

## Minutes

### AUDIT COMMITTEE

27 July 2022

Meeting held at Committee Room 5 - Civic Centre,  
High Street, Uxbridge



	<p><b>Committee Members Present:</b> John Chesshire (Chairman), Councillors Richard Lewis, Naser Abby, Tony Burles, Reeta Chamdal and Nick Denys</p> <p><b>Officers Present:</b> Andy Evans – Corporate Director of Finance, James Lake - Head of Pensions, Treasury, Investments &amp; Statutory Accounts, Stephanie Rao - Internal Audit Manager, Alex Brown - Head of Counter Fraud and Anisha Teji - Democratic Services Officer</p> <p><b>Also Present:</b> Helen Thompson, Ernst &amp; Young and Larisa Midoni, Ernst &amp; Young</p>
1.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>
2.	<p><b>ELECTION OF VICE CHAIRMAN</b> (<i>Agenda Item 2</i>)</p> <p><b>RESOLVED: That Councillor Richard Lewis be elected as Vice Chairman.</b></p>
3.	<p><b>DECLARATIONS OF INTEREST</b> (<i>Agenda Item 3</i>)</p> <p>Councillor Richard Lewis declared a non-pecuniary interest in respect of agenda item 6 arising from the fact that he had a pension with the Local Government Pension Scheme. He remained for the discussion of all items.</p>
4.	<p><b>TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE</b> (<i>Agenda Item 4</i>)</p> <p>It was confirmed that all items would be heard in Part I.</p>
5.	<p><b>MINUTES OF THE MEETING HELD ON 28 APRIL 2022</b> (<i>Agenda Item 5</i>)</p> <p>It was confirmed that Democratic Services would provide an update on the review of the Audit Committee's Terms of Reference.</p> <p><b>RESOLVED: That the minutes of the meeting held on 28 April 2022 be approved as a correct record.</b></p>

6.	<p><b>2021/22 ANNUAL EXTERNAL AUDIT PLANS</b> (<i>Agenda Item 6</i>)</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 Fund accounts. The deadline for the Council to produce the draft accounts was likely to be extended to 30 November 2022, however it was noted that both EY and the Council were aiming to publish the audited accounts by 30 September 2022. It was noted that a national issue relating to infrastructure derecognition may put the September target at risk.</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 and one new risk added for the Council relating to the aforementioned derecognition of infrastructure assets.</p> <p>In response to Member questions regarding significant risks and how these were translated to a lesser risks in the future, it was explained that significant risks were expected to have material impact on the financial statements and more focussed work needed to be undertaken in that area. Inherent risks were described as known risks where testing had been undertaken and auditors were satisfied that the process hadn’t changed, and previous work could be relied on.</p> <p>During Member discussions it was noted that the year-end testing of the audit had commenced, and progress was being made as expected. Staff retention continued to be an issue at the firm although many staff members had a notice period of three months which would not impact the audit of the Council of Pension Fund.</p> <p><b>RESOLVED: That the Committee noted the report.</b></p>
7.	<p><b>ANNUAL INTERNAL AUDIT REPORT &amp; OPINION STATEMENT 2021/22</b> (<i>Agenda Item 7</i>)</p> <p>The Committee considered the Annual Internal Audit Report and Opinion Statement 2021/22, which highlighted matters arising from the work of Internal Audit during 2021/22.</p> <p>The Annual Internal Audit Report and Opinion Statement was a requirement of the UK Public Sector Internal Audit Standards (PSIAS). It was reported that the 2021/22 Internal Audit assurance plan was 59% complete to final report stage by 30 June 2022. All but two audits had started and were at an advanced stage.</p> <p>For the year 2021/22, the Head of Internal Audit had concluded a reasonable assurance that the systems in Hillingdon accorded with proper practices. There were a few significant control weaknesses identified including allotments, planning enforcements and Section 106.</p> <p>It was reported that the biggest issue for Internal Audit, particularly during the latter part of the year had been staff resource and this had significantly impacted key performance indicators and progress with the plan.</p>

During Member discussions, the role of Internal Audit was explained, and it was noted that issues were raised through quarterly risk management meetings. Emerging risks were explored and informed by the Corporate Risk Register, risks to objectives, corporate and governance issues, new legislative requirements, new systems and any changes in Ofsted or CQC ratings. It was reported that there was also a good working structure within the Council to address emerging risks swiftly.

Members were advised that when the team was fully resourced regular frequent chasing and monitoring of medium and high recommendation took place. Management updates would be obtained and this would then be verified. While the team was not at full capacity, it was agreed that follow up could be paused and updates would be provided at the appropriate time. It was also explained that management actions were owned by individual action owners which is the relevant manager in the business and Internal Audit verified these actions. The Committee was assured that although some recommendations had not been verified, this did not mean that the recommendations had not been implemented just that there was a slower verification process.

