in full within the 2020/21 Annual IA Report and Opinion Statement due to be presented to the Audit Committee on 29<sup>th</sup> July 2021, alongside this progress report.

## 5. Forward Look

- 5.1 Looking ahead to Q2, IA will continue to **support the Council and maintained schools with the implementation of outstanding recommendations**. IA has checked the status and progress of all 64 outstanding recommendations. The direction of travel with this work has been positive, which we aim to maintain. This will support the HIA with the monitoring, tracking, and reporting of recommendations to CMT and the Audit Committee.
- 5.2 As part of our **Quality Assurance and Improvement Programme (QAIP)** we are reviewing our IA process for performing assurance reviews at schools and will continue to review our ways of working to identify further areas for improvement and look for opportunities to introduce better processes.
- 5.3 During Q2 we will be looking to **recruit an Internal Auditor** on an extended secondment to help provide maternity cover across the Internal Audit & Risk Assurance service. The successful candidate will assist the IA team with follow-up of recommendations, risk management and governance work. The calibre of Council staff and the development opportunities that the role provides means we are optimistic that a high quality officer will be appointed soon.
- 5.4 IA would like to take this opportunity to formally thank all staff throughout the Council with whom it had contact during Q1. 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**

19<sup>th</sup> July 2021

**APPENDIX A****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2021/22****Key:**

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

**2021/22 IA Assurance Reviews:**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2021	Assurance Level	Risk Rating				CFQ Received?
				H	M	L	NP	
21-A2	Planned Works & Contract Management	Testing in progress						
21-A5	Expenditure Approval Process	Testing in progress						
21-A6	Transport Contract Management	Testing in progress						
21-A7	Fostering Service	Testing in progress						
21-A9	Business Continuity Planning	Testing in progress						
21-A3	ICT Service Desk	Planning						
21-A1	<i>Disabled Facilities Grant</i>	<i>Internal Audit review deferred at Management's request – refer to <b><u>Appendix B</u></b></i>						
21-A4	<i>Information Security</i>	<i>Internal Audit review amended – refer to <b><u>Appendix B</u></b></i>						
<b>Total Number of IA Recommendations Raised</b>				-	-	-	-	
<b>Total % of IA Recommendations Raised</b>				-	-	-	-	

**APPENDIX A (cont'd)****DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2021/22****2021/22 IA Follow-Up Reviews:**

IA Ref.	IA Follow-Up Review Area	Status as at 30 <sup>th</sup> June 2021	Recommendations					CFQ Received?
			Implemented	Partly Implemented	Not Implemented	+N/A	Total	
21-A8	Follow-up of Implemented Recommendations	Testing in progress	Refer to para 3.4					

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

**2021/22 IA Consultancy Reviews:**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2021	CFQ Received?
21-C1	Civica Casework - Enforcement	Testing in progress	-
21-C2	General Ledger	Testing in progress	-

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**2021/22 IA Grant Claim Verification Reviews:**

IA Ref.	IA Review Area	Status as at 30 <sup>th</sup> June 2021
21-GC1	Supporting Families Grant - Quarter 1	Certified, memos issued on 29 <sup>th</sup> Apr, 28 <sup>th</sup> May and 25 <sup>th</sup> Jun 2021
21-GC2	Safety at Ports Grant	Testing in progress

**APPENDIX B****REVISIONS TO THE 2021/22 INTERNAL AUDIT PLAN ~ QUARTER 1****AMENDMENTS to the 2021/22 Operational IA Plan for Quarter 1:**

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
21-A4	Information Security (IS)	Assurance	<b>HIGH</b>	<b>Perry Scott</b> Corporate Director, Infrastructure, Transport & Building Services	Aspects of the scope for this review were covered in the 2020/21 Cyber Incident Management follow-up (which was completed on 14 <sup>th</sup> May 2021) and IS will also feature in the IT Governance audit which has been planned for Q4 2021/22.
21-A8 <i>(reassigned)</i>	Review of the Effectiveness of Internal Audit	Assurance*	<b>MEDIUM</b>	<b>Paul Whaymand</b> Corporate Director of Finance	This assurance* review was originally in the 2021/22 Q1 IA plan. At the April 2021 Audit Committee meeting, the Chairman of the Audit Committee suggested to the IA team to record this work as a 'project' rather than assurance, which we have actioned and the IA plan has been updated accordingly.
21-A9	Business Continuity Planning	Assurance	<b>MEDIUM</b>	<b>Perry Scott</b> Corporate Director, Infrastructure, Transport & Building Services	Following the Coronavirus pandemic, the Corporate Director requested assurance over the Council's business continuity arrangements to verify they are robust and a lessons learnt exercise to be carried out to help improve the process.

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**IA work DEFERRED from the 2021/22 Operational IA Plan for Quarter 1:**

IA Ref.	Planned IA Review Area	Review Type	IA Risk Rating	Review Sponsor	Scope / Rationale
21-A1	Disabled Facilities Grant (DFG)	Assurance	<b>HIGH</b>	<b>Perry Scott</b> Corporate Director, Infrastructure, Transport & Building Services	The DFG service has undergone a restructure recently, where a new management team has been introduced and recruitment is underway. Systems and processes have been reviewed and new ways of working are being implemented. Deferring this review to Q4 2021/22 will add more value once new arrangements are in place and the team are fully resourced.

**APPENDIX C****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2021/22 ~ QUARTER 2****IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2021 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
21-A10	Social Care Charges	Assurance	<b>HIGH</b>	<b>Tony Zaman</b> Corporate Director, Social Care & Health	The Council provides a range of services (under the Care Act 2014 and other national guidance and legislation) for vulnerable people but is reliant on income from charges to help pay for them. Without this income service levels could not be maintained. There is also an obligation to ensure all charges are applied fairly and transparently and those that are unable to pay do not lose their provision of care/support. The audit will seek to provide assurance that there is appropriate documentation held in support of all individuals assessed as having care and support needs.
21-A11	Crematorium	Assurance	<b>HIGH</b>	<b>Dan Kennedy</b> Corporate Director Planning, Environment, Education & Community Services	The Council's crematorium is an area that generates a significant amount of income. The facility is also used by Harrow Council, as it does not have its own facility. This IA review will provide assurance over management's arrangements for governance and internal controls in relation to crematorium management arrangements.
21-A12	Absence Management	Assurance	<b>MEDIUM</b>	<b>Mike Talbot</b> Corporate Director, Corporate Services & Transformation	A new Absence Management policy was launched in April 2020, which introduced the Bradford score as a way of calculating absence triggers. This audit will provide assurance that the new policy is being consistently and effectively applied across the Council.
21-A13	Allotments	Assurance	<b>MEDIUM</b>	<b>Dan Kennedy</b> Corporate Director Planning, Environment, Education & Community Services	The Council owns 35 allotment sites across the borough. The majority are managed directly by the Council and 7 are self-managed by allotment associations on behalf of the Council. This IA review will provide an objective, independent opinion on the adequacy and effectiveness of controls in place around management and facilitation of allotments.
21-A14	Registration Service	Assurance	<b>MEDIUM</b>	<b>Mike Talbot</b> Corporate Director, Corporate Services & Transformation	During the Covid-19 pandemic the Registration Service were required to prioritise the recording of deaths, resulting in a backlog of birth registrations. This review has been requested to provide assurance that the Registration Service is managed in an efficient manner and is performing against national KPIs.

**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2021/22 ~ QUARTER 1****IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2021 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
21-A15	Parking	Assurance	<b>MEDIUM</b>	<b>Perry Scott</b> Corporate Director, Infrastructure, Transport & Building Services	The Parking Service oversees the management of on and off-road parking across the borough while balancing the needs of residents, businesses, employees, shoppers, visitors and commuters. In order to reliver the parking services the Council works in partnership with APCOA.  Following a recent BID review and a restructure of Parking Services, this audit will review the processes in place and seek to provide assurance with regard to the efficiency, effectiveness and robustness of established controls.
21-A16	Procurement – Contract Compliance Management	Assurance	<b>MEDIUM</b>	<b>Paul Whaymand</b> Corporate Director of Finance	The Council spends millions of pounds on procured goods and services. It is important that the Authority manages its contracts effectively to ensure both value for money and achievement of desired outcomes.  This IA review will provide assurance over contract management arrangements and compliance across a selection of contracts in place.
21-A17	Road Naming and Numbering	Assurance	<b>MEDIUM</b>	<b>Mike Talbot</b> Corporate Director, Corporate Services & Transformation	The Road Naming and Numbering Service brings in approx. £60k a year for the Council and is legislated by Geoplace (who control address data on how this function is managed).  This review, which has not been audited before, will provide assurance that the Registration Service is managed in an efficient manner and is performing against set standards.
21-GC3	Supporting Families Grant - Quarter 2	Grant Claim	N/A	<b>Tony Zaman</b> Corporate Director, Social Care & Health	Supporting Families Grant continues to be a Central Government scheme under the MHCLG, with the stated objective of helping vulnerable families turn their lives around. The Council receives a payment by results from the MHCLG for each family they support under the scheme.  As per the grant conditions, IA will undertake verification work to confirm compliance.

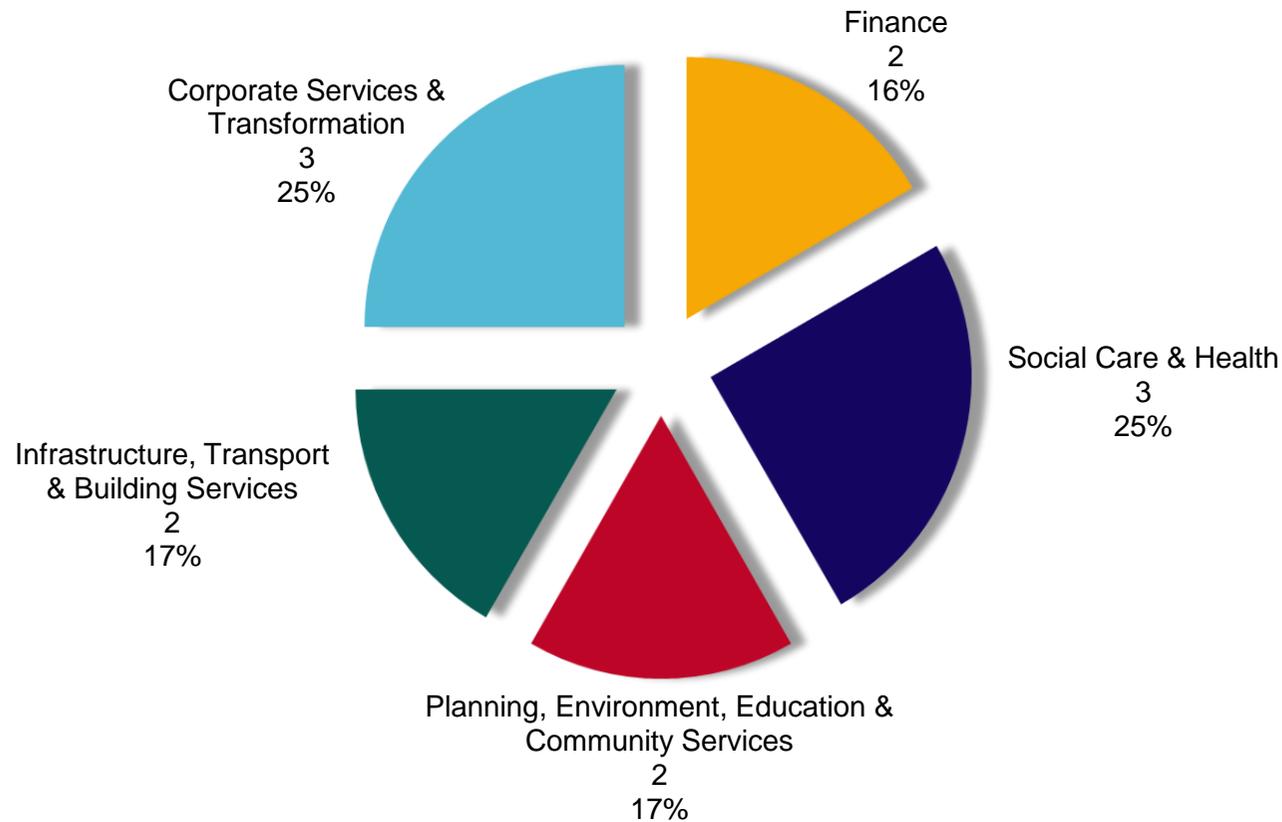
**APPENDIX C (cont'd)****DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2021/22 ~ QUARTER 2****IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 2021 period:**

IA Ref.	Planned Audit Area	Audit Type	Risk Assessment	Review Sponsor	Rationale
21-GC4	Housing Benefit Subsidy Grant	Grant Claim	N/A	<b>Paul Whaymand</b> Corporate Director of Finance	Local authorities are responsible for administering housing benefit claim subsidy from the DWP in accordance with section 140 of the Social Security Admin Act 1992 and the Income-related Benefits (Subsidy to Authorities) Order 1998, SI 562 as amended. Ernst & Young (EY), as the Council's appointed External Auditor, is required to certify the Council's claim. It has been agreed that IA will carry out the initial verification testing to reduce EY's testing and associated EY fees.
21-GC5	Disabled Facilities Capital Grant	Grant Claim	N/A	<b>Perry Scott</b> Corporate Director, Infrastructure, Transport & Building Services	Disabled Facilities Capital Grants (DFGs) are provided by the Council to help meet the cost of adapting a property for the needs of a disabled person. IA is required to undertake verification work for the DFG claim due for submission by 30 <sup>th</sup> September 2021.
21-GC6	Bus Service Operators Grant	Grant Claim	N/A	<b>Tony Zaman</b> Corporate Director, Social Care & Health	The Local Authority Bus Service Operators Grant (BSOG) covers both commercial and non-commercial bus routes and is administered centrally by the Department for Transport. The Grant is the partial refund on fuel duty received from the government by operators of local bus services in England. IA will be required to review and confirm the Council has complied with the conditions attached to Local Authority BSOG Ring-Fenced (Revenue) Grant Determination 2018/19.

