HILLINGDON
LONDON

A

Audit Committee

Members of the Committee

John Chesshire (Chairman)
Councillor Richard Lewis
Councillor Naser Abby
Councillor Tony Burles
Councillor Reeta Chamdal
Councillor Nick Denys

Date: **TUESDAY, 8 AUGUST 2023**

Time: **5.10 PM**

Venue: **COMMITTEE ROOM 6 - CIVIC CENTRE, HIGH STREET, UXBRIDGE UB8 1UW**

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

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Published: Monday, 31 July 2023

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Putting our residents first

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

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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.

Formal duty of senior officers to attend

Whilst Council officers will invariably attend meetings voluntarily, in fulfilling its role, and should it be required, the Committee may require the Head of Paid Service and/or any senior officer (third tier and above) to attend before it to explain in relation to matters within its remit and it shall be the duty of those persons to attend if so required.

Where any senior officer is required to attend the Committee under this provision, the Chairman will inform the Head of Democratic Services. The Head of Democratic Services shall inform the officer in writing or by email giving at least 10 working days' notice of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend to give account and whether any papers are required to be produced for the Committee. Where the account to be given to the Committee will require the production of a report, then the officer concerned will be given sufficient notice to allow for preparation of that documentation.

Where, in exceptional circumstances, the officer is unable to attend on the required date, then the Committee shall, in consultation with the officer, arrange an alternative date for attendance.

When calling senior officers under this provision, the Committee will remain bound by the Code of Conduct for Members and Co-opted Members, ensure questioning is conducted in a fair and balanced manner and not of a personal critical nature.

Agenda

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.

16   Service Accommodation Action Plan   121 - 130

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APPOINTMENT OF AUDIT COMMITTEE CHAIRMAN

Committee name	Audit Committee

Officer reporting	Ryan Dell, Democratic Services

Papers with report	None

Ward	All

HEADLINES

This report is to enable the Audit Committee to appoint its Chairman for the 2023-2024 municipal year.

RECOMMENDATIONS

That the Audit Committee appoints Mr John Chesshire as Chairman of the Audit Committee for the 2023-24 municipal year.

SUPPORTING INFORMATION

None.

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APPOINTMENT OF AUDIT COMMITTEE VICE-CHAIRMAN

Committee name	Audit Committee

Officer reporting	Ryan Dell, Democratic Services

Papers with report	None

Ward	All

HEADLINES

This report is to enable the Audit Committee to appoint its Vice-Chairman for the 2023-2024 municipal year.

RECOMMENDATIONS

That the Audit Committee appoints Councillor Reeta Chamdal as Vice-Chairman of the Audit Committee for the 2023-24 municipal year.

SUPPORTING INFORMATION

None.

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Minutes

AUDIT COMMITTEE

27 April 2023

**Meeting held at Committee Room 5 - Civic Centre,
High Street, Uxbridge UB8 1UW**

HILLINGDON
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	Committee Members Present: John Chesshire (Chairman), Councillors Henry Higgins, Stuart Mathers, Tony Burles, Reeta Chamdal, and Nick Denys **Officers Present:** Andy Evans – Corporate Director of Finance, James Lake - Director - Pensions, Treasury and Statutory Accounts, Claire Baker – Head of Internal Audit, Stephanie Rao – Internal Audit Manager, Alex Brown – Head of Counter Fraud, and Ryan Dell – Democratic Services Officer **Also Present:** Helen Thompson, Ernst & Young, and Larisa Midoni, Ernst & Young
41.	**APOLOGIES FOR ABSENCE** *(Agenda Item 1)* Apologies were received from Councillor Richard Lewis with Councillor Henry Higgins substituting. Apologies were also received from Councillor Naser Abby with Councillor Stuart Mathers substituting.
42.	**DECLARATIONS OF INTEREST** *(Agenda Item 2)* None.
43.	**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** *(Agenda Item 3)* It was confirmed that all items would be heard in Part I.
44.	**MINUTES OF THE MEETING HELD ON 31 JANUARY 2023** *(Agenda Item 4)* **RESOLVED: That the minutes of the meeting held on 31 January 2023 be approved as a correct record.**
45.	**EXTERNAL AUDIT 2020/21 EY AUDIT UPDATE** *(Agenda Item 5)*

The Committee considered the reports of the EY audit update for the London Borough of Hillingdon and the London Borough of Hillingdon Pension Fund.

Officers noted that good progress had been made. The previous Committee was informed that there had been a national issue with regards to disclosure and treatment of infrastructure assets. Subsequently, regulations and CIPFA accounting guidance had been issued and all issues, including the revised disclosure had now been closed off from an audit perspective. There was now a new national issue relating to pensions, however this was not seen as a big issue and progress had been made on this.

In other outstanding areas, officers continued to work with EY.

Regarding the Pension Fund, the audit was completed, noting the national issue. The draft results report was attached.

Council Audit

EY noted areas of audit focus. Fraud risk work had been completed since January on management overrides, generic risks and journal entry testing, and also on the risk of inappropriate capitalisation of revenues and expenditure. There were no findings to report. EY were still assessing their view to apply across other Local Authorities. On the valuation of land and buildings, progress had been made with officers since March 2022. Work had been agreed on infrastructure assets since January. On the pension liability valuation, there had been a national issue, and now the triennial valuation report had been issued since the last meeting. This was considered as subsequent information to be taken into account by management and by EY to determine if there might be a material impact on reported values as at the end of March 2022.

