

Minutes

Audit Committee
Thursday 28 April 2022
Meeting held at Committee Room 3 - Civic Centre,
High Street, Uxbridge



	<p>Committee Members Present: John Chesshire (Chairman) Councillors Duncan Flynn (Vice-Chairman), Tony Eginton (Opposition Lead) and John Morgan</p> <p>Officers Present: Paul Whaymand – Corporate Director of Finance, James Lake - Head of Finance – Statutory Accounting & Pension Fund, Rupert Bamberger – Interim Head of Internal Audit, Simon Maddocks – Interim Head of Internal Audit, Stephanie Rao - Internal Audit Manager, Alex Brown - Head of Counter Fraud and Anisha Teji - Democratic Services Officer</p> <p>Also Present: Helen Thompson, Ernst & Young and Larisa Midoni, Ernst & Young</p>
1.	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from Councillor Ray Graham.</p>
2.	<p>DECLARATIONS OF INTEREST</p> <p>Councillor Tony Eginton declared a non-pecuniary interest in respect of agenda items 5 and 6 arising from the fact that he was a retired member of the Local Government Pension Scheme. He remained for the discussion of all items.</p>
3.	<p>TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE</p> <p>It was confirmed that agenda items 1-12 were marked as Part I and would be considered in public.</p>
4.	<p>MINUTES OF THE PREVIOUS MEETING</p> <p>RESOLVED: That the minutes of the meeting held on 1 February 2022 be approved as a correct record.</p>
5.	<p>2021/22 ANNUAL EXTERNAL AUDIT PLANS</p> <p>The Committee considered the 2021/22 Annual External Audit Plans that set out the initial plans for the 2021/22 audit by the Council's external auditors EY.</p> <p>The plans set out the approach to the audit of the Council's accounts and the Pension</p>

	<p>Fund accounts. The deadline for the Council to produce the draft accounts is likely to be extended to the 30 November 2022, however it was noted that both EY and the Council were aiming to publish the audited accounts by 30 September 2022.</p> <p>The areas of focus, different risks and action to mitigate these risks were highlighted to the Committee in respect of both the Pension Fund accounts and Council's accounts. There had been minimal or no change in materiality for both accounts other than one new risk for the Council relating to the derecognition of infrastructure assets.</p> <p>It was reported that EY remained in consultation with the PSAA regarding the proposed increase in scale fees and this was yet to be agreed.</p> <p>In response to Member questions around lessons learnt and how this had contributed to future planning, it was explained that meetings had taken place between EY and officers. Good progress was being made and discussions had taken place on how lessons learnt could contribute to the way work was delivered. It was clarified that the derecognition of infrastructure assets upon subsequent expenditure/ replacement had been identified as a significant risk and this was a national issue. The team were reviewing this area and were awaiting on consultation and subsequent guidance from CIPFA.</p> <p>RESOLVED: That the Committee noted the report</p>
<p>6.</p>	<p>AUDITOR'S ANNUAL REPORT 2020-21</p> <p>The Committee received a report detailing EY's Auditor Annual Report, which provided a summary of the results and conclusions from EY's audit work undertaken for the year ended 31 March 2021.</p> <p>The Committee was informed that in a new approach for 2020/21 the external auditor was now required to produce Auditor's Annual Report instead of the Audit Letter. The purpose of this was to bring together all the auditor's work over the year. It was highlighted that the Value for Money Assessment new reporting style provided more detail including, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily</p> <p>It was reported that there were no matters to report by exception on the Councils VFM arrangements.</p> <p>Members thanked EY and officers for the interesting report.</p> <p>RESOLVED: That the Committee noted the 2020/21 Auditor's Annual Report.</p>
<p>7.</p>	<p>INTERNAL AUDIT PROGRESS REPORT FOR 2021/22 QUARTER 4 (INCLUDING THE 2022/23 QUARTER 1 INTERNAL AUDIT PLAN)</p> <p>The Committee received the Internal Audit (IA) Progress Report for 2021/22 Quarter 4 and IA Plan for Quarter 1 which provided summary information on all IA work covered in relation to 2022/23, together with assurance levels in this respect.</p> <p>It was reported that since the Q3 IA Progress Report in January 2022, 5 assurance</p>

reviews, 4 consultancy reviews and 1 grant claim had concluded, and 3 assurance reviews were at draft report/memo stage. In addition, 7 assurance reviews and 2 consultancy reviews were at advanced testing stage and 5 assurance reviews were at testing stage. The Committee also heard about the assurance reviews that had received limited assurance opinions. Audit reviews of the ICT Service Desk and Homes to Assess had also finalised in this quarter.

Members were provided with an update on overdue and pending IA recommendations. It was confirmed that out of a total of 95 outstanding recommendations, updates had been provided by risks owners for 77/95 items or 81%. IA would now work through the status updates provided, look to seek relevant evidence, and provide further updates to both CMT and the Audit Committee.

In terms of disparity between the status of recommendations in different services areas, it was explained that this was due to a number of factors such as updates still being provided.

Members raised concerns around the staffing challenges in the team and questioned what the long-term plans would include. It was explained that in the short term there was an intention to use a mixed model to include both permanent staff which was supplemented by external support. A decision for the longer term is still to be taken. Handovers were provided to leaving staff and work was being done to try to make the process as smooth as possible.