**APPENDIX C (cont'd)**

**DETAILED OPERATIONAL INTERNAL AUDIT PLAN 2021/22 ~ QUARTER 2 (cont'd)**

**IA work scheduled to commence in the 1<sup>st</sup> July to 30<sup>th</sup> September 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****OUTSTANDING RECOMMENDATIONS WITH REVISED IMPLEMENTATION DATES** (ref para 3.4.5)**2019/20 Payment Process in New Years Green Lane****Action Owner: Helen Revell****Corporate Director: Perry Scott**

Original Impl. Date	Revised Impl. Date	Risk and Risk Rating	Reason for Extension and Current Status
30/06/2020 (2 extensions)	<b>31/12/2021</b>	If adequate systems are not in place to receive and record payments, track income and identify overdue payments in a timely manner, there is a risk that Council services may be exploited leading to financial and operational consequences for the Council. <b>MEDIUM</b>	Due to the global Coronavirus pandemic this recommendation could not be implemented as other work took priority. The Capita system has recently been upgraded and at the present time New Years Green Lane is not using Capita so there will need to be a new project to look at integrating the weighbridge and the Capita system so that payment from the weighbridge is automatically sent to the card reader for payment. This will involve ICT, the weighbridge supplier, and Operational Finance. Management is working with all stakeholders to implement the system by December 2021.

**APPENDIX D (cont'd)**

2019/20 Administration of DSG in Nurseries

Action Owner: Claire Fry

Corporate Director: Tony Zaman

Original Impl. Date	Revised Impl. Date	Risk and Risk Rating	Reason for Extension and Current Status
31/05/2020 (1 extension)	<b>31/08/2021</b>	If parental consent is not obtained and retained, there is a risk that the Council may be in breach of Data Protection rules, leading to financial and reputational damage to the Council. <b>MEDIUM</b>	Due to the global Coronavirus pandemic this recommendation could not be implemented as staff were redeployed to support critical services. The Hillingdon Code of Practice states that parents need to complete a Parent Agreement form before accessing free childcare. The Parent Agreement form has been amended so that the declaration that parents sign says that they must ensure that they make providers aware if any information on the form needs to be updated. Given the number of children in receipt of funded places it is not practical to receive and audit forms for every child, therefore sampling of parent Agreement forms is being conducted as part of the Audit of providers that commenced in June 2021. The Audit process for settings will include the review of Parent Agreement forms.
30/06/2020 (1 extension)	<b>31/08/2021</b>	Without appropriate arrangements in place to monitor compliance of Providers, there is a risk that DSG funds may be incorrectly or fraudulently awarded leading to legal, financial, operational and reputational consequences for the Council. <b>MEDIUM</b>	Reason for extension as previous recommendation. An audit process for settings has been developed and the first round of audits commenced on the 4 <sup>th</sup> June 2021 and will conclude mid-August. Once the audits are complete, the process will be reviewed and any changes or revisions implemented, prior to the next round of audits starting in September 2021. Audits will be completed termly as part of an annual review cycle, sampling a cross-section of providers registered with the scheme.

**APPENDIX D (cont'd)****2020/21 Estates – Lease Management****Action Owner: Michael Naughton****Corporate Director: Perry Scott**

Original Impl. Date	Revised Impl. Date	Risk and Risk Rating	Reason for Extension and Current Status
30/04/2021	<b>30/07/2021</b>	<p>If adequate systems are not in place to record and maintain accurate lease information, there is a risk that the Council's lease records will be incomplete, inaccurate or out of date, leading to the Local Authority being in breach of its obligations as a Leaseholder or Lessee, resulting in legal, operational and financial consequences for the Council.</p> <p><b>HIGH</b></p>	<p>We are recruiting to the vacant Data Management Officer post and this person will be doing the exercise to complete reviewing the lease data held on other databases and then uploading onto Keystone, followed by providing training to the Property staff that will be using the system.</p> <p>The recruitment exercise has taken longer than anticipated but we are positive that an officer will be in post shortly.</p>

**APPENDIX E****INTERNAL AUDIT KEY PERFORMANCE INDICATORS**

KPI Ref.	Performance Measure	Target Performance	Actual Performance	RAG Status
KPI 1	2021/22 <b>HIGH</b> risk IA recommendations where positive management action is proposed	98%	-	-
KPI 2	2021/22 <b>MEDIUM</b> risk IA recommendations where positive management action is proposed	95%	-	-
KPI 3	2021/22 <b>HIGH</b> risk IA recommendations where management action is taken within agreed timescale	90%	-	-
KPI 4	2021/22 <b>MEDIUM</b> risk IA recommendations where management action is taken within agreed timescale	75%	-	-
KPI 5	Percentage of annual (Q1 to Q4) IA Plan delivered to <b>draft report</b> stage by 31 <sup>st</sup> March	90%	-	-
KPI 6	Percentage of annual (Q1 to Q4) IA Plan delivered to <b>final report</b> stage by 31 <sup>st</sup> March	80%	-	-
KPI 7	Percentage of draft reports issued as a final report within 15 working days of completion of fieldwork (this being the final day of fieldwork, exit meeting and receipt of all outstanding information)	80%	-	-
KPI 8	Client Satisfaction Rating (from CFQs)	85%	-	-
KPI 9	IA work fully compliant with the UK <b>PSIAS</b> and <b>IIA Code of Ethics</b>	100%	-	-

**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.

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

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

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

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

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

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## AUDIT COMMITTEE - 2020/21 Counter Fraud Annual Report

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Muir Laurie, Deputy Director of Exchequer Services and Business Assurance
<b>Papers with report</b>	2020/21 Counter Fraud Annual Report
<b>Ward</b>	All

### HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2020/21 and assurance in this respect. It also provides an opportunity for the Deputy Director of 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 of 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. Note the Counter Fraud Annual Report for 2020/21; and**
- 2. Suggests any comments/amendments.**

### SUPPORTING INFORMATION

The Business Assurance 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 Annual Report to Audit Committee: 2020/21

16<sup>th</sup> June 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, the BACFT also conducts a range of other types of investigative work which do not necessarily have a criminal element to them i.e. revenue inspections, disciplinary investigations, etc. There is also a range of preventative work that the team is responsible for carrying out, such as fraud awareness training and ensuring the Council have up-to-date and appropriate corporate investigation policies and procedures. The BACFT also leads on the Council's assessment of the risk of fraud and corruption across all council services.

### 1.2 The Purpose of the Counter Fraud Annual Report

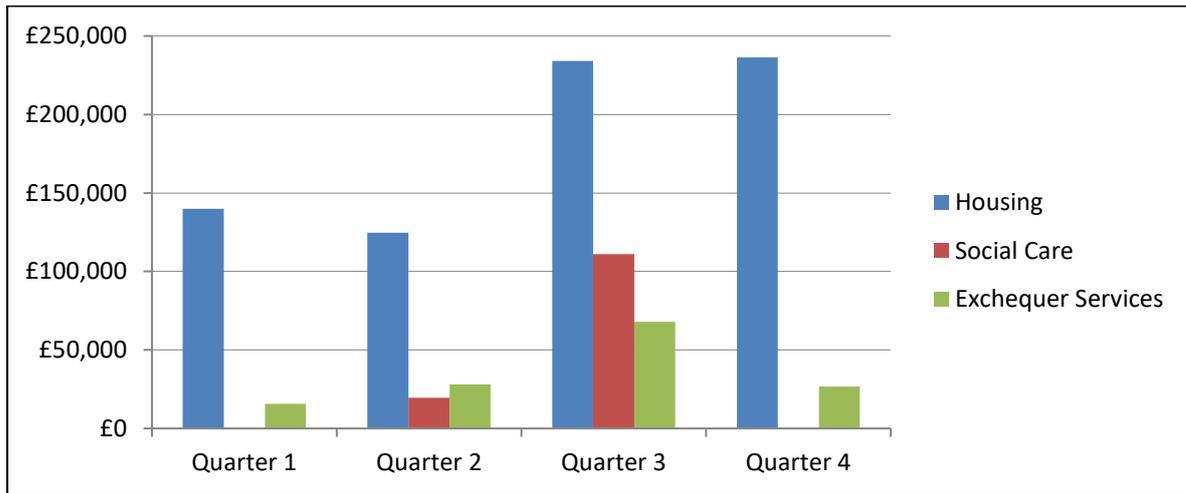
- 1.2.1 The Counter Fraud Annual Report 2020/21 provides the Council's Corporate Management Team (CMT) and Audit Committee with information on the counter fraud work carried out during 2020/21. It summarises for CMT and the Audit Committee the key findings from the quarterly progress reports presented during the year. In addition, it provides an opportunity for the Deputy Director of Exchequer Services & Business Assurance [DDESBA] to highlight any significant issues arising from the counter fraud work in 2020/21.
- 1.2.2 The Annual 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 DDESBA to be held to account in this respect.

## 2. Executive Summary

- 2.1 In 2020/21 the BACFT and the Council faced unprecedented challenges, operating during a global pandemic. Despite this, the BACFT managed to **deliver loss prevention savings of £1.04m across Council services** in 2020/21 against a reduced target of £1m. This is a positive outcome for the BACFT and the Council, particularly as 95% of Counter Fraud activity was put on hold in mid-March 2020 for four months as a result of the Covid-19 pandemic.
- 2.2 For most of Quarter 1, the BACFT were redeployed into critical services as part of the Council's response to the pandemic. This predominantly involved creating, operating, and **managing the Council's Food Delivery Service**, a bespoke shopping and emergency food parcel delivery service for residents. The BACFT worked alongside Hillingdon4All charity and other Business Assurance teams (including Internal Audit and Insurance). The BACFT also successfully provided other Covid-19 response critical services including medical prescription collections and deliveries of PPE.
- 2.3 In Quarter 3, the BACFT carried out a **major restructure of the team**, with the objective of improving the efficiency and effectiveness of counter fraud services across the team. The restructure arranged the BACFT by fraud risk area rather than by function. This created three new investigation units, the **Housing Investigations Unit (HIU)**, **Revenues Investigations Unit (RIU)** and **Special Investigations Unit (SIU)**. These new units have dedicated officers with specialist knowledge within each fraud risk, giving the Council the ability to tackle emerging risks or technical areas of fraud. Since the restructure the BACFT has improved its financial outcomes across Social Care and Revenues, however more work is still to be done to provide coverage of all key fraud risks within these areas.