Management considered that the difference in the valuation of assets and liabilities related to the Pension Fund was not material compared to values recorded in the accounts. EY was still assessing their own view and was working on a consistent approach to apply across other Local Authorities.

On the valuation of Council dwellings, internal reviews had progressed, and the Council was working on a couple of follow up questions. New central government COVID-19 grants testing had been completed.

With regards to disclosures on going concern, these would have to be re-assessed as the audit was finished. The draft financial statements had been prepared on a going concern basis. Management's assessment of going concern had been provided to EY, who will perform their planned procedures closer to the completion of the audit. This was an open item.

With regard to value for money, progress had been made, EY were reviewing responses from officers. Value for money was an area that EY had to re-visit. This was also an open item. No risks of significant weaknesses had been identified.

Members asked that when the audit was finished would there be a quick sign-off. EY noted that they were looking for a consistent approach. There was some uncertainty around the timeframe to resolve queries around the valuation of property, plant and equipment. It was noted that EY had other responsibilities with, for example, the NHS and National Audit Office and so were experiencing busy periods. EY were attempting to close down audits as quickly as possible, as well as trying to avoid issues for next

year.

The Chairman asked EY about potential consequences. EY noted that Hillingdon's audit was based out of the Reading office, and there were still 2020/21 and 2021/22 audits to complete before 2022/23 audits, which were not due to be starting until the new calendar year. It was important to close down older audits first. The Chairman asked officers about this and officers noted that it was not an ideal situation to potentially be closing down the 2022/23 financial year before the 2021/22 audit had been completed. Officers also noted good partnership working with EY, and that across London Local Authorities there was pressure to resolve issues, although generic issues were often not resolved as quickly. The Chairman asked if there would be any budget setting implications and officers noted that this would depend on what emerged from the audit, although the Medium Term Financial Forecast was not directly affected.

Members asked about the differences in valuation relating to property, plant and equipment and noted a formula for calculating depreciation. EY noted that depreciation was only part of the consideration. Valuation of some assets used a 'modern equivalent asset approach', and not like-for-like replacement values. Some assets were, for example, valued at market value, so there were different opinions on valuation. Local Government audits were more complex. If there were differences of opinion on valuations, a middle ground could not just be set – there were certain rules to follow. However, although Hillingdon and EY had come to different values both parties agreed the figures being presented by the Council did not require amendment as they fell within materiality limits. As there was subjectivity in terms of valuations both parties needed to apply a sensible approach to reach agreement.

Members asked about the next audit and whether other auditors were taking a similar approach in closing old audits before commencing new ones, acknowledging EY's comments about the issues around the Reading office's capacity. EY noted that other auditors were taking a similar approach, and that all offices were under pressure as there were audit staffing issues. EY could not confirm if all audit firms were looking to complete old audits first. New local government audit contracts took effect from 01 April 2023. EY noted that the Audit Commission was helpful. The Chairman noted that there had been more publicity around audit issues.

Pension Fund Audit

EY noted the same issue around the triennial valuation impact, though this was only a disclosure in the Pension Fund account. From the audit plan that was presented to the Committee in July 2022, on risks and results, all procedures had been completed; on risk of management override there were no findings; on some hard-to-resolve investments there was a recommendation of re-classification from Level 2 to Level 3. The CIPFA code was based on impacts for valuation: Level 1 for those easiest to value, up to Level 2, and Level 3 for those with unobservable inputs. Going concern had updated procedures (IAS26).

On audit differences, benefits expenditure was inflated by £1.8m in 2021/2022. This was caused by a catch-up adjustment due to the change in the benefit payment period upon transition to the new pension administrator. Previously benefits were paid from the 16th of one month to the 15th of the next month. The new administrator paid benefits from the 01st to the end of the month. This had created a one-off position whereby 54 weeks of benefits had been accrued for during 2021/22. The additional £1.8m had not been adjusted because it was not deemed material by Management. EY had considered the impact on the prior year and concluded that any adjustment would be

immaterial.

On the Actuarial Present Value of Promised Retirement Benefits (IAS 26 disclosure), there had been an unadjusted understatement of present value of promised retirement benefits by a judgemental difference related to the Goodwin case of £2.9m (£3.1 in the prior year).

There was some internal control classification relating to Level 2 and Level 3. It was recommended to ensure that inputs were monitored and classified as observable or unobservable accordingly. There was a second control recommendation around the calculation of membership numbers.

The Chairman asked officers if they were happy with the position the Council was in. Officers noted that there was a collaborative approach with some compromise. The new administrator was noted and that they were resolving historic issues contributing to membership number reclassifications. Furthermore, there were always discussions about classifications at Level 2 and Level 3 as the definition can be subjective.

The Chairman noted the expectation to issue an unmodified audit opinion and asked when this could be expected. EY noted that a draft audit opinion was included within the report, which would be finalised once the pensions triennial evaluation was cleared and the Council's accounts was signed off.