The Committee thanked officers for their work and gave a special thanks to the Deputy Director of Exchequer Services and Business Assurance and the Internal Audit Manager who were due to leave the Council.

RESOLVED:

- 1. That the Audit Committee noted the IA Progress Report for 2021/22 Quarter 4 and approval be given to the Quarter 1 Internal Audit Plan.**
- 2. That the Committee noted the coverage, performance and results of Business Assurance Internal Audit activity within this quarter.**

8. DRAFT ANNUAL INTERNAL AUDIT PLAN FOR 2022/23

The Committee considered the planned Internal Audit (IA) approach and activity type for the forthcoming financial year that sought to:

- provide all Business Assurance IA key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes were being effectively managed;
- allow the Council to demonstrate its compliance with the relevant legislation and applicable professional standards;
- demonstrate the Council's commitment to good governance and compliance with the UK Public Sector IA Standards (PSIAS); and
- set out that Business Assurance IA resources were being properly utilised.

It was highlighted that after deducting an appropriate amount of allocated time for IA planning, reporting staff, training, the calculated total available IA chargeable time for

	<p>2022/23 at Hillingdon was 1100 IA days which was consistent with 2021/22 IA Plan.</p> <p>In response to Member questions regarding the checking of IT systems, it was explained that IA would be investigating systems of IT security. The Committee was reassured that although the IT Internal auditor would be leaving the Council, external providers had IT audit professionals that could be used.</p> <p>During Member questions, it was confirmed that available IA resources with the addition of external support would fulfil the PSIAS requirements in terms of the combination of professionally qualified and appropriately experienced staff.</p> <p>It was reiterated that the primary purpose of the IA Plan was to ensure that the key risks facing the Council were given sufficient IA attention.</p> <p>RESOLVED: That the Audit Committee noted the draft Annual Internal Audit Plan for 2022/23 and approved it.</p>
<p>9.</p>	<p>2021/22 QUARTER 4 COUNTER FRAUD PROGRESS REPORT</p> <p>The Committee received a report detailing the work undertaken by the Business Assurance Counter Fraud Team (BACFT) in relation to 2021/22 Quarter 4 and assurances in this respect.</p> <p>It was reported that the BACFT had identified a total of £576k in loss prevention savings. Tenancy fraud continued to be a focus with 8 properties recovered for non-occupation or sublet. In this financial year 42 properties had been successfully returned. The efficient use of internally held and externally available open source data had enabled the BACFT to identify £154k in previously uncollected business rates in Q4. It was highlighted that the BACFT had continued to improve the results achieved within Social Care and recorded their most successful quarter to date. A total of c£111k of savings had been identified across multiple service areas including DFG, Section 17, Financial Assessments and Direct payments.</p> <p>During Member questions, it was noted that the priority was to sustain performance and that the Onsite Immigration Official had been unavailable for the majority of Q4 due to a prolonged period of sickness. A backlog of referrals was being worked on and any positive outcomes would be reported to the Committee at the next meeting.</p> <p>The Committee commended the team for their excellent work and tremendous results.</p> <p>RESOLVED: That the Audit Committee noted the Counter Fraud Progress Report for 2021/22 Quarter 4.</p>
<p>10.</p>	<p>COUNTER FRAUD ANNUAL OPERATIONAL PLAN FOR 2022/23</p> <p>The report presented to Members the draft Counter Fraud approach for 2022/23, which set out the planned approach and activity type for the forthcoming year. The purpose of the plan outlined the Council's approach to tackle both the internal and external risks of fraud through counter fraud activity. The plan sought to:</p>

	<ul style="list-style-type: none"> • provide assurance to all key stakeholders that the risk of fraud was being managed effectively; • demonstrate the Council's commitment to good governance through minimising the risk of fraud; and • set out the Business Assurance Counter Fraud Teams resources to meet its strategic objectives. <p>During Member questions, it was noted that blue badges would be included as part of the London Counter Fraud Hub. There was an action day planned that would target blue badge fraud across London. In terms of restructure, it was reported that Counter Fraud Team restructure was adapted to meet the changes in the fraud landscape and new emerging risks.</p> <p>RESOLVED: That the Audit Committee noted the Counter Fraud Annual Operational Plan for 202/23 and suggested amendments/comments.</p>
11.	<p>REVIEW OF THE AUDIT COMMITTEE'S TERMS OF REFERENCE</p> <p>Members agreed the recommendation and requested that the broadcasting of meetings also be included as a matter to take forward for the Leader's consideration.</p> <p>RESOLVED: That the Audit Committee agreed to formally recommend four Constitutional changes as set out in the report.</p>
12.	<p>FORWARD PROGRAMME</p> <p>It was confirmed that EY would provide an update at the July 2022 meeting.</p> <p>The Corporate Director of Finance, Interim Head of Internal Audit and Elected Members were thanked for their work and wished well for the future.</p> <p>RESOLVED: That the Audit Committee noted the Forward Work Programme.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Democratic Services on 01895 250636 or email: democratic@hillingdon.gov.uk. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.