- 2.4 In 2020/21, the main area of work for the BACFT continued to be within **Housing Services**, with the team conducting investigations into suspected housing fraud, alongside loss prevention projects. This has achieved overall **loss prevention savings of c£650k**, which represents 49% of the previous year's total. These savings included the **recovery of 22 Council properties** due to tenancy fraud, which represents 79% of the previous year's outcomes. The success in this area, despite the pandemic and delays within the court system, can be attributed to the team continuing to pursue property recovery by other methods.
- 2.5 During 2020/21, the BACFT increased its coverage of fraud risks within **Social Care** by liaising with key stakeholders and delivering a package of fraud awareness training to staff. This improvement in stakeholder engagement has resulted in a significant increase in referrals compared to the previous year and lead to **c£131k of loss prevention savings in the area of Social Care**. Further work is still to be done in this area during 2021/22 with the introduction of loss prevention projects and verification processes.
- 2.6 Throughout 2020/21 the BACFT had limited opportunities to tackle **Blue Badge Fraud** due to the pandemic. However, a successful proactive project was carried out in Quarter 3 on Uxbridge High Street, resulting in **21 Blue Badge seizures and investigations**. As part of the fraud prevention strategy the BACFT will continue to investigate instances of Blue Badge Fraud during 2021/22.
- 2.7 In the area of **Revenues**, the team has delivered over **6,000 inspection visits** during 2020/21. This is a commendable achievement, considering the various visiting restrictions and lockdowns that were encountered over the course of the year. The inspection visits underpin the team's commitment to maximising revenue and income on behalf of the Council. During 2020/21 the team proactively conducted a variety of successful loss prevention projects across Revenues including **Beds in Sheds**, achieving **loss prevention savings of c£138k**. This represents 54% of the savings accumulated in the previous year.
- 2.8 Since March 2020 the BACFT have been heavily integrated into the verification and recovery processes of the various **business grants** offered by central Government. **Over 7,000 verifications have been completed** ensuring local businesses meet the criteria set out for each scheme. For businesses that received grants and were subsequently found to be ineligible, the BACFT, in conjunction with Exchequer Services **instigated recovery action recouping over £460k**.
- 2.9 In 2020/21, the BACFT continued to operate with a **Home Office Immigration Enforcement Officer (IEO)** integrated within the Counter Fraud team. Service provisions were suspended during the first lockdown, however from 1<sup>st</sup> July 2020 the IEO was once again fully operational. The IEO has seen a significant reduction in referrals for the duration of 2020/21, which is due to the impact of the pandemic and staff working remotely rather than in the office. This loss prevention work carried out by the IEO has **saved in excess of c£85k** and the majority of these savings were in Housing.
- 2.10 As part of the services commitment to partnership and engagement with stakeholders, the **BACFT has continued to deliver a programme of Fraud Awareness** through the pandemic, albeit virtually. The new awareness sessions incorporate some of the attributes from our risk workshop programme, providing junior council staff an overview of the fraud landscape and an understanding of risk management. In total, 11 fraud awareness sessions were run across a wide range of council services in 2020/21. The awareness sessions play a fundamental part in raising the profile of the counter fraud culture within the organisation.
- 2.11 **Chart 1** (over the page) summarises the areas\* in which the BACFT has achieved loss prevention savings (cost reductions) in 2020/21 by each quarter. The emphasis of BACFT resource within the area of Housing Services is illustrated and provides context for where loss prevention savings have been achieved throughout the year. A full breakdown of all BACFT loss prevention savings can be found at **Appendix A**.

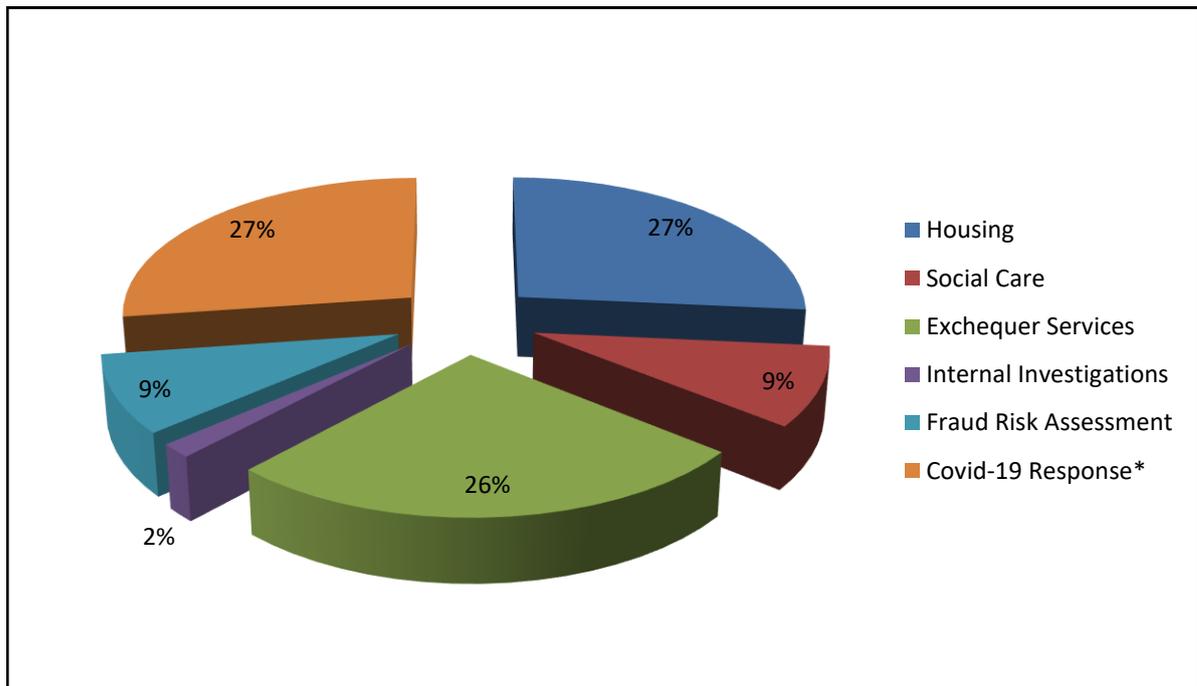
**Chart 1 - BACFT Loss Prevention Savings Achieved in 2020/21**



\* This includes savings generated through the work of the IEO

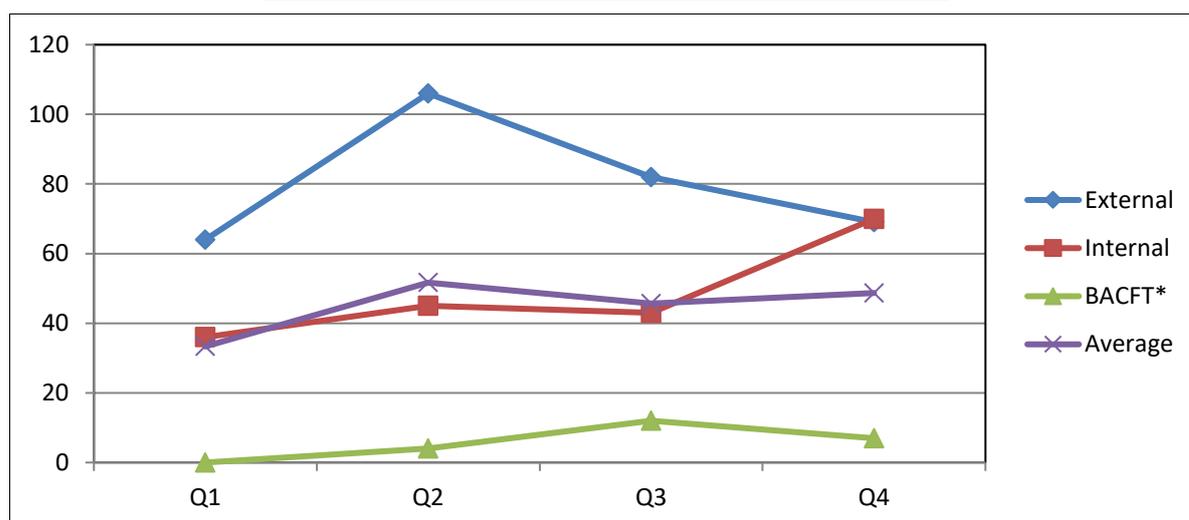
2.12 **Chart 2** below summarises the allocation of BACFT resource in 2020/21. Unlike previous years, the team had been redeployed into Covid-19 response services, which represents a significant allocation of resources, comparable to that of Housing. In the area of Exchequer Services and Social Care there was an allocation increase on previous years, this can be attributed to the dedicated resources made available following the team restructure in October 2020.

**Chart 2 - BACFT Allocated Resource in 2020/21**



\* This includes resources deployed for business grant verifications & the Food Delivery Service

2.13 In 2020/21 the BACFT received a total of 515 referrals for investigation from both internal and external sources (compared to 541 in 2019/20). **Chart 3** (over the page) provides a summary of the trend in referrals over the year. The sharp increase in referrals from internal sources in Q4 is due to the increased engagement with Social Care through fraud awareness sessions which began in Q3. Referrals generated within BACFT increased during quarters 3 and 4 in line with the rise in counter fraud activity post national lockdown. Quarter 4 saw a drop in external referrals, to address this, the BACFT has started to engage with the public through social media, to raise awareness and to encourage the reporting of fraudulent activity.

**Chart 3 - Number of 2020/21 Referrals by Quarter**

\*Referrals generated through BACFT proactive projects or data matching exercises

### 3. Analysis of Counter Fraud Activity in 2020/21

3.1 This section provides a more detailed analysis of the activities of the BACFT during 2020/21, detailing specific work streams and the trends within each area for comparison and contrast. The activities of the BACFT were predominantly focussed on three main fraud areas of work: **Housing, Social Care** and **Exchequer Services**. The BACFT also conducted a proactive **Blue Badge** operation during the year as well as conducting investigations into allegations of Blue Badge misuse. The team were also commissioned to carry out several internal investigations, which at times included investigations under the Council's Disciplinary Policy and Procedure, whilst ensuring full compliance within the Corporate Investigations Protocol.

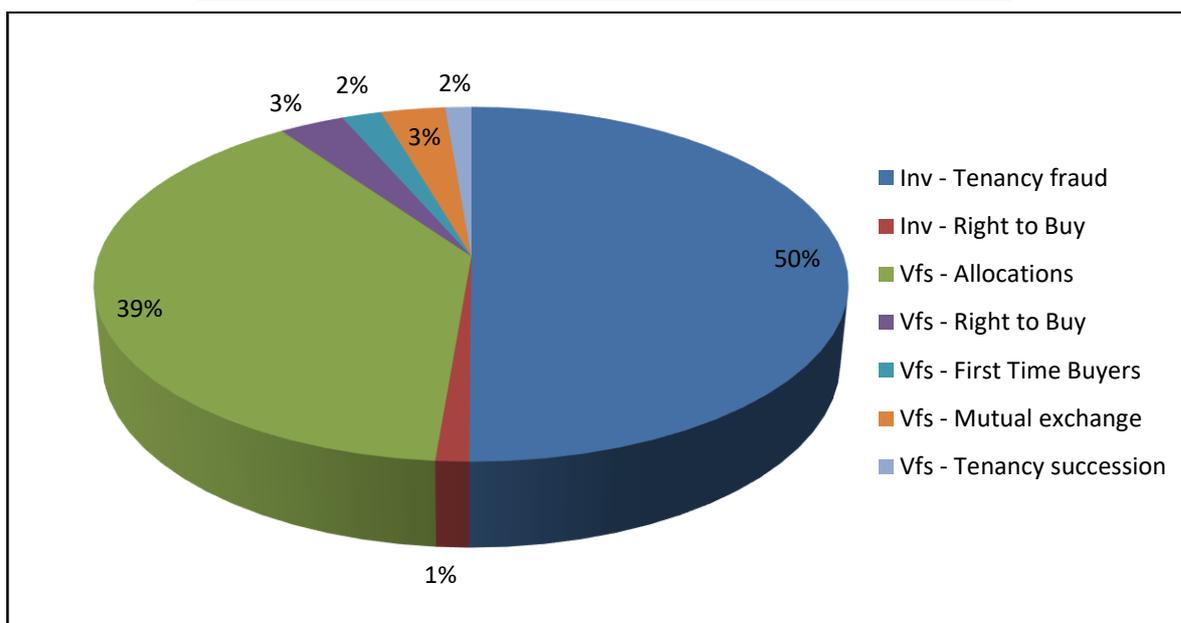
#### 3.2 Housing Fraud

3.2.1 Despite the restrictions that were imposed due to the Covid-19 pandemic and the limited access to courts, housing fraud continued to be the main area for work for the BACFT in 2020/21. The objective being the **effective prevention and detection of housing tenancy fraud** and to provide assurance to key stakeholders that applicants' eligibility for housing services are properly verified, prior to being offered a tenancy.

3.2.2 The team has continued to actively engage with colleagues within Housing whilst adjusting to the new working practices that have been introduced over the course of the year. The BACFT provided fraud awareness sessions both in person and online to generate high quality fraud referrals for investigation. Fraud allegations were also received from members of the public and investigated following a **robust risk assessment process**. This involves initial intelligence gathering and confirmation checks, often including un-notified visits to properties. There has been a concerted effort to continue to raise fraud awareness with residents by utilising the Council's various social media platforms. The team also work with a variety of social landlords and statutory agencies to help detect fraud where information sharing protocols are in place, to try and ensure that those people living in Council properties are properly entitled.