RESOLVED: That the Committee:

1. **Noted the progress of the 2021/2022 annual external audit; and**

2. **Delegated authority to the Corporate Director of Finance, in conjunction with the Chairman of the Audit Committee and other Audit Committee Members, to approve the 2021/2022 Statement of Accounts and Audit Results Report, and to report the outcome back to a subsequent Audit Committee meeting**

46.	**INTERNAL AUDIT PROGRESS REPORT QUARTER 4 2022/23** *(Agenda Item 6)*

The Committee considered the Internal Audit Progress report for quarter 4 of 2022/2023. During this quarter, fourteen assurance reviews were completed to final report stage, including six awarded a SUBSTANTIAL assurance opinion, six which received REASONABLE assurance, one LIMITED assurance and one NO assurance. Also during this quarter, Internal Audit had completed two consultancy reviews into a Domiciliary Care Provider and the Mayor's Charity Account. At the time of the report, there were a further five assurance reviews at a draft report stage, once of which had now been finalised. At the date of the report, 91% of the plan was at least at draft stage. Details of the reviews were listed in the report. The limited assurance item related to purchase cards. The no assurance item related to a small number of legacy accommodation agreements. There was a very detailed action plan to take this forward. A separate report in Part II could be brought to the next Committee.

The External Quality Assessment (EQA) had been delayed but officers had now received the draft report. Officers had provided comments and the final report would be shared outside of the Committee to avoid waiting until August.

Recruitment was ongoing for the Internal Audit team. There had been three new

appointees, with one further post being advertised for.

On the follow up process for recommendations, requests had been issued for updates which would be verified and included in the Annual Report at the next Committee in August.

Members asked if the service was still short of a Senior Internal Auditor. Officers noted that the service had not appointed to this post but had appointed two internal auditors instead. It was noted that there had been a restructure. The Chairman noted that they would be happy to see the briefing on the no assurance items in Part II of the next Committee and was also happy to receive the finalised External Quality Assessment outside of a meeting. The Chairman congratulated officers on exceeding their targets. The Chairman also congratulated officers on the recruitment.

RESOLVED: That the Audit Committee noted the IA Progress Report for 2022/23 Quarter 4

47.	**INTERNAL AUDIT PLAN 2023/2024 AND INTERNAL AUDIT CHARTER** *(Agenda Item 7)* The Committee considered the Internal Audit plan for 2023/24 and the Internal Audit Charter. The plan was developed to reflect the key risks and the Council's strategic objectives. It was an annual plan to help with planning further ahead and it was not a fixed plan, but a flexible one to allow for any new risks or projects that arise. Any changes would be reflected through the progress reports. The plan had been reported to Senior Management Team and Corporate Management Team. The Internal Audit Charter was a requirement under the Internal Audit Standards and the Public Sector Internal Audit Standards. It was required to define the roles and responsibilities of the Internal Audit service, previously presented as part of the 5-year Internal Audit strategy last year. This Charter had been updated but there were no significant changes. Members asked officers how they prioritised with fewer resources. Officers noted that they started with key risk areas; looked through the corporate risk register and directorate risk registers; looked at other sources of assurance to avoid duplicating work that, for example, External Audit or Counter Fraud were looking at. Officers met with each of the directorates and asked what their priorities were and how the service could support them. There was an outsourced provider (Mazars) who could assist where necessary. Members asked officers how they could be confident in being told what needed to be audited. Officers noted they referred to KPIs and monitoring reports. Officers also noted objective setting and the risk registers. External factors such as the private sector and other authorities were noted as a guide on areas to audit or things to be aware of. Members noted new data projects and new technology, and asked how this would change ways of working or what impact this had. Officers noted that there was more data available and more of a focus on data analytics. There were fewer manual processes and less manual testing of those processes. There was more auditing of the accuracy of the data and data quality reviews, which had IT elements. Telecare was noted in terms of keeping, storing, sharing and accessing data.

Members asked about the high, medium and low risks and how officers planned to get the high risks down. Officers noted the risk registers which were managed by the different directorates. The risks on the risk registers had action plans with a view to reducing the risks. If something was listed as high risk, it should be looked into more regularly. In terms of the risk ratings within the plan, that was an internal rating when looking at areas to review.

Members asked about follow ups on old risks and where these fit into the plan alongside new risks. Officers noted that the follow up process was separate. If a review identified any high or medium recommendations, these would be followed up as they became due. If it were a no assurance item, this would be followed up. If actions were not being taken, another formal audit could be undertaken. There was a process of verification of actions taken.

Members asked if follow up reports would be provided at future Committees. Officers noted that there was a backlog, but that follow ups would be presented as part of the annual report at the next meeting, and a summary brought to subsequent meetings.

The Chairman noted the comprehensive plan and commended the inclusion of climate action. The Chairman asked about the challenges of an aging workforce. Officers noted that they were looking into this. The Chairman noted that the number of days spent on grant claims had gone up, and asked if this was simply because there were more grant claims. Officers confirmed that this was the case. The Chairman noted that there had been less time spent on ad-hoc consultancy. Officers noted there were still consultancy reviews taking place, but the days shown was more for one-off requests rather than a detailed review. The Chairman asked if timeliness was a challenge. Officers noted that receiving information from management before the start of the audit would lead to a more structured plan. KPIs for management had been included, and management were aware of this.

RESOLVED: That the Audit Committee:

1. **Approved the Internal Audit Plan for 2023/24; and**

2. **Noted the purpose and responsibilities of the Internal Audit as outlined in the Charter**

| 48. | **COUNTER FRAUD PROGRESS REPORT (QUARTER 4 2022/2023)** *(Agenda Item 8)*

The Committee considered the Counter Fraud progress report for 2022/23 quarter 4.

The Counter Fraud Team had achieved savings of around £1.6m during the quarter, which took the year-to-date total to £12.3m against a target of £3.5m. The main focus had been on housing and another 22 properties had been recovered due to housing fraud, which brought the year-to-date total to 84, which was the highest yearly total to date. There were 119 live investigations relating to tenancy fraud.