In response to Member questions regarding staffing, it was explained that that the past six months had been challenging for the Internal Audit team in terms of resource. It was explained that short term plans involved key assurance work being undertaken and there was also flexibility with the Mazars contract that would enable work to be undertaken. The job descriptions of the Head of Internal Audit and Principal Auditor had been tweaked following consultation with consultants in the market and those adverts were due to go live shortly.

The PSIAS conducted an external review of quality once every five years, and it was confirmed that planning for this was underway and this was on track for autumn.

**RESOLVED: That the Audit Committee reviewed and noted the Annual Internal Audit Report and Opinion Statement 2021/22.**

8. **ANNUAL REPORT OF THE AUDIT COMMITTEE 2021/22** (*Agenda Item 8*)

The Committee received a report detailing the information proposed to be presented to Council as the Audit Committee's Annual Report for 2020/21.

During Member questions, the different levels of assurance were explained, and it was noted that the Audit Committee was awarded a reasonable assurance. It was agreed that the report on the Review of the Effectiveness of the Audit Committee would be shared with Members for information. Many of the identified actions in the report had been progressed with Democratic Services.

**RESOLVED: That the Audit Committee noted the report and information provided.**

9. **INTERNAL AUDIT PROGRESS REPORT FOR 22/23 QUARTER 1 (INCLUDING THE 22/23 QUARTERS 2 & 3 INTERNAL AUDIT PLAN)** (*Agenda Item 9*)

The Committee received the Internal Audit (IA) Progress Report for 2022/23 Quarter 1 and IA Plan for Quarters 2 and 3 which provided summary information on all IA work covered in relation to 2022/23, together with assurance levels in this respect.

The report outlined staffing issues and the progress on the audits undertaken. During

this quarter, four assurance reviews were completed to final report stage with another one assurance review at draft report stage. Two assurance reviews had received no or limited assurance opinions. The Committee's attention was drawn to IT testing which had progressed since the position outlined in the report and it was confirmed that draft reports had been issued to Licensing – Animal Welfare. Testing had also commenced for Capital Programme and Domestic Violence Homelessness Process. It was reported that six of the nine internal audits undertaken in 2022/23 were in the testing stage nearing the draft report stage.

In response to Member questions regarding the no assurance opinion on the Allotments audit completed in Q1, it was explained that the management actions and implementation dates had been agreed. The findings were well received as there was a good relationship with the senior management team and work is underway to resolve these issues. The underlying reasons for the shortcomings in this area involved governance, policy and monitoring of the usage.

It was noted that although IA usually planned one quarter ahead, in order to enable Mazars to factor appropriate resources, two quarters in advance had been planned. It was agreed that the usual column involving the assessment of risks would be reincluded in the report.

The Committee considered it to be a balanced plan covering a range of different service areas.

**RESOLVED:**

- 1. That the Audit Committee noted the IA Progress Report for 2022/23 Quarter 1 and approval be given to the Quarters 1 and 2 Internal Audit Plan.**
- 2. That the Committee noted the coverage, performance and results of Business Assurance Internal Audit activity within this quarter.**

10. **2021/22 COUNTER FRAUD ANNUAL REPORT** (*Agenda Item 10*)

The Committee considered the 2021/22 Counter Fraud Annual Report that provided an overview of all Counter Fraud work carried out in relation to 2021/22 and assurance in this respect.

It was reported that the Counter Fraud Team (CFT) had achieved a number of successful outcomes despite operating in a post pandemic world with the lingering effects of Covid. This included a delivery of a total of £3.04m in loss prevention savings across Council services. This represented the Counter Fraud Team's most successful year ever. The savings included the recovery of 42 council properties due to tenancy fraud (52% increase from the previous year), revenues delivered 9138 inspection visits (52 % increase from the previous year) and a saving of £211k in the area of social care (62% increase on previous years) although more work needed to be done in 2022/23 in this area.

The Committee heard about the CFT joining the London Counter Fraud Hub and the CFT's largest fraud awareness programme. The two main areas of focus going forward included recruitment and sustaining the level of performance from 2021/22.