3.2.3 The Council is exposed to several housing fraud risks, as highlighted in the Counter Fraud Strategy and consequently, significant BACFT resource was deployed on the prevention and detection of housing fraud in 2020/21. **Chart 4** (over the page) details the allocation of BACFT resources in 2020/21 by area of fraud risk within Housing Services. The chart shows that no resources were allocated to emergency accommodation, this was mainly due to Government changes to legislation and eligibility, for the periods of national lockdown. The work will resume as part of the 2021/22 work plan.

**Chart 4 - BACFT Work Within Housing Services in 2020/21**



3.2.4 **Chart 4** above sets out the proportion of resource allocated within the different areas of Housing. This is a clear indication that the majority of counter fraud housing work is in the areas of tenancy fraud and pre-allocation verifications. Due to the pandemic and the shift to desk-based investigations there has been a decrease in time spent allocated to Right to Buy and other areas of Housing. This is likely to change as restrictions are lifted in 2021/22.

3.2.5 Even though tenancy fraud remained the largest area of housing work, the team achieved outcomes in other areas, such as the **cancellation of two Right to Buys leading to loss prevention savings of £214k.**

3.2.6 Per **Table 1** below, in 2020/21 the BACFT successful recovered **22 Council properties.** The reduction compared to the previous year can be attributed to the team being redeployed to assist with duties related to the Covid 19 pandemic, for the entirety of Q1. The introduction of the **Coronavirus Act 2020** also made it more difficult accessing the courts. Only serious cases were being prioritised and the team had to adapt its methods to continue to pursue property recovery by other means. The restrictions on visiting properties also hampered the investigative process and resulted in the team utilising a more desk based investigative approach for the major part of the year. The BACFT continued to focus on improving the quality of intelligence received within referrals, through fraud awareness training and maintaining close working relationships with colleagues in Housing Services.

**Table 1 ~ Housing Tenancy Fraud Cases**

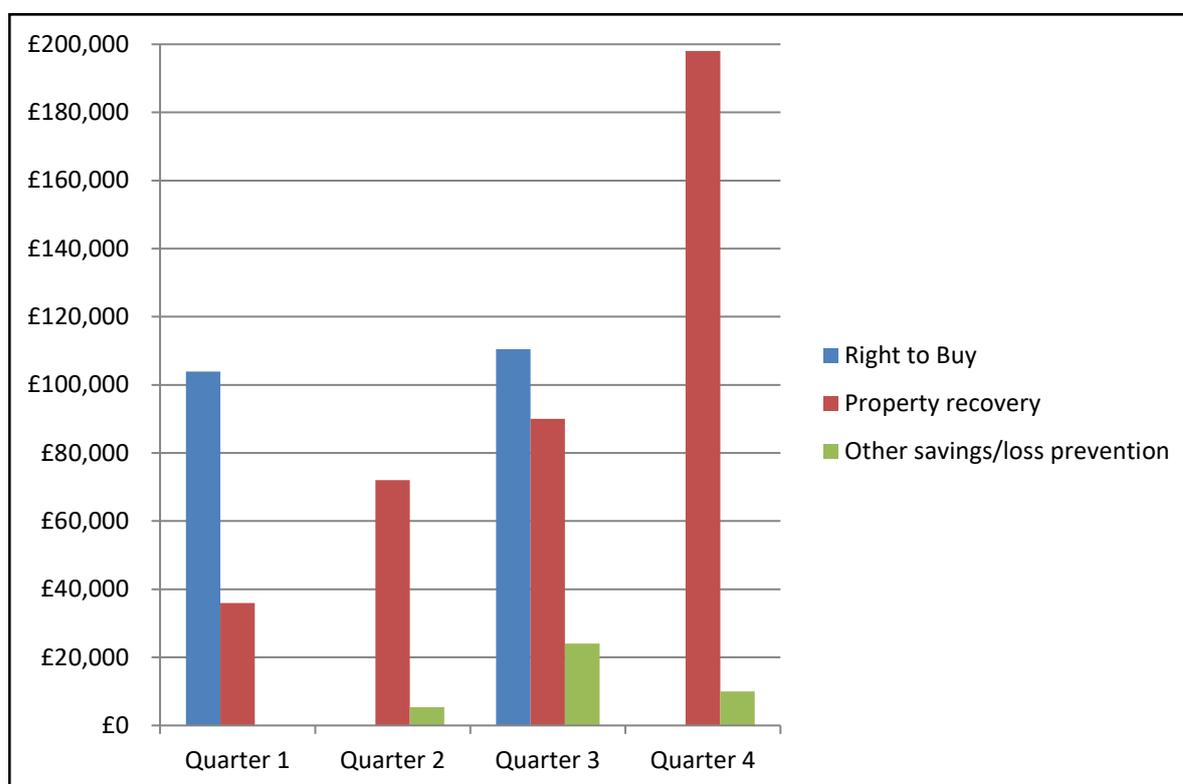
Housing Tenancy Fraud	2020/21		2019/20		2018/19	
	Cases	£k/value**	Cases	£k/value	Cases	£k/value
Total number of recovered properties	22	£396k	28	£504k	19	£342k

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

3.2.7 The financial savings achieved in 2020/21 within Housing Services contributed 65% of the total cost reductions/loss preventions achieved by the team, whilst utilising 60% of the team's resource allocation. This means that fraud within Housing remains the most significant in terms of financial outcomes as a percentage of resources allocated.

3.2.8 **Chart 5** summarises the loss prevention outcomes of the team by area of counter fraud activity within Housing. The increase in property recovery during Quarter 4 is due to the introduction of virtual interviewing and the team's efforts to focus on recovering properties by other methods.

**Chart 5 - BACFT Loss Prevention Outcomes in Housing 2020/21**



3.2.9 Per **Table 2** below, in 2020/21 the BACFT continued to carry out verifications as part of the housing allocations process. These enhanced checks give assurance to management that housing applicants are genuine, entitled to be housed prior to allocation and highlight potential fraudulent applications for further investigation.

3.2.10 Of the 2,187 **housing verifications** carried out in 2020/21, **31% (678) have been rejected** for various reasons, such as significant rent or Council Tax arrears and other assets or property ownership. Without the BACFT verification checks, these applications are likely to have been successful and the applicant would then have been housed in a Council property that they were not entitled to.

**Table 2 ~ Housing Tenancy Verification Cases 2020/21**

Housing Tenancy Verification Cases	Q1 & Q2	Q3	Q4	Total
Total number of cases reviewed	866	589	732	<b>2,187</b>
Total number verified as accurate	624	389	496	<b>1,509</b>
Total number rejected	242	200	236	<b>678</b>
<b>% identified by BACFT for rejection</b>	<b>28%</b>	<b>34%</b>	<b>32%</b>	<b>31%</b>

### 3.3 Exchequer Services

3.3.1 Over the last financial year, the BACFT has increased its dedicated resource in the area of Exchequer Services through the introduction of the **Revenues Investigations Unit (RIU)** in October 2020.

- 3.3.2 The RIU carries out inspections of businesses and properties in the borough, **Council Tax exemptions and discounts** (such as Single Person Discount - SPD) and data matching work through the National Fraud Initiative (NFI), as well as maximising revenue through the identification of beds in sheds. The work of the RIU aims to improve efficiency and increases productivity by applying proven effective visiting processes and investigation techniques. This ensures that Business Rates and Council Tax are correctly applied to all properties, including business premises and new-build properties.
- 3.3.3 Per **Table 3** below, the RIU in 2020/21 successfully completed a significant number of visits despite the Covid-19 restrictions. The BACFT being redeployed and visiting restrictions that were in place also impacted the RIU's ability to complete visits within the KPI 10 day target. However, the BACFT will strive to significantly improve performance in this area during 2021/22.

**Table 3 ~ Revenues Inspections Performance 2020/21**

Revenues Inspections	2019/20	2020/21	Outcome
Total number of inspections completed	5,592	<b>6,005</b>	+413 / +7.4%
Percentage within 10 day target	63%	<b>59%</b>	-4.0%

- 3.3.4 The BACFT continued to focus on Beds in Sheds and identified a **total of 21 unregistered dwellings** during the 2020/21 year. These previously unlisted properties resulted in **loss prevention savings in excess of £36k**. The identification of Beds in Sheds will continue to be a priority for the BACFT with further proactive projects planned for 2021/22.

### 3.4 National Fraud Initiative

- 3.4.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office (CO) which is carried out every 2 years. Over 1,200 organisations in both the public and private sector participate, including councils, the police, hospitals, nearly 100 private companies, all helping to identify potentially fraudulent claims and errors. The NFI states that from 2018 to 2020, over £244 million of fraud and error has been identified by the scheme.
- 3.4.2 The Council's participation in the NFI project yields financial savings beyond that of the Counter Fraud Team, details of which are captured by the CO and reported based on their assessment of the estimated impact of the NFI's work. For LBH, the estimated figures identified for the most recent ongoing exercise (which was the **2020 bi-annual exercise**) are **savings of £48k**. These savings are yet to be confirmed and therefore not reported in the savings for 2020/21. Delays in reporting are due to colleagues in Exchequer Services being redeployed to assist with the administration of Covid-19 grants and therefore these savings will be reported in 2021/22. The latest NFI exercise was only made available in January 2020, with various matches still to be completed by the relevant Council services during 2021/22, which will lead to further financial savings.
- 3.4.3 The data matches provided by NFI contributed to the recovery of **4 properties** during 2020/21. Several internal data sets were matched against information held by organisations such as HMRC and the Department of Working Pensions (DWP). These matches helped to identify properties that were being sublet and properties where the tenant was recently deceased, whilst the tenancy remained active.
- 3.4.4 Per **Table 4** (over the page), the results for the **NFI loss prevention work by the BACFT in 2020/21 were total savings of £87,754**. This is a reasonable return for the year due to prevailing pandemic circumstances, which led to staff being redeployed. With the new NFI matches available and staff returning to normal duties as restrictions are lifted, an increase in NFI outcomes should be seen for 2021/22.

3.4.5 There has been a marked improvement in NFI data assisting with the recovery of council properties compared to previous years. The previous pilot projects have been adopted and included as a regular data matching report. These results highlight the importance of utilising all appropriate tools and mechanisms to tackle the different types of fraud that are encountered. The BACFT will continue to develop and utilise data matching options to deliver positive outcomes.

**Table 4 ~ NFI Savings in 2020/21**

Loss Prevention Saving	Q1	Q2	Q3	Q4	Total
Single Person Discount	£5,816	-	£1,710	-	£7,526
Council Tax Exemption	-	-	-	-	-
Council Tax Reduction	£1,257	-	-	-	£1,257
Housing Benefit	-	-	-	-	-
Housing Tenancy	-	£32,000	-	£46,972	£78,972
<b>Totals</b>	<b>£7,073</b>	<b>£32,000</b>	<b>£1,710</b>	<b>£46,972</b>	<b>£87,755</b>

3.4.6 The BACFT continued to focus on **Beds in Sheds** and identified a total of **21 unregistered dwellings** during the year. These previously unlisted properties resulted in loss prevention savings of **c£36k**. The identification of Beds in Sheds will continue to be a priority for the BACFT with further proactive projects planned for 2021/22.

3.4.7 The RIU works closely with its counterparts in the DWP, forming a collaborative approach to benefit investigations whereby a Council Tax Reduction (CTR) is in payment. Unfortunately, due to the pandemic the DWP has reported benefits fraud has more than doubled to its highest ever level. Currently the DWP investigators remain redeployed, as they have been since March 2020, and as result no joint working is currently able to take place.

### 3.5 Grant Verifications

3.5.1 The BACFT have been working alongside colleagues from Exchequer Services with the administration, verifications and recovery of the different grant schemes introduced by central Government. Several grant schemes were made available to support local businesses during the lockdowns that came into force during the year. Pre and post assurance verification processes were designed and implemented to ensure funding was used for its intended purpose. The grants were intended to mitigate the social and economic impact of the Covid-19 pandemic on residents and business and are a new high-risk area for the council.

3.5.2 Initially three types of grant were introduced by Central Government in May 2020, with further grants made available to local businesses during the second lockdown in November 2020. The BACFT were involved in **7,000 pre and or post verification checks** for the different grants. These checks included utilising Cabinet Office software, such as Spotlight and NFI bank account verification tools. This provided assurance to ensure that only genuine businesses were accessing much needed funds during this challenging period. As a result of these checks there are **three businesses** that are under formal investigation for potential fraudulent grant applications.

3.5.3 The BACFT **instigated the recovery of £460k** worth of central Government grant payments, that should not have been received by local businesses. A total of **£1.27m** in grant payments have been recovered during 2020/21. The verification and recovery of grant schemes has been a significant part of the BACFT's counter fraud activity in 2020/21 and is set to continue into 2021/22.