The service had been very pro-active in their project work including the Bed & Breakfast residency check project which had been going on for four to five months. A further 14 cases were noted of emergency accommodation being closed down due to non-occupation. This brought the year-to date-total to 24. A regular visiting programme was due to start in the new financial year. |

Revenues maximisation work had continued to identify businesses that needed to pay business rates. Billings had been issued for £120,000, and a current Cabinet Member decision to take up the second-year option with the suppliers was noted. There were nine new cases under investigation across Council Tax (CT) and National Non-Domestic Rates (NNDR). There were six new cases across Social Care which took the case load to 11. It was noted that although the case load of 11 may seem small compared to the 119 in housing, social care cases were much more complicated and were high value.

There was a new onsite immigration officer. £106,000 of savings had been identified through applicants attempting to access services without the correct immigration status. The team was looking to improve its communication package to better engage with residents in terms of achievements, and not just risks.

Members asked about beds in sheds, and how the team were made aware of these. These were several ways in which this happened. There were some communications from the team to residents, which then lead to some referrals. Internal data, such as from the planning team and building control was utilised.

The Chairman commended the team's high level of performance, not just in figures but also with KPIs. Members noted the team's good partnership working with other departments. Members further noted the team's performance despite resourcing issues. Members further asked if these resourcing issues were persisting or if they had eased. Officers noted there was one existing vacancy. The Chairman noted the transformation work within the service. Officers noted that it was an ambitious plan, with lots of streams, but mainly focused on efficiency and effectiveness. The transformation work also looked at case management, data analytics, reviewing options for disposal decisions.

RESOLVED: That the Audit Committee:

1. **Noted the Counter Fraud Progress Report for 2022/23 Quarter 4; and**

2. **Suggested any comments/ amendments**

49.	**COUNTER FRAUD PLAN 2023/2024** *(Agenda Item 9)*

The Committee considered the Counter Fraud plan 2023/24.

There were a couple of changes from the report presented to the Committee the previous year. One of the changes was to support Internal Audit, and Counter Fraud had undertaken some consultancy work – there was an officer qualified in Counter Fraud and Internal Audit. The financial loss prevention target for 2023/24 had been set at £5m. The updated fraud risk assessment in Appendix A, and the Counter Fraud Work Plan in Appendix B were noted. The three biggest service areas were Revenues, Housing and Social Care.

Members asked why the target for 2023/24 was set at £5m when £12m had been achieved in 2022/23. Officers noted discussions with the Cabinet Member for Finance and noted that of the £12.3m achieved in 2022/23, £6m was the billings through NNDR which was difficult to build into a target as there were a lot of unknowns. It was further noted that Counter Fraud had undertaken some work on behalf of Tenancy

Management, to the value of £1.5m.

Members asked about IT & Procurement of Goods and Services, where the report noted "an increased need to win government contracts because of financial pressures on businesses due to the cost of living leading to the fraudulent manipulation of procurement processes". Officers noted that this related to external businesses and the cost-of-living crisis, and related more to external factors than to the service itself.

Members asked how resident benefit could be built into the plan. Officers noted reputational risk and operational risk for the organisation, as well as financial risk. It was noted that the service took referrals from residents. It was noted that while Housing was a financial risk, it had a resident benefit in that it freed up much needed accommodation.

The Chairman noted that it was a good plan.

RESOLVED: That the Audit Committee

1. **Noted the Counter Fraud Annual Operation Plan for 2023/24; and**

2. **Suggested any comments/ amendments**

50.	**WORK PROGRAMME** *(Agenda Item 10)*

Consideration was given to the work programme, and the dates and planned agenda items of future meetings were noted.

RESOLVED: That the Audit Committee:

1. **Confirmed the dates for the Audit Committee meetings; and**

2. **Made suggestions for future agenda items, working practices and/ or reviews**

The meeting, which commenced at 5.15 pm, closed at 6.35 pm.

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.

The public part of this meeting was filmed live on the Council's YouTube Channel to increase transparency in decision-making, however these minutes remain the official and definitive record of proceedings.

UPDATE ON THE 2021/22 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2022

Committee name	Audit Committee

Officer reporting	James Lake, Director of Pensions, Treasury & Statutory Accounts

Papers with report	Draft Audit Results Report – to follow

Ward	All

HEADLINES

This report provides an update on the audit of the 2021/22 Statement of Accounts and presents the draft Audit Results Report.

RECOMMENDATIONS:

1. **That the Audit Committee note the position regarding the 2021/22 Statement of Accounts and Draft Audit Results Report and delegate authority to the Corporate Director of Finance (in consultation with the Chairman and incorporating any views from other Members of the Audit Committee) to approve these on behalf of the Committee and to report back to the next Audit Committee meeting on these matters for ratification.**

SUPPORTING INFORMATION

The audit of the 2021/22 Statement of Accounts has progressed to the point where EY is now able to issue a draft Audit Results Report.

Subject to the procedures listed below, which are to be updated closer to final audit sign-off, the audit of the Statement of Accounts is expected to complete imminently and receive an unmodified opinion.

- Agreement of final amendments to the accounts
- Updated going concern procedures
- Subsequent events update
- Management representations letter

EY will provide a verbal update on their report at the Committee meeting.

FINANCIAL IMPLICATIONS

Proposed scale fees detailed in the original audit plan for the London Borough of Hillingdon include the PSAA agreed scale fee of £121,096. Extra scale and variation fees will be discussed with the PSAA.