During Member discussions, it was noted that social work was a relatively new area to

	<p>the CFT and a lot of engagement work with key stakeholders was undertaken to identify the risks and work to be undertaken from a counter fraud perspective. More work was planned around disability facilities grants and direct payments. It was also noted that there was whistle blowing policy in place and this was due to reviewed by Cabinet in October 2023.</p> <p>The Counter Fraud Team was congratulated for their hard work in overachieving targets. The Committee concluded that this was an excellent report with an excellent set of results.</p> <p><b>RESOLVED: That the Audit Committee noted the Counter Fraud Annual Report for 2021/22.</b></p>
11.	<p><b>2022/23 QUARTER 1 COUNTER FRAUD PROGRESS REPORT</b> (<i>Agenda Item 11</i>)</p> <p>The Committee received a report detailing the work undertaken by the Counter Fraud Team (CFT) in relation to 2022/23 Quarter 1 and assurances in this respect.</p> <p>It was reported that a financial target of £3.5m had been set and a savings of £2.3m was achieved making it a successful quarter for the CFT. The CFT had recovered 15 properties due to tenancy fraud and there were 114 live investigations ongoing. Revenue maximisation work continued with £1.3m of uncollected revenue being identified. The onsite Immigration Officer had returned from long term sick and cleared a backlog of outstanding immigration status checks. This work had led to a loss prevention savings of £42k in the area of social care.</p> <p>It was reported that there had been a recruitment drive and two Counter Fraud Manager positions and two Count Fraud analyst positions had been recruited.</p> <p>During Member discussions it was noted that the London Counter Fraud Hub needed to be embedded into working practices and there had been challenges in agreeing the risks. It was explained that 32 London Boroughs were joining the hub and the aim of it was to share and cross match data to identify cross borough fraud.</p> <p>It was reported during Member questions that there had been a significant jump in live tenancy fraud investigations due to subletting, abandonment and nonoccupation. It was also noted that there was legislation governing the use of social media during fraud investigations.</p> <p>The CFT was congratulated for their work. The Counter Fraud Manager was thanked for their dedicated service over 15 years of service and wished well for the future.</p> <p><b>RESOLVED: That the Audit Committee noted the Counter Fraud Progress Report for 2022/23 Quarter 1.</b></p>
12.	<p><b>2021/22 QUARTER 4 CORPORATE RISK REGISTER</b> (<i>Agenda Item 12</i>)</p> <p>The Corporate Risk Register (CRR) for Quarter 4 (January – March 2022) report was presented to Members. The report provided evidence about how identified corporate risks had been managed and the actions which were being taken to mitigate those risks. The report summarised the corporate risks and key movements.</p> <p>Members requested that other potential pandemics (such as monkey pox) and the</p>

	<p>increase in infections over the winter period could be considered for inclusion in the CRR. It was noted that this will be discussed during subsequent risk meetings with the relevant officers.</p> <p>In terms of Risk 5 – Ability to Deliver a Balanced Budget in the Medium Term, Members were informed that the budget setting took place in February 2022. The Medium-Term Finance process was analysed and there was a detailed forecast of projections. Officers worked very closely with Cabinet and the outcomes of any discussions would be incorporated into the CRR.</p> <p><b>RESOLVED: That the Committee reviewed the Corporate Risk Register for Quarter 4 (1 January – 31 March 2022) as part of the Committee’s role to independently assure the Council’s corporate risk management arrangements.</b></p>
13.	<p><b>AUDIT COMMITTEE MEMBER SKILLS MATRIX</b> (<i>Agenda Item 13</i>)</p> <p>The Committee received the report on the Audit Committee Member Skills Matrix.</p> <p>It was explained that Members would be given the opportunity to individually complete the skills matrix and once the finished documents had been returned, this data would help to identify the training needs of Members. The skills matrix would be kept confidential and would be used to aid the development of a training programme for Audit Committee Members.</p> <p>Members agreed that the skills matrix would be a useful tool in developing a training programme going forward</p> <p><b>RESOLVED: That the skills matrix be approved.</b></p>
14.	<p><b>AUDIT COMMITTEE FORWARD PROGRAMME</b> (<i>Agenda Item 14</i>)</p> <p>Consideration was given to the forward work programme for the Committee.</p> <p>The following amendments were agreed:</p> <ul style="list-style-type: none"> <li>• The Internal Audit Progress Report Quarter 2 2022/22 (including Quarter 4 2022/23 IA Plan) be heard at the meeting on 15 November 2022.</li> <li>• The Internal Audit and Counter Fraud Annual Plans for 2023/24 be added to the meeting on 27 April 2023.</li> </ul> <p><b>RESOLVED: That the Audit Committee noted the Forward Work Programme for 2022/23 and amendments.</b></p>
	<p>The meeting, which commenced at 5.10 pm, closed at 6.40 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Anisha Teji on 01895 277655 or [ateji@hillingdon.gov.uk](mailto:ateji@hillingdon.gov.uk). Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

**The public part of this meeting was filmed live on the Council's YouTube**

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