### 3.6 Blue Badge Fraud

- 3.6.1 The Council is committed to preventing and detecting Blue Badge Fraud through the work of the BACFT. Although the direct monetary value of Blue Badge Fraud is relatively low, the reputational risk in relation to this area is significant for the Council.
- 3.6.2 In 2020/21 the team carried out a proactive 'operation', targeting identified hotspot areas for parking offences. BACFT officers operated in plain clothes to confirm the authenticity of badges on display within vehicles parked in a disabled bay, or on yellow lines. Whilst ensuring that the badge holder is present or is being collected. The BACFT aimed to conduct two Blue Badge proactive operations in 2020/21. However, due to restrictions around social distancing and various national lockdowns, only one proactive operation was conducted. To maximise our coverage and opportunity for detection, significant resources were deployed.
- 3.6.3 The proactive operation proved to be very successful with **86 Blue Badges** being checked of which **21 Blue Badges** were seized. A total of **10 people** was given official cautions for misusing a Blue Badge. These cases are still under investigation with outcomes likely to be reported in Q1 2021/22.
- 3.6.4 The Q3 proactive project has shown an increase in the number of badges seized since the commencement of the Blue Badge operations in 2018. This is likely due to offenders anticipating that the BACFT would not be operating under Government restrictions. This reflects positively on how the Council tackles Blue Badge Fraud even during uncertain times, whilst providing assurance to residents that fraud in this area will not be tolerated by the London Borough of Hillingdon. This initiative increases public awareness of the BACFT's work across the borough and inspires community confidence. The BACFT will continue to carry out proactive work in this area in 2021/22.

### 3.7 Counter Fraud Proactive Projects in 2020/21

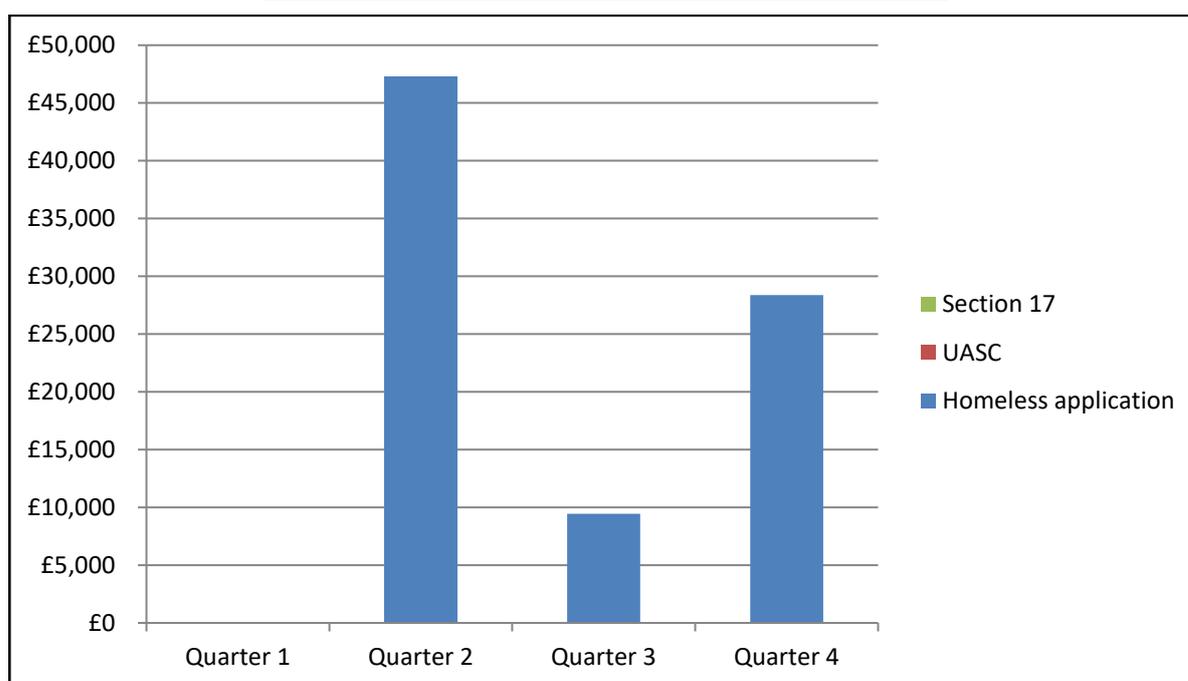
- 3.7.1 The BACFT continued to carry out focused proactive projects within service areas, as part of its strategic approach, where there is a high risk of fraud and financial loss. These projects allow the BACFT to tackle the highest fraud risk areas with appropriately allocated resources. These proactive drives also give assurance across the Council and highlights the need for any preventative measures.
- 3.7.2 Per the table at **Appendix C**, the BACFT carried out **six** proactive counter fraud projects in 2020/21. The details of each project, along with the rationale and the successful outcomes, illustrates the value in utilising a risk based approach to detect fraud and prevent financial loss to the Council. Further proactive project work is planned for 2021/22 as detailed in the Counter Fraud Strategic Plan 2021/22.

### 3.8 Immigration Enforcement Officer (IEO)

- 3.8.1 Since April 2018, the BACFT has had a Home Office IEO working as part of the team. The purpose is to provide enhanced access to Home Office data for the purpose of assessing cases involving immigration status and for assisting in counter fraud work. The IEO is available to all Council departments where there is a need to verify an individual's status in the country. Having the IEO present has proven to be extremely beneficial in assisting in Council business and preventing financial loss, however this has proven to be challenging during the pandemic.
- 3.8.2 **Chart 6** (over the page) below summarises the outcomes for the work of the IEO within 2020/21. This is based on prudent estimates of the costs of Council services that are linked to immigration issues where the IEO has been able to directly assist with by promptly providing Home Office information. The total loss prevention value of the IEO work for the Council in 2020/21 is estimated at **£85,138**.

3.8.3 With the IEO and the majority of council staff working remotely or being redeployed to other critical service areas due to the pandemic, the BACFT saw a **27% decrease in referrals** this year compared to 2019/20. This has had a significant impact on Social Care outcomes for the IEO (particularly in relation to Section 17 and UASC) as **Chart 6** highlights. Nevertheless, with some frontline housing staff available onsite, the IEO has achieved multiple savings within Housing Services. Due to the significant reduction and the ongoing impact of the pandemic the Council decided to reduce the IEO resource for 2021/22. Whilst efforts continue to try and address this reduction by promoting the IEO via fraud awareness sessions and communications sent out in the All Staff Email, referrals remain low but are expected to increase once all pandemic restrictions are lifted.

**Chart 6 - IEO Loss Prevention Outcomes 2020/21**



### 3.9 Fraud Awareness Campaign

3.9.1 The BACFT continued to **enhance and embed an effective counter fraud culture** within the Council. Due to the ongoing pandemic the annual fraud awareness week that was originally planned to coincide with **International Fraud Awareness Week** had to be modified. A total of **11 Fraud Awareness sessions** were conducted both in person and virtually to take account of changes in working practices. Following the team restructure and the introduction of the SIU sub team, a concerted effort was made to focus in raising awareness within Social Care. The aim, therefore, was to increase the volume of referrals for investigation from colleagues whilst improving the quality of those referrals. This engagement with Social Care has directly led to the increase in financial outcomes in this area. By discussing the fraud risks faced by the Council, staff have been given the tools to detect and report instances of fraud.

3.9.2 **Engagement with management on identifying and managing fraud risk** had also been carried out. In Quarter 4, the **HCF met with a number of Directors and Heads of Service** as part of the risk-based planned approach to counter fraud work, which has been used to inform the updated 'Fraud Universe' for the Council and Operational Work Plan for 2021/22. These discussions centred around the key fraud risks faced by each service area and the mitigation action in place. Agreement has been reached on proactive counter fraud work to be carried out as well as the delivery of future fraud awareness training.

3.9.3 Due to the pandemic restrictions the BACFT have made greater use of the Council's various social media platforms. A series of tweets and Facebook posts were created to highlight common fraud risk areas, such as tenancy fraud. The aim is to raise awareness and to encourage residents to report suspected instances of fraud.

#### 4. Analysis of the Counter Fraud Team Performance 2020/21

- 4.1 The BACFT introduced a suite of KPIs in 2018/19 which were agreed and implemented in liaison with CMT and the Audit Committee. The KPIs allow effective measurement of performance and enable the team and the DDEBA to be better held to account by CMT and Audit Committee. The table at **Appendix B** sets out the performance by the BACFT against the KPIs throughout 2020/21 by quarter and previous years.
- 4.2 As illustrated in **Appendix B**, performance against KPIs have improved across **4 of the 9 KPIs** and the team has also **achieved 4 of the 9 KPI targets** for the year. Whilst further improvements are required, performance should be considered against the team's redeployment and the impact of various national lockdowns and restrictions.
- 4.3 The table at **Appendix A** provides a detailed breakdown of the loss prevention performance of the Counter Fraud Team during 2020/21. The table highlights the **significant increase in Social Care and Revenues outcomes** since the introduction of dedicated units responsible for specific areas of counter fraud activity.
- 4.4 During 2020/21, the BACFT has actively sought to obtain data from each London Borough relating to counter fraud activity and produced benchmarking information which is set out at **Appendix D**. This data relates to reported figures in counter fraud annual reports to oversight committees for 2019/20. There is a significant inconsistency between authorities in terms of what they each report to their oversight committees and the variation in values they each place on individual activities. As a result, this makes comparison between authorities in terms of individual counter fraud work areas very difficult to quantify.
- 4.5 Nevertheless, there are several areas of general commonality (as set out in **Appendix D**), including the performance on housing fraud and Blue Badge, both of which are present across most London Boroughs.

#### 5. Forward Look

- 5.1 Looking ahead to 2021/22, in line with the Counter Fraud Strategic Plan the team will continue to **further develop the risk based approach**, focussing on emerging risks/areas of highest fraud risk. Key to this will be the continued engagement with service areas on fraud risks and controls to inform the "Fraud Universe" which steers the BACFT Operational Work Plan. This will be underpinned by a **refreshed and improved programme of Fraud Awareness**, including engagement with key stakeholders/use of social media platforms.
- 5.2 In addition, there will be a focus on **new opportunities for fraud prevention and detection** and strengthening of counter fraud controls in key areas of financial interest including **Schools and Procurement**.
- 5.3 The team will also **further develop its utilisation of internal and external data** to proactively identify instances of fraud across the range of Council services. This will include more **proactive engagement with Government agencies** in a collaborative approach.
- 5.4 Finally, the council is in the process of **reviewing the interim arrangements in place for the HCF** and is looking to recruit to the role on a permanent basis very shortly.
- 5.5 The team would like to take this opportunity to formally record its thanks for the co-operation and support it has received from management and staff during 2020/21.

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

16<sup>th</sup> June 2021

**APPENDIX A****BACFT Loss Prevention Performance 2020/21**

Work Area	Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
<b>Housing</b>	Right to Buy discounts	£103,900	£0	£110,500	£0	<b>£214,400</b>
	Property Recovery (notional savings)	£36,000	£72,000	£90,000	£198,000	<b>£396,000</b>
	Other savings/loss prevention	£0	£5,384	£24,061	£9,972	<b>£39,418</b>
<b>Social Services</b>	Section 17	£0	£0	£27,344	£0	<b>£27,344</b>
	Financial Assessments	£0	£0	£53,791	£0	<b>£53,791</b>
	Disabled Facilities Grants	£0	£19,500	£30,000	£0	<b>£49,500</b>
<b>Revenues</b>	Council Tax Reduction	£1,487	£1,425	£0	£0	<b>£2,913</b>
	Single Person Discount	£8,157	£1,900	£7,927	£1,874	<b>£19,857</b>
	Council Tax Arrears	£3,180	£1,185	£5,884	£200	<b>£10,449</b>
	Beds in Sheds	£0	£14,579	£1,314	£20,763	<b>£36,657</b>
	Housing Benefit Overpayments	£2,934	£9,000	£10,640	£0	<b>£22,575</b>
	Small Business Rates Relief (SBBR)	£0	£0	£27,503	£3,718	<b>£31,221</b>
	NNDR	£0	£0	£2,509	£0	<b>£2,509</b>
	Business Directory	£0	£0	£12,118	£0	<b>£12,118</b>
<b>Blue Badge</b>	Simple Caution & Financial Penalty	£0	£100	£200	£0	<b>£300</b>
<b>Immigration Officer</b>	Housing Homelessness Applications**	£0	£47,299	£9,460	£28,379	<b>£85,138</b>
<b>Totals</b>	Loss Prevention Savings	£103,900	£66,799	£282,659	£42,069	<b>£495,427</b>
	Notional Savings	£38,934	£81,000	£100,640	£198,000	<b>£418,574</b>
	Cashable Savings	£12,824	£24,474	£29,752	£22,837	<b>£89,889</b>
	Costs awarded and penalties	£0	£100	£200	£0	<b>£300</b>
	<b>Total</b>	<b>£155,659</b>	<b>£172,373</b>	<b>£413,251</b>	<b>£262,906</b>	<b>£1,004,190</b>

\* First time buyers - Average grant given per person.