For the London Borough Pension Fund agreed scale fees are £16,170. Extra scale and variation fees will be discussed with the PSAA.

These additional scale fees are being considered by the PSAA as part of the national consideration of EY's fee proposals. The Corporate Director of Finance will also consider these fees in line with benchmarking information and in consultation with EY. An allowance for increased fees has been made within the Council's statement of accounts.

LEGAL IMPLICATIONS

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis under powers contained in the Local Audit and Accountability Act 2014. In Hillingdon, EY have been appointed by the PSAA to carry out this function. Other legal implications are included in the body of the report.

The Accounts and Audit (Amendment) Regulations 2022:

4B Paragraph (1) applies in relation to the publication of documents relating to the financial year beginning in 2021 as if for "31st July" there were substituted "30th November".

6A Paragraph (2)(b) applies in relation to the audit of accounts relating to the financial year beginning in 2021 as if for "but not later than 31st July" there were substituted "but not later than 30th November".

BACKGROUND PAPERS

To follow.

AUDIT COMMITTEE ANNUAL REPORT FOR 2022/23

Committee name	Audit Committee

Officer reporting	Claire Baker, Head of Internal Audit

Papers with report	Audit Committee Annual Report for 2022/23

Ward	All

HEADLINES

This report summarises the work of the Audit Committee during 2022/23 and how it has undertaken its responsibilities for reviewing the key areas within its remit. The Terms of Reference for the Committee are included at the end of the report.

In line with good governance, the Audit Committee should ensure that the wider Council is aware of the breadth and extent of the work completed by the Committee 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. **Approves the Draft Audit Committee Annual Report for 2022/23 and/or suggests any amendments that should be made, where necessary, before the report is presented to Council.**

SUPPORTING INFORMATION

None.

BACKGROUND PAPERS

NIL.

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ANNUAL REPORT OF THE AUDIT COMMITTEE

2022/23 *(DRAFT)*

Report Distribution

- Audit Committee: 8th August 2023
- Council: TBC 2023

HILLINGDON
LONDON

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1. INTRODUCTION

1.1   In line with best practice guidance, the Audit Committee is required to submit an annual report to Council outlining the Committee's activities over the previous year. This report summarises the work of the Audit Committee during 2022/23 and how it has undertaken its responsibilities for reviewing the key areas within its remit. Specifically, these include:

- Internal Audit

- External Audit

- Counter Fraud

- Risk Management

- Financial reporting process of the Statement of Accounts.

1.2   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 Committee are attached at Appendix A. These were last amended at the Council meeting held on 11 May 2017, following an Internal Audit review of the Effectiveness of the Audit Committee.

2.2   During the 2022/23 municipal year the Audit Committee met on five occasions: 28 April 2022, 27 July 2022, 29 September 2022, 15 November 2022 and 31 January 2023.

2.3   Membership and attendance of the Audit Committee comprised as follows:

Member Name	Member Appointment	2022/23 Meeting Attendance
Mr John Chesshire (Independent Chairman)	Initially appointed on 2 November 2017 to present	All five meetings
Cllr Duncan Flynn (Vice Chairman)	Appointed May 2021 until May 2022	28 April 2022
Cllr Tony Eginton (Opposition Lead)	Appointed June 2014 until May 2022	28 April 2022
Cllr Raymond Graham	Appointed May 2021 until May 2022	28 April 2022 (apologies)
Cllr John Morgan	Appointed May 2021 until May 2022	28 April 2022
Cllr Naser Abby	Appointed May 2022 to present	27 July 2022 29 September 2022 (apologies) 15 November 2022 31 January 2023
Cllr Reeta Chamdal	Appointed May 2022 to present	27 July 2022 29 September 2022 15 November 2022 31 January 2023
Cllr Richard Lewis	Appointed May 2021 to present	27 July 2022 29 September 2022 15 November 2022 31 January 2023
Cllr Tony Burles	Appointed May 2022 to present	27 July 2022 29 September 2022 15 November 2022 31 January 2023

Cllr Nick Denys	Appointed May 2022 to present	27 July 2022 29 September 2022 15 November 2022 31 January 2023

2.4   The current Independent Chairman has over 20 years' experience in the public and private sectors working in the internal audit, risk management, business improvement and governance fields.

2.5   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 2022/23, the Audit Committee reviewed the 2021/22 Annual Internal Audit Report and Head of Internal Audit Opinion Statement, the 2022/23 Annual Internal Audit Plan, and quarterly progress reports and operational plans;

- 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.

- The Committee continued to monitor the performance of the Internal Audit Service. Due to significant vacancies within the Internal Audit team during the year, including reliance on Interim Heads of Internal Audit, support was received from an external audit provider, Mazars, to complete the 2022/23 Internal Audit 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 reviewed at the end of the 2022/23 year and any actions arising from the report will be agreed and monitored as part of the 2023/24 workplan.

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, progress updates and reviewed EY performance.

- The Committee monitored the progress to complete the audit of the 2021/22 annual accounts and acknowledge the ongoing delays are consistent with other local authorities. The audit was ongoing at the end of 2022/23 and will be taken forward during 2023/24.

The Audit Committee is satisfied with the Council's External Audit arrangements during 2022/23

c) *Prevention and Detection of Fraud and Corruption*

- The Council operates a zero-tolerance policy towards all fraud and corruption. The Counter Fraud Team (CFT) is embedded into all major fraud risks across the three largest areas of expenditure Revenues, Social Care and Housing. The team conducts proactive and reactive counter fraud activity to highlight fraud, loss and error. This minimises the Council's exposure to fraud and maximises its preventative savings.