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

**APPENDIX B****BACFT KPIs and Actual Performance 2020/21**

BACFT KPIs	Target	Q1	Q2	Q3	Q4	20/21	19/20
1. Percentage of fraud referrals risk assessed within 3 working days	95%	42%	100%	92%	98%	87%	98%
2. Verification work timescales for completion:							
a. Housing Allocations completion within the target date set by Housing.	95%	95%	99%	91%	98%	95%	97%
b. First Time Buyer completion within 5 working days	95%	100%	N/A*	30%	N/A*	33%	100%
c. Right to Buy completion within 28 working days	95%	N/A*	100%	100%	100%	100%	86%
3. Investigation plan completion within 5 working days of case allocation	95%	46%	86%	100%	95%	90%	94%
4. Tenancy fraud referrals received resulting in property recovery	20%	50%	34%	23%	55%	41%	34%
5. Investigations resulting in sanction (prosecution/penalty/caution)	10%	N/A*	6%	10%	0%	5%	3%
6. Investigations resulting in loss prevention/financial saving outcome	25%	50%	24%	42%	43%	39%	32%
7. Revenues inspections completed within 10 days of raising	95%	34%	30%	48%	84%	59%	63%

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

**APPENDIX C****Proactive Counter Fraud Projects - 2020/21**

Proactive Project & Rationale	Project Outcomes
<p><b><u>Empty Properties New Homes Bonus – Q2</u></b></p> <p>The New Homes Bonus (NHB) is a grant paid by central Government to local Councils to incentivise housing growth in local areas. The BACFT worked alongside colleagues within Exchequer Services, to identify properties that were recorded as empty but were in occupation, counting towards the NHB. Desktop enquiries and information gathering was completed by Exchequer Services, whilst the BACFT conducted unannounced visits to properties where checks indicated that a visit was required.</p>	<p>As a result of this work, the Council's NHB grant for 2021/22 has been calculated at <b>£847k</b>.</p> <p>The NHB is calculated on a NET figure of the total number of properties that are brought into occupation against the number that become long term empty in the same period.</p>
<p><b><u>Section 17 Residency – Q2 to Q3</u></b></p> <p>The BACFT carried out a project conducting residency checks for all Section 17 Social Care service users. The objective of this project was to verify that the accommodation provided was being lawfully occupied and identify any fraud being committed through subletting, non-occupation, or not meeting the eligibility criteria for funding and assistance.</p>	<ul style="list-style-type: none"> <li>• Number of cases reviewed - <b>26</b></li> <li>• Number of cases validated - <b>22</b></li> <li>• Cases recommended to cease funding – <b>2</b></li> <li>• Cases under investigation - <b>2</b></li> <li>• Loss prevention through terminating funding - <b>£27,344</b></li> </ul>
<p><b><u>Beds in Sheds – Q2 and ongoing</u></b></p> <p>'Beds in Sheds' is the term used to describe buildings or annexes on private properties that have been erected without the Valuation Office being made aware and that can be considered habitable. This means that the building or annexe should be charged Council Tax.</p> <p>The BACFT carried out unannounced visits to properties that were highlighted via referrals and intelligence checks. This will remain an ongoing project throughout 2021/22.</p>	<ul style="list-style-type: none"> <li>• Properties identified for visit - <b>42</b></li> <li>• Number identified for bringing into Council Tax - <b>21</b></li> <li>• Investigations continuing - <b>14</b></li> <li>• Income generation - <b>£36,656</b></li> </ul>
<p><b><u>Blue Badge – Q3</u></b></p> <p>The BACFT conducted a Blue Badge misuse operation during the lead up to Christmas, due to the high risk of misuse at this time of year.</p> <p>Checks were carried out on all badges that were displayed, to ensure that the eligible holder was present. The operation included seizing out of date badges, which removes them out of circulation from future potential misuse.</p>	<ul style="list-style-type: none"> <li>• Number of badges checked – <b>86</b></li> <li>• Number of badges seized – <b>21</b></li> <li>• Number of fraudulent uses of badges – <b>5*</b></li> <li>• Investigations continuing – <b>1</b></li> </ul>

cont'd...

**APPENDIX C (cont'd)****Proactive Counter Fraud Projects 2020/21 (cont'd)**

Proactive Project & Rationale	Project Outcomes
<p><b><u>Tenancy Residency Checks – Q3 &amp; Q4</u></b></p> <p>The BACFT conducted unannounced residency checks to all social housing properties in a 'hot spot' area, identified in conjunction with the Council's Community Safety Team's targeting operations.</p> <p>The objective was to identify any tenancy fraud and non-occupation. The area had prior tenancy issues, including sub-letting, fraudulent HB/SPD claims and breaches of tenancy (i.e. ASB issues).</p>	<ul style="list-style-type: none"> <li>• Properties visited – 111</li> <li>• Visits successful – 107</li> <li>• Cases under investigation – 4</li> <li>• Additional savings captured from errors in SPD/CTR/HB claims – <b>£1,782</b></li> </ul>
<p><b><u>National Fraud Initiative (NFI) – Ongoing</u></b></p> <p>The National Fraud Initiative (NFI) is a data matching exercise which is conducted every two years. The matches are from data supplied by over 1,200 organisations which identify potential fraud and error.</p> <p>The BACFT continues to work on these matches which has highlighted various savings and loss prevention across areas such as Housing and Exchequer Services.</p>	<ul style="list-style-type: none"> <li>• Number of properties returned – 4</li> <li>• Financial Savings – <b>£87,754**</b></li> <li>• Investigations continuing – 4</li> </ul>

\* *Fraudulent Blue Badge – Financial sanctions on these cases will be reported in Q1 report of 2020/21 due to restrictions in place for interviewing.*

\*\* *Financial Savings – This includes the notional saving value of properties returned to housing stock*

**APPENDIX D****Counter Fraud Benchmarking 2019/20**

London Borough	Council Properties Returned	RTB Cancelled	Housing Applications Closed	Council Tax & CTRS	Blue Badge Outcomes*	Social Care
Barking & Dagenham	9	44	46			
Barnet	34	27	5	£151,606	111	
Bexley	11		73		23	£21,600
Brent	19			£111,810	43	
Bromley					58	
Camden	66	6	1			
City of London	9	2	3			
Croydon	7	6	2		50	
Ealing	7	1	26	£6,707		£163,044
Enfield	100	17	6	£210,864		£350,312
Greenwich	24	3			15	£131,241
Hackney	6		75		20	
Hammersmith & Fulham	32	6				
Haringey	56	90		£38,000		
Harrow	6	6	2	£35,089	1	£274,953
Havering						
<b>Hillingdon</b>	<b>28</b>	<b>6</b>	<b>29</b>	<b>£174,507</b>	<b>3</b>	<b>£29,740</b>
Hounslow	19	65		£14,467	1	
Islington						
Kensington & Chelsea	21	22	9		71	
Kingston	3	6	20	£162,000		
Lambeth	69	3		£15,635	172	£450,000
Lewisham	3		90	£19,236	11	
Merton	12	5	75		1	
Newham	18	8	4			
Redbridge	6	1				
Richmond	8	8	6	£51,596		
Southwark						
Sutton	13	4		£1,740		
Tower Hamlets	40	20		£439,960	5	
Waltham Forest	36	32		£360,622	37	
Wandsworth	34	33	1			
Westminster (City of)	43	21	13	£5,541	53	

Where the cell is greyed out, the data was not available to us from the council in question.

\* = Successful Outcomes for Blue Badges are defined as Fines and/or Prosecutions but excluding seized badges.

## AUDIT COMMITTEE - 2021/22 Quarter 1 Counter Fraud Progress Report

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Muir Laurie, Deputy Director of Exchequer Services and Business Assurance
<b>Papers with report</b>	2021/22 Quarter 1 Counter Fraud Progress Report
<b>Ward</b>	All

### HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2021/22 Quarter 1 and assurance in this respect. It also provides an opportunity for the Deputy Director of 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 of 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 2021/22 Quarter 1; 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:

2021/22 Quarter 1

9<sup>th</sup> July 2021



# Contents

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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 1 period (1<sup>st</sup> April to 30<sup>th</sup> June 2021). In addition, it provides an opportunity for the Interim 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 1 (Q1).
- 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 Q1 the BACFT has continued to operate within **Government Covid-19 restrictions** and even though some measures have been relaxed the visiting functions and direct engagement with the public have been negatively impacted. Compared to the previous lockdowns, **the BACFT has managed to maintain a higher level of operational activity** than before. Restrictions are continuing to present a challenge to the delivery of the Counter Fraud service, however the further easing of measures expected in Q2 will further improve service delivery for the BACFT.
- 2.2 Despite the challenges faced, the BACFT has continued to achieve loss prevention financial savings across service areas including Housing, Social Care and Exchequer Services. Specifically, this quarter the team **successfully generated £308k of financial savings** which have established the foundations for the team to actively pursue the £1.5m financial target for the 2021/22 year.
- 2.3 In April 2020, the Government provided further funding in the form of the **Covid-19 Business Support Restart Grant scheme**. These new grants are designed to help businesses to reopen as restrictions are lifted. The BACFT has been supporting Exchequer Services in the administration of these grants by conducting assurance verification checks and utilising various tools to ensure eligibility. These grants have been a significant part of counter fraud activity in Q1 which is set to continue into Q2.
- 2.4 The team has **continued its success in tenancy fraud during Q1, recovering 10 properties** mainly due to illegal subletting and non-occupation. The steady flow of tenancy fraud referrals internally and externally, coupled with the team's ability to negotiate the surrendering of tenancies has contributed to this achievement. Although evictions can now take place, there is a backlog of cases within the court system, which will continue to effect property recovery for the BACFT.

- 2.5 As part of the BACFT's commitment to maximising revenue, the team has continued to identify through intelligence gathering, beds in sheds that are not currently registered for Council Tax. Following inspection visits, **6 beds in sheds have now been identified for Council Tax, generating income of approximately £12.4k/yr.** Our activity in this area is set to continue throughout 2021/22 with dedicated proactive projects. **In total over £49k in loss preventions savings have been achieved across the area of Revenues in Q1.** This includes cases whereby businesses have not been declared for rates and the team have proactively intervened to maximise revenue.
- 2.6 In **Social Care**, the BACFT has been attempting to maintain a high level of engagement with key stakeholders to increase its counter fraud activity across the service area. The team is fully embedded within a variety of fraud risks, including those in Financial Assessments (FA), Section 17 and Disabled Facilities Grants (DFG). Following the increase of referrals from Q4, **the BACFT has successfully completed several investigations resulting in loss prevention outcomes of over £57k in this area.**
- 2.7 Following the decrease in immigration referrals, the Immigration Enforcement Officer (IEO) resource has been reduced for Q1. Nevertheless, **as a result of proactive work within Social Care, the IEO has identified financial loss prevention savings of over £20k in this area during the quarter.** To increase referrals, the IEO service will be relaunched in Q2 through a communication campaign internally to raise awareness regarding the benefits of the information that can be provided by the IEO.
- 2.8 To raise the profile of the counter fraud culture within the Council, the BACFT has engaged with various services through its **Fraud Awareness programme** during Q1. **In total 5 Fraud Awareness sessions were undertaken across Social Care, Legal Services and Technical Admin.** These sessions give officers of the Council the necessary tools to identify and report suspected cases of fraudulent activity. Further sessions are planned for Q2 in the areas of Housing and Social Care.
- 2.9 The BACFT has continued to invest in its staff through training and development. During Q1 an investigator and a lead investigator have both achieved their **Accredited Professional Certificate in Investigative Practices (APCIP)** qualification. The BACFT will continue to seek to improve the skills mix within the team and where possible, provide staff with relevant training and development opportunities.