- The National Fraud Initiative (NFI), is embedded in practice in the CFT 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 CFT for investigation (where appropriate to do so).

- The Audit Committee has received consolidated quarterly progress reports from the CFT, a detailed 2022/23 Annual Plan and Annual Report for 2021/22. The team has responsibility for the oversight of the effectiveness of the Council's policies and procedures to prevent and detect fraud and corruption.

- In 2022/23 the CFT had achieved a number of successful outcomes including a total of c£12.3m in loss prevention savings across Council services. These savings included the recovery of 84 council properties due to tenancy fraud,.

The Audit Committee is satisfied with the effectiveness of the Council's counter fraud arrangements during 2022/23 and is looking forward to seeing more loss prevention work being completed in 2023/24.

d) *Risk Management & Corporate Governance*

- The Audit Committee reviewed the Annual Risk Management Report in September 2022 as part of the Committee's role to independently assure the Council's corporate risk management arrangements. The Council's Risk Management Policy and Guidance was last 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 also oversee the production of the Council's Annual Governance Statement (AGS). The AGS for 2021/22 was drafted and submitted to External Audit during the year, however as the 2021/22 audit of the annual accounts has been delayed the final accounts were not presented to the Committee during the year.

The Audit Committee is satisfied that the Risk Management 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*

- Throughout 2022/23 the Audit Committee was provided with audit progress reports on the Council's annual statement of accounts for 2021/22. 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.

- Due to delays finalising the audit of the 2021/22 annual accounts the Audit Committee had not received the final accounts by the end of 2022/23. This will be taken forward during 2023/24.

3. Conclusion

3.1   In January 2023 the Committee received an update on the CIPFA's recent position statement: Audit Committees in Local Authorities and Police 2022. Following an assessment against the position statement it was acknowledged the committee was generally in compliance with the best practice and no significant actions were identified.

3.2   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.

3.3   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

August 2023

APPENDIX A: AUDIT COMMITTEE TERMS OF REFERENCE

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

The Audit Committee's role is 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 programmes 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 and Cabinet Member for Finance on any changes to the Council's Internal Audit Strategy and plans.

5) Review the Annual 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 services.

7) Following a request to the Corporate Director of Finance and, subject to the approval of the Leader of the Council or Cabinet Member for Finance, 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, subject to the approval of the Leader of the Council or Cabinet Member for Finance, 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, Corporate or Executive 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 risk.

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 Leader of the Council and relevant Corporate / Executive Director.

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, Cabinet Member for Finance 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.

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CORPORATE RISK REGISTER Q1 2023/24

Committee name	Audit Committee

Officer reporting	Claire Baker, Head of Internal Audit

Papers with report	Corporate Risk Register Q1 2023/24

Ward	All

HEADLINES

This report presents to the Audit Committee the Corporate Risk Register (CRR) as at the end of Quarter 1 2023/24. The register provides evidence to the Audit Committee about how corporate risks are being managed and the mitigating actions currently being implemented.

The CRR was also presented for review at the Corporate Management Team meeting on the 12 July 2023 and at the Corporate Risk Management Group (CRMG) on 13 July 2023.

Since the last CRR update to the Audit Committee on the 31 January 2023 (the position as at the end of Q3 2022/23) only one change has been made to the register. This related to the Coronavirus risk, which was retired at the end of Q4 2022/23. Whilst is it acknowledged pandemics may happen in the future, the learning from the Covid period also means the council is better equipped to manage these risks as they emerge.

No new risks were added to the CRR since the last updated to the Audit Committee.

RECOMMENDATIONS:

That the Audit Committee:

1. **Review the CRR for Quarter 1 and suggest any comments/ amendments which will be shared with the relevant responsible officers.**

SUPPORTING INFORMATION

The detailed Corporate Risk Register included in the Audit Committee papers has been extracted from the new Risk Register Excel version. The previous MS Word version of the Corporate Risk Register has been replaced as part of a wider review of Risk Management arrangements across the Council. The new template allows for improved collaboration between directorates, increased risk information, and improved tracking of risks to ensure they are updated consistently. This is not a final solution, only an initial update as part of the the risk management improvement programme, any feedback on the level of information presented will be taken into consideration as part of the future design.

The wider review of the council's risk management approach has been supported by the Internal Audit review of risk management arrangements currently being finalised. Key areas of focus identified prior to the review and due to be implemented before the next Audit Committee meeting include; re-evaluating the risks within the Corporate Risk Register to ensure they accurately reflect the most significant risks to the organisation; ensuring the mitigating actions recorded are

measurable and have responsible officers and implementation dates to allow them to be effectively tracked; and sourcing alternative options for documenting operational risks to improve user access to registers and increase the monitoring information available for CMT and the Audit Committee.

BACKGROUND PAPERS

NIL.

SUMMARY OF CORPORATE RISKS AS AT Q1 2023/24

No.	Summary Risk Description	(Directorate)	DoT	Rating
(1)	Heathrow Airport Expansion	(Place)	⟺	E1
(2)	Meeting Housing Needs	(Place)	⟺	A1
(3)	Asylum/Trafficked Children & Young People	(CYPS)	⟺	B3
(4)	Ability to Deliver a Balanced Budget in the Medium Term	(Finance)	⟺	C1
(5)	Financial Resilience of Contracts	(Finance)	⟺	C2
(6)	Early Years and School Places	(CYPS)	⟺	C1
(7)	The General Data Protection Regulations	(Central Services)	⟺	D1
(8)	Cyber Security	(Central Services)	⟺	C1
(9)	Dedicated Schools Grant (DSG)	(Finance)	⟺	E1
(10)	Inflation	(Finance)	⟺	C1

DoT = *Direction of Travel (Change to the risk score since the last Audit Committee update)*
CYPS = *Children and Young People's Services*

RISK MATRIX SCORING OF CORPORATE RISKS - 2023/24 QUARTER 1

LIKELIHOOD		Small (4)	Medium (3)	Large (2)	Very Large (1)
	Very High (A)				(2)
	High (B)		(3)		
	Significant (C)			(5)	(4) (6) (8) (10)
	Medium (D)				(7)
	Low (E)				(1) (9)
	Very Low (F)				
		IMPACT			

*Refer to **Appendix A** for Risk Scoring Methodology*

APPENDIX A - RISK SCORING METHODOLOGY

Likelihood			Small (4)	Medium (3)	Large (2)	Very Large (1)
Greater than 90%	This week	Very High (A)	A4	A3	A2	A1
70% to 90%	Next week / this month	High (B)	B4	B3	B2	B1
50% to 70%	This year	Significant (C)	C4	C3	C2	C1
30% to 50%	Next year	Medium (D)	D4	D3	D2	D1
10% to 30%	Next year to five years	Low (E)	E4	E3	E2	E1
Less than 10%	Next ten years	Very Low (F)	F4	F3	F2	F1

	Small (4)	Medium (3)	Large (2)	Very Large (1)
IMPACT				
Financial	up to £250K	£250k - £1million	£1million - £5million	Over £5million
Service Provision	Slightly reduced	Service suspended short term / reduced	Service suspended long term / statutory duties not delivered	
Health & Safety	Sticking plaster / first aider	Broken bones/Illness	Loss of life / major illness	Major loss of life / large scale major illness
Objectives	Objectives of several teams not met	Group objectives not met	Corporate objectives not met	
Morale	Negative attitude	Some hostility / minor non co-operation	Industrial action	Mass staff leaving / unable to attract staff
Reputation	No media attention / minor letters	Adverse local media	Adverse national publicity	Remembered for years
Government Relations		Poor assessment(s)	Service taken over temporarily	Service taken over permanently

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CORPORATE RISK REGISTER

Risk Ref	Risk	Cause	Consequence	Officer Lead	Current Rating	Direction of Travel	Further Actions	Responsible Officer	Timescale
CRR 1	Heathrow Airport Expansion - The risk of Heathrow Airport (HA) being granted permission to expand.	The Government has now indicated their preference for aviation expansion in the south east to be delivered by a Northwest Runway at Heathrow. This preference has been taken forward via the publication of a National Policy Statement (NPS). The NPS has now been adopted and puts in place the principle to expand Heathrow.	1. Deterioration of environmental quality around Heathrow Airport (HA). 2. Negative impact on the quality of life for Hillingdon residents, including the demolition of a substantial number of housing and community facilities. 3. Potential negative impact on the value of Hillingdon residents' homes. 4. Potential impact on businesses in the surrounding area.	Perry Scott	E1	Static	Due to potential legal challenges any further action required in relation to this risk will not be included in this risk entry.	Ian Thynne	TBC
CRR 2	Meeting Housing Needs - The risk of not meeting housing needs in LBH.	This risk arises from the challenging, buoyant housing market and a decreased supply of affordable housing (temporary/permanent) in the borough. This is coupled with the Welfare Reforms (including Benefits caps, Universal Credit and Homelessness Prevention) along with the need to ensure private sector housing meet requirements, increasing demand. In addition, the measures during the Covid-19 pandemic including the requirement to accommodate and support all rough sleepers.	1. Inadequate housing can lead to a detrimental impact on the health, wellbeing, and educational attainment of residents. It can also increase poverty and have a negative impact on the safety of households. 2. Lack of affordable housing puts significant pressure on the Council's finances. 3. There is a potential reputational risk for the Council in relation to the homelessness of residents and/or of the Council failing to meet its statutory responsibilities in this area.	Mark Billings	A1	Static	1. Ongoing development of a range of options for procurement of temporary accommodation and private sector lettings to prevent or discharge homelessness. 2. To minimise the loss of properties for use to prevent homelessness, landlords are being contacted to secure their property for use under new temporary accommodation schemes or for conversion to an assured short hold tenancy. 3. Continue to proactively identify homelessness cases to identify alternative housing options for households. 4. Options to move on rough sleepers to settled accommodation are being progressed. 5. Scoping emerging risk of the requirement to accommodate asylum, Ukraine and Afghan rehousing.	TBC	TBC
CRR 3	Asylum / Unaccompanied Minors / Trafficked Children & Young People Meeting the increasing demands in the borough of Asylum / Trafficked Children & Young People on Council services due to financial pressures coupled with changes to primary legislation which places a duty on the Local Authority to support Care leavers until the age of 25.	The risk arises because as a port authority we are responsible for UASC arriving in the country via Heathrow. This is coupled with the impact of the National Dispersal Scheme that was for a long time not mandatory for the Local Authorities and Government action to accommodate asylum seekers arriving on the South Coast in Hillingdon Hotels due to the lack of housing and provisions created by the Covid-19 pandemic and the detention centre in Borough to disperse asylum seekers (pending the commission of flights) to Rwanda.	1. Negative financial impact on the Council's budget due to shortfall in grant funding received. 2. Increased challenge with regard to capacity to meet needs of this cohort. 3. Increased risk of reputational damage when trying to balance the need to provide statutory services vs. Delivery within a finite budget.	Julie Kelly	B3	Static	1. Ongoing work with UK Border Agency (UKBA) on issues of safeguarding S20 legislation re Periodical Payment Orders, out of hours social work and contributing to induction programmes for UKBA staff. 2. Ongoing lobbying by DCSs, CEOs for additional funding and resource to support the necessity to undertake age assessments. 3. Continued engagement with NTS to ensure early dispersal.	Julie Kelly	TBC