### 3. Analysis of Counter Fraud Activity in Quarter 1

#### 3.1 Housing Fraud

- 3.1.1 The BACFT has been carrying out effective counter fraud work within Housing, despite Covid-19 restrictions continuing to remain in place. The housing provisions within the **Coronavirus Act 2020** were amended in May 2021, meaning as of 1<sup>st</sup> June 2021 all landlords are required to give an extended **4 month notice period for 'Notices of Seeking Possession'** (for all but 'serious' cases). **It has also allowed eviction notices along with enforcement action to commence** as of 1<sup>st</sup> June 2021. However, there continues to be a delay in accessing court proceedings as serious cases are still being prioritised. **The BACFT is continuing to pursue property recovery by other methods,** which in turn saves on legal costs.
- 3.1.2 Per **Table 1** (over the page), in Q1 the BACFT has **recovered 10 Council properties,** which is a positive start to the financial year, particularly during a period where there have been the disruptions of the continued pandemic restrictions, as well as the departure of the previous HCF. The team has also obtained 2 possession orders following legal proceedings, but due to delays in the eviction process, both are currently awaiting further enforcement action. There are currently **86 ongoing investigations** into suspected housing fraud with 6 of these cases awaiting court hearing dates. This area of work continues to remain a key part of all counter fraud activity conducted by the BACFT.

**Table 1 ~ Housing Tenancy Fraud Cases**

Housing Tenancy Fraud Cases	2021/22*		2020/21		2019/20	
	Cases	£k/value**	Cases	£k/value	Cases	£k/value
Total number of properties recovered	10	£180k	22	£396k	28	£504k
Total number of ongoing cases	86	£1,540k				

\* As at 30<sup>th</sup> June 2021.

\*\* 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.

- 3.1.3 The Key Performance Indicator (KPI) 4 (refer **Table 5** in **Appendix A**) targets an outcome of a council property to be recovered for 20% of tenancy fraud referrals received. The BACFT has had a successful quarter with **39% of tenancy fraud referrals resulting in property recovery**. This can be attributed to the quality of the referrals received, alongside the BACFT robust risk assessment process to ensure only those cases that have credible and corroborated intelligence will be investigated.
- 3.1.4 The BACFT carries out verification checks on all **Right to Buy (RTB) applications** submitted to Housing. The RTB process is a statutory scheme whereby a tenant(s) can apply to purchase their property, at a significant discount from its market value. There are strict conditions that must be met by the applicant(s) if they are to qualify for the discount. In Q1 the BACFT has conducted 20 RTB verifications and currently there are **10 ongoing RTB fraud cases under investigation**.
- 3.1.5 The BACFT continues to carry out various proactive projects within Housing to provide coverage of areas susceptible to fraud. In Q1 a proactive project verifying residency of those service users in receipt of Temporary Accommodation (TA) was undertaken. The project involved **unannounced visits to all TA properties**. The purpose was to identify instances of non-occupation or subletting, as well as to verify those that have applied for social housing are still eligible.
- 3.1.6 The BACFT conducted a total of **283 visits to 192 properties**. From these visits, 118 have been verified, one accommodation is to be returned due to non-occupation, two further investigations have commenced, and 71 properties are still to be verified. The unannounced visits verify the details of the current residents, ensuring that any changes of circumstances are reflected in internal systems. This project provides key stakeholders, including the Housing department, with positive assurance that all TA properties are being lawfully occupied in line with Part VII of the Housing Act 1996. This proactive project is ongoing and further updates will be included in the next progress report.
- 3.1.7 As part of the BACFT's **fraud prevention work** it proactively carries out periodic post-sale residency checks on properties purchased through the Council's **First Time Buyer (FTB) scheme**. The conditions of the scheme specify that the homeowner(s) must occupy their property for the first 36 months after purchase to retain the grant.
- 3.1.8 As a result of these visits there are **2 FTB cases under investigation for subletting**. These post sales checks will continue for those already in receipt of the grant. The FTB scheme has been discontinued as of 2021/22 which means the BACFT pre-verification checks are no longer required.

- 3.1.9 Per **Table 2** below, the BACFT as part of its prevention activity carry out eligibility checks on applicants who register for social housing. In Q1 the BACFT has completed **662** verifications, these checks include gathering information on an applicant's income, savings, assets, as well as their current housing situation.

**Table 2 ~ Housing Tenancy Verification Cases**

Housing Tenancy Verification Cases	2021/22*	2020/21
Total number of cases reviewed	662	2,010
Total number verified as accurate	467	1,385
Total number rejected	195	625
<b>% identified by BACFT for rejection</b>	<b>29%</b>	<b>31%</b>

\* As at 30<sup>th</sup> June 2021.

- 3.1.10 Of the **195** cases that have been rejected, **1** individuals' application has been completely closed. Applications are closed due to a range of reasons, such as they no longer have a housing need, 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 KPI 2a (refer to **Table 5** 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 Q1, the team has successfully achieved **99% of verifications** being completed within their target date.

### 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 1,200 organisations, including councils, the police, hospitals and almost 100 private companies to identify potential fraud and error. **The BACFT has continued to work on the new bi-annual matches that were released in January 2021, including those that involve Single Person Discount (SPD).** The SPD data match highlights any cases where the SPD could be removed due to another adult in occupation. After further intelligence checks these cases have been passed to Exchequer Services to review, with loss prevention savings to be reported in the Q2 progress report.
- 3.2.2 The NFI are continually reviewing the matches that they share with partner organisations. They have recently provided new matches based on the grant data that had been submitted as part of the Covid-19 grants, that are being administered by local authorities. These matches have identified businesses that are potentially claiming **Small Business Rates Relief in more than one borough**. Further enquiries have been initiated on these cases in conjunction with Exchequer Services and any loss prevention financial savings identified will be reported accordingly.

### 3.3 Revenues Fraud & Inspections

- 3.3.1 Per **Table 3** (over the page), the Revenues Investigation Unit (RIU) has **conducted 1,887 inspections in Q1**, with 1,774 (94%) completed within the 10 day target. This is a considerable improvement in performance compared to last year and highlights the concerted effort from members of the team to improve performance in this area. Whilst the team recognises the positive strides that have been made, there is still room for improvement in order to meet the 95% KPI 7 target (refer to **Table 4** at **Appendix A**).

**Table 3 ~ Revenues Inspections Performance 2021/22**

Revenues Inspections	Q1	2020/21
Total number of inspections completed	<b>1,887</b>	6,005
Percentage within 10 day target	<b>94%</b>	59%

\* As at 30<sup>th</sup> June 2021.

- 3.3.2 In Q1, RIU proactive work has continued to identify '**Beds in Sheds**' within the borough. 'Beds in Sheds' is the term used to describe habitable outbuildings, or annexes to private properties, being utilised without the awareness of the Council or Valuation Office. The BACFT has identified **6** previously unlisted buildings resulting in over **£12k of loss prevention savings** during this quarter. A further **4 outbuildings** have also been identified and the financial outcomes will be reported in Q2. Beds in Sheds will remain an area of focus for the BACFT, with further proactive project work planned for Q2.
- 3.3.3 During Q1, officers have been able to identify through intelligence checks, **5 previously unlisted business premises** that had not notified the Council that they were trading. This resulted in **over £5k of loss prevention savings** from **three of the identified properties**. The outstanding loss prevention savings will be reported in Q2 following confirmation from the Valuation Agency. This is a vital area of work for the BACFT as businesses have **no obligation** to inform the Council that they are trading. Every unlisted business is a potential loss of legitimate revenue to the Council.
- 3.3.4 The BACFT has engaged with colleagues from the **Street Name & Numbering Team** and the **Building Control Team**. These discussions have proven to be successful, with a new collaborative approach sharing data to identify unknown or inaccurately recorded properties within the Council Tax listings.
- 3.3.5 Information shared by the Street Name & Numbering Team highlighted an unknown split of a domestic property. After a successful visit it was established the changes dated back over 9 years. This resulted in c£300 loss prevention savings and ensured the Council Tax listings are accurate. Even though the financial outcome in this instance was low value, it has demonstrated the need to share intelligence and provided a proof of concept. The BACFT believes this new initiative has the potential to deliver further loss prevention savings across the financial year.

### 3.4 Grants Assurance Work

- 3.4.1 Officers from the BACFT have continued to assist Exchequer Services in the **verification of several business grants schemes**, most recently the **Restart Grant schemes** which were introduced in April 2021. The Restart Grant Scheme supports businesses to re-open as restrictions are lifted. This area of work has now been extended until July 2021, due to the four-week extension to the Government's national unlocking roadmap.
- 3.4.2 The BACFT has been assisting colleagues in Exchequer Services by completing checks utilising Cabinet Office tools **Spotlight** and **NFI**. These tools are used to verify eligibility of bank accounts and company statuses. The robust pre assurance checks undertaken by the BACFT and Exchequer Services ensures that only eligible applicants receive funding support.
- 3.4.3 Since April 2021 a total of **2,322 Restart Grants** have been raised for the BACFT to verify, all of which have had NFI verification checks completed. Of those checked, 1,651 were Limited Companies and required Spotlight verification checks. A further **37 of these were flagged to Exchequer Services for further checks regarding company status**. All grant information collected is shared with Central Government in order to identify instances of organised fraud.

- 3.4.4 Additionally, the BACFT has continued to verify historical grant schemes that are still open for applications. 586 grant verification checks have been completed and returned to Exchequer Services. Of these, **3 were flagged to Exchequer Services for further checks regarding their company status.**
- 3.4.5 The BACFT has also been completing inspection visits to premises where there is a suspicion of a fraudulent grant application. Since April 2021, a total of **47 inspection visits** have been completed and of those **5 have been raised with the Valuation Office to make amendments.** As a result of the enhanced verification checks, **2 businesses** are under formal investigation for potential fraudulent grant applications.

### 3.5 Social Services

- 3.5.1 The BACFT has continued to take positive steps to increase its counter fraud activity within Social Care. A **new financial assessment verification process** has been introduced and implemented. The **Financial Assessment Team (FA)** is responsible for assessing eligibility to receive financial support for both residential and non-residential care, including nursing care. There are strict eligibility criteria in place with the assessment taking into consideration income, capital, and assets to determine a client's contribution.
- 3.5.2 The new verification process allows BACFT officers to assess whether applicants meet the eligibility criteria, whilst identifying anomalies including, hidden income, capital, or assets. This quarter has seen **35 verifications** processed by the team, with **1 case currently under investigation.** This new process implements controls to mitigate various fraud risks the Council is exposed to.
- 3.5.3 In addition to the verifications process, the team has continued to actively encourage referrals from staff within Social Care. A number of referrals have been submitted by the **FA** team as well as the Social Care staff, with **4 cases currently under investigation.**
- 3.5.4 Since the inception of the Special Investigations Unit (SIU) following the restructure in October 2020, the BACFT has prioritised its engagement with key stakeholders in Social Care. Discussions with **Heads of Services responsible for Direct Payments have been encouraging,** with Fraud Awareness sessions and a fraud referral process set to be introduced during Q2.
- 3.5.5 Following this engagement, **the BACFT is now fully embedded across all the main fraud risk areas within Social Care.** This high level of counter fraud activity and coverage of fraud risk within Social Services, gives the Council and its residents the confidence, that measures are in place to combat fraud and protect the public purse.
- 3.5.6 This early engagement with Social Care has already led to the BACFT receiving direct payment referrals. A direct payment is money given to eligible applicants to purchase support services to meet their social care needs, such as support with daily living tasks, respite care and social activities. Due to the ever-increasing costs of personal care, fraud committed in this area can have a significant financial impact on the Council. There are currently **two direct payment cases under investigation.**
- 3.5.7 Q1 saw the commencement of the teams annual **Section 17 proactive residency check project.** Social Care provide accommodation and support to families that are destitute under Section 17 of the Children's Act 1989.
- 3.5.8 The residency check project was conducted to ensure that accommodation provided to some of the boroughs most vulnerable families was being fully utilised and to highlight any instances of fraud being committed through subletting or non-occupation. Upon conclusion a total of **26 families were visited** of which **25 have been verified.** One case had been identified for non-occupation following an investigation and **resulted in loss prevention savings of over £13k.**

- 3.5.9 To mitigate the risk of fraud and to provide assurance to Social Care, the BACFT carry out verification checks on **all Section 17 applications**. These desktop checks include confirming the applicant's immigration status and whether they qualify to receive emergency accommodation and support. A total of **5** verifications have been conducted. This resulted in **1 applicant** being identified, who was able to access public funds. This meant that the Council was not responsible for the housing costs relating to their application. **Loss prevention savings of over £13k** were achieved, with these checks continuing to demonstrate their value in this area.

**Table 4 ~ Section 17 Verification Cases 2021/22**

Section 17 Verification Cases	2021/22*
Total number of cases reviewed	5
Total number verified as accurate	4
Total number of cases closed	1
<b>Loss Prevention Savings</b>	<b>£13,128</b>

\* As at 30<sup>th</sup> June 2021.

- 3.5.10 The Council offers a wide range of financial support for people with disabilities, such as the **Disabled Facilities Grants (DFG)** scheme. This means tested scheme is subject to strict eligibility criteria being met. The scheme allows for necessary and appropriate adaptations to be made to meet resident's needs. As part of the counter fraud work within Social Care, the BACFT carries out investigations into suspected cases of fraud within the scheme. In Q1, the team has successfully closed **1 DFG application**, due to undisclosed finances and persons unknown residing at the property, resulting in **loss prevention savings of £30k**.

### 3.6 Blue Badge

- 3.6.1 Blue Badge permits provide parking concessions for people with severe mobility problems. 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.
- 3.6.2 The BACFT conducted a **Blue Badge Misuse Operation** in Uxbridge High Street during December 2020. This resulted in **6** cases of Blue Badge misuse being investigated. Despite Covid-19 restrictions causing a delay concluding cases, **simple cautions and fixed penalty notices were administered to 5 offenders**, with **1 case remaining under investigation**. These disposal decisions act as a deterrent and reinforces the BACFT's commitment to Blue Badge Fraud.
- 3.6.3 To ensure the BACFT continue to deter misuse across the borough in high risk areas. The team have been working collaboratively with the **Parking Enforcement Team**, using intelligence led information to review known hot spot areas. This collaborative approach will see counter fraud officers deployed during peak times, as part of the team's **Blue Badge Misuse Operation** due to commence in Q2.

### 3.7 Immigration Enforcement Officer

- 3.7.1 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.

- 3.7.2 Even though some Government restrictions have remained in place during Q1, **the IEO services have not been prevented from continuing**. However, Q1 has seen a 41% decrease in the number of requests made to the IEO compared to Q4, which is due to the knock-on effect of the pandemic. The IEO has been required to work remotely, in line with Government guidance, on a part time basis. Therefore, there has been less visibility and awareness of the IEO. **To try and address the reduction in referrals** efforts were made during this quarter to re-promote the availability of the IEO. A reminder of the IEO's availability was sent to colleagues and communicated to key stakeholders within Social Care and Housing. The value of the information that can be provided by the IEO was also highlighted and discussed during Fraud Awareness sessions.
- 3.7.3 Despite the drop in referrals, the IEO has contributed **actual loss prevention savings of over £20k in Q1** (refer to **Table 6** in **Appendix B**). These savings are in relation to Social Care NRPF cases where the services user's immigration status had changed. This resulted in users being able to access public funds, relieving the Council of its financial commitments towards accommodation and support. With the easing of restrictions and colleagues gradually returning to the office, there is an expectation that referrals will increase with greater financial outcomes expected in this area.
- 3.7.4 After approximately 3 years with the Council, our current IEO has accepted a promotion within the Home Office and will be leaving the BACFT during Q2. As a result, the Home Office is currently recruiting a replacement IEO for Hillingdon and has assured us that a temporary IEO will be made available during this transitional period. The BACFT will be using the arrival of the new IEO to re-launch this aspect of the team's service by raising awareness of the benefits of an IEO at Fraud Awareness sessions and to increase referrals using internal publications.

### 3.8 Other Counter Fraud Activities

- 3.8.1 To maximise loss prevention through effective counter fraud activity within the Council, the BACFT assists the **Corporate Collections** team with the tracking and tracing of debtors. The team use investigative tools and techniques to assist Corporate Collections with their enquiries, by obtaining useful information to facilitate the recovery of monies owed from former tenant arrears and adult social care debt. Whilst it is not yet possible to quantify the team's direct involvement in this area, the team **provides a level of assurance to the senior managers in these teams** that all reasonable and proportionate steps have been taken to locate individuals and recover the debt.
- 3.8.2 To provide assurance over the write-off process of debts within Social Care, the BACFT has introduced a new initiative, working closely with the **Children's Resources Finance Team** to review all the **No Recourse to Public Funds (NRPF)** write-off requests. This will take place prior to management sign off, where Children's Services are providing support and payment for accommodation for failed Asylum-Seeking Children or Section 17 families. Up to date immigrations status checks are carried out to verify whether service users can access public funds. In Q1 the BACFT **identified 1 case** where the family were able to access public funds and successfully stopped the entire debt from being written off which **resulted in financial loss prevention savings of approximately £1.5k**.
- 3.8.3 As part of the commitment to creating a stronger **counter fraud culture** within the organisation, the team has continued to deliver Fraud Awareness Sessions to departments. In total **5 Fraud Awareness Sessions** have been delivered across **Social Care, Legal Services** and **Technical Admin**, with further sessions planned for Q2 in Housing and Social Care.
- 3.8.4 Q1 has seen the launch of the team's **"#FraudAwarenessFriday"** social media campaign utilising the Council's various social media platforms, such as Twitter, Instagram, and Facebook. The campaign is being used to raise awareness of different types of fraud including subletting and beds in sheds. The media campaign is set to continue throughout 2021/22 and will also feature updates on the BACFT's counter fraud activity.

#### 4. Analysis of the Counter Fraud Team's Performance in Quarter 1

- 4.1 Attached at **Appendix A** is **Table 5** which sets out the performance by the BACFT against the nine KPIs in Q1. Also attached at **Appendix B** is **Table 6**, which provides an overview of the financial performance of the team in Q1 within each of the main areas of counter fraud activity. **KPI 2b “First Time Buyer completion within 5 working days” will be removed from Q2** as the scheme has recently been disbanded and the Council are no longer receiving new applications for this initiative.
- 4.2 This quarter has seen a significant improvement in performance across most of the KPIs; **8 of the 9 KPIs are at or above targeted performance**, whilst **1 is amber**. A focused effort from staff and management during the quarter has led to this improvement, in particular KPI 7, where **performance has increased by 35%**. To support the BACFT in maintaining this level of performance new management information reports have been developed, giving clear oversight of all areas of performance.

#### 5. Forward Look

- 5.1 With restrictions set to ease further during Q2, the BACFT will be able to increase counter fraud projects which involve the need to visit. **Specifically, both the beds in sheds and tenancy fraud projects** will become a greater focus over the next quarter.
- 5.2 In Q2, the team will continue to support Exchequer Services on the administration of **Business Grants Schemes**. This includes providing verification checks to ensure eligibility as well as initiating recovery action against those businesses that have received a grant to which they are not entitled. This work may potentially continue beyond Q2, depending on what the Government decides.
- 5.3 As part of its stakeholder engagement and to ensure the BACFT offers coverage to all significant fraud risks, further discussions in Q2 will be held with **Education Services and the Procurement Service** regarding potential proactive counter fraud activity. This will likely lead to planned works in these areas later in 2021/22.
- 5.4 During Q2, **the DDESBA will be looking to appoint to the position of HCF on a permanent basis**. This will involve an internal and external recruitment process to ensure the best candidate is appointed to this critical role.
- 5.5 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 this quarter. 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**

9<sup>th</sup> July 2021

**APPENDIX A****Table 5 ~ BACFT Quarter 1 KPIs and Actual Performance**

BACFT KPIs	Target	Q1	20/21
1. Percentage of fraud referrals risk assessed within 3 working days	95%	100%	87%
2. Verification work timescales for completion:			
a. Housing Allocations completion within the target date set by Housing.	95%	99%	95%
b. First Time Buyer completion within 5 working days	95%	100%	33%
c. Right to Buy case completion within 28 working days	95%	100%	100%
3. Investigation plan completion within 5 working days of case allocation	95%	100%	90%
4. Tenancy fraud referrals received resulting in property recovery	20%	39%	41%
5. Investigations resulting in sanction ( <i>prosecution/penalty/caution</i> )	10%	13%	5%
6. Investigations resulting in loss prevention/financial saving outcome	25%	46%	39%
7. Revenues inspections completed within 10 days of raising	95%	94%	59%

**APPENDIX B****Table 6 ~ BACFT Quarter 1 2021/22 ~ Financial Performance**

Work Area	Description	Quarter 1*	Quarter 2	Quarter 3	Quarter 4	2020/21
<b>Housing</b>	Right to Buy discounts	£0	£0	£0	£0	£214,400
	Property Recovery (notional savings)	£180,000	£0	£0	£0	£396,000
	Other savings/loss prevention	£0	£0	£0	£0	£39,418
<b>Social Services</b>	Section 17 and UASC**	£27,775	£0	£0	£0	£27,344
	Financial Assessments and Direct Payments	£0	£0	£0	£0	£53,791
	Disabled Facilities Grants	£30,000	£0	£0	£0	£49,500
<b>Revenues</b>	Single Person Discount	£3,173	£0	£0	£0	£19,857
	Council Tax Reduction	£4,930	£0	£0	£0	£2,913
	Beds in Sheds	£12,367	£0	£0	£0	£36,657
	Housing Benefit Overpayments	£23,312	£0	£0	£0	£22,575
	Other savings/loss prevention	£5,866	£0	£0	£0	£56,298
<b>Blue Badge</b>	Simple Caution & Financial Penalty	£500	£0	£0	£0	£300
<b>Immigration Officer</b>	Housing Homelessness Applications**	£0	£0	£0	£0	£85,138
	Social Care Savings	£20,303	£0	£0	£0	£0
<b>Totals</b>	Loss Prevention Savings	£78,078	£0	£0	£0	£495,426
	Notional Savings	£203,312	£0	£0	£0	£418,575
	Cashable Savings	£26,336	£0	£0	£0	£89,889
	Costs awarded and penalties	£500	£0	£0	£0	£300
	<b>Total</b>	<b>£308,225</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£1,004,190</b>

\* As at 30<sup>th</sup> June 2021.

\*\* 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 2021/22

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Anisha Teji , Democratic Services
<b>Papers with report</b>	None
<b>Ward</b>	All

### HEADLINES

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

### RECOMMENDATIONS

That the Audit Committee:

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

### SUPPORTING INFORMATION

The meeting on 29 July 2021 will start at 17:10.

<b>Meetings</b>	<b>Room</b>
<b>29 September 2021</b>	<b>CR5</b>
<b>09 November 2021</b>	<b>CR6</b>
<b>01 February 2022</b>	<b>CR6</b>
<b>28 April 2022</b>	<b>TBC</b>

<b>Meeting Date</b>	<b>Item</b>	<b>Lead Officer</b>
29 September 2021	**Private meeting with Ernst & Young to take place before the meeting	
	Approval of the 2020/21 Statement of Accounts (Including Annual Governance Statement & External Audit Report on the Audit for the Year Ended 31/03/2021) & External Audit Report on the Pension Fund Annual Accounts 2020/21	Ernst & Young
	2021/22 Q1 Corporate Risk Register - Part II	Deputy Director of Exchequer Services & Business Assurance
	Annual Risk Management Report 2020/21	Deputy Director of Exchequer Services & Business Assurance
	Forward Programme	Democratic Services

<b>Meeting Date</b>	<b>Item</b>	<b>Lead Officer</b>
09 November 2021	**Private meeting with Corporate Director of Finance to take place before the meeting	
	EY 2020/21 Auditor's Annual Report (to include VFM commentary) and Completion Certificate	Corporate Director of Finance /Ernst & Young
	Internal Audit Progress Report Quarter 2 2021/22 (incl. the Quarter 3 2021/22 Internal Audit Plan)	Head of Internal Audit and Risk Assurance
	Counter Fraud Progress Report Quarter 2 2021/22	Head of Counter Fraud
	Forward Programme	Democratic Services

<b>Meeting Date</b>	<b>Item</b>	<b>Lead Officer</b>
01 February 2022	**Private meeting with Deputy Director of Exchequer Services & Business Assurance to take place before the meeting	
	EY 2020/21 Grant Certification	
	Internal Audit Progress Report Quarter 3 2021/22 (incl. the Quarter 4 2021/22 Internal Audit Plan)	Head of Internal Audit and Risk Assurance
	Counter Fraud Progress Report Quarter 3 2021/22	Deputy Director of Exchequer Services & Business Assurance
	Internal Audit Charter	Head of Internal Audit and Risk Assurance
	2021/22 Q2 Corporate Risk Register - Part II	Deputy Director of Exchequer Services & Business Assurance
	Forward Programme	Democratic Services

<b>Meeting Date</b>	<b>Item</b>	<b>Lead Officer</b>
28 April 2022	**Private meeting with Corporate Director of Finance to take place before the meeting	
	2022/23 External Audit Plan.	Corporate Director of Finance / Ernst & Young
	Internal Audit Progress Report Quarter 4 2021/22 (incl. the Quarter 1 2022/23 Internal Audit Plan)	Head of Internal Audit and Risk Assurance
	Counter Fraud Progress Report Quarter 4 2021/22	Deputy Director of Exchequer Services & Business Assurance
	2021/22 Q3 Corporate Risk Register - Part II	Deputy Director of Exchequer Services & Business Assurance
	Forward Programme	Democratic Services

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# Agenda Item 14

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