Risk Ref	Risk	Cause	Consequence	Officer Lead	Current Rating	Direction of Travel	Further Actions	Responsible Officer	Timescale
CRR 5	Ability to Deliver a Balanced Budget in the Medium Term - The risk of the Council being unable to deliver a balanced budget in the medium term.	This risk arises from the significant reductions in funding from Central Government whilst at the same time increasing the burden on LAs. This is against a backdrop of increasing expectations from Residents of the Council and its services and more recently the impact of Covid-19, the high inflation rate and the war in Ukraine.	1. Potential that the Council will be unable to meet its statutory obligation to set and operate within a balanced budget. 2. Moving forward more increased transformation savings targets will need to be achieved. 3. Further drawdowns from the Council's financial balances/reserves may need to be considered as one offs.	Andy Evans	C1	Static	1. The Councils Business Transformation Programme is being refreshed for the next MTFF update. This programme will be key to helping manage the MTFF position over this period. 2. Work is ongoing to deliver a balanced budget for future years as part of the MTFF/rolling programme. Additional savings proposals that are achievable and supported are required in the medium term. 3. Covid-19 legacy monitoring is ongoing to limit financial impact. 4. A Programme of BID reviews ongoing across all services within the Council. 5. Scoping work continues on the 23/24 MTFF including scenario planning on some of the risks including high inflation and energy costs.	Andy Evans / Iain Watters	TBC
CRR 6	Financial Resilience of Contracts - The risk of external suppliers and providers, which the Council contracts with, failing to deliver the required level of service due to financial difficulties and/or going out of business.	This risk arises from the delicate state of the economy which leaves many of LBH's external providers having to operate in an increasingly challenging economic climate stemming from Brexit and Covid-19, high inflation rate but further accentuated by the war in Ukraine.	1. Potential inability of suppliers to continue contracted levels of service delivery. 2. Council could fail to deliver in some of its statutory duties either through a reduction of service by an external provider or complete failure to operate	Andy Evans	C2	Static	1. More training and guidance is required for Contract Managers / Service Manager across the Council, so they understand the role and responsibilities of contract managers in tracking supplier financial resilience. This will also allow clarity on the roles of Procurement and Finance in monitoring suppliers financial health. 2. Agreement will be in two elements of recurrent uplift and 2nd 'one off' uplift.	Matthew Kelly	TBC
CRR 7	School Places – The risk of not meeting the demands for school places.	This risk arises from the Council's statutory responsibility to ensure that every child in the borough has a school place within a reasonable distance from their home.	1. The Council would be in breach of its statutory duty to ensure sufficient school places are secured. 2. Potentially significant financial pressures for the Council, mainly capital expenditure.	Julie Kelly	C1	Static	1. Officers are undertaking a review of demand for all types of school places, covering special educational needs, primary and secondary phases, and the need for alternative education provision for children not able to attend mainstream school. 2. Present options to members for managing the provision of primary school places. 3. Utilise information from the SCAP return to inform the school places planning forecast. 4. Reviews of alternative provisions and school exclusions are currently underway. 5. Tracking and monitoring of activity / progression of the SEND Places workstream in the DSG Recovery Plan. 6. Consultations underway re: possible PAN reductions to take effect September 2024 for 3 Primary schools within the LA.	Abi Preston	TBC

Risk Ref	Risk	Cause	Consequence	Officer Lead	Current Rating	Direction of Travel	Further Actions	Responsible Officer	Timescale
CRR 8	The General Data Protection Regulations - The risk of loss or mishandling of any personal data (including that of residents or staff) held by the Council.	This risk arises from a minority of staff not complying with the Council's Data Protection (DP) Policy due to a lack of awareness or lack of due consideration	1. Significant financial penalty (up to €20m) imposed by the Information Commissioner's Office for a serious breach in data protection. 2. Significant negative impact to the Council's reputation. 3. Residents and/or staff who are the subject of any potential data loss/mishandling may as a result be vulnerable to crime.	Dan Kennedy	D1	Static	1. The Hillingdon Information Assurance Group (HIAG) programme of work which includes actions aimed at strengthening the Council's DP arrangements. These include: - Updated combined GDPR and DP/Data Security e-learning training programme completion rates will be monitored and reported to CMT via HIAG. - Regular DP spot checks are to be programmed, from Autumn 2023. - Alternative / new hybrid ways of working; and - HIAG to review and monitor the work programme for the implementation of GDPR and is scheduled provide a summary to CMT on a regular basis (quarterly) 2. Continue to promptly report data protection incidents and take appropriate management action. 3. Deliver a programme to review / refresh all DP/data security related policies, including records retention/destruction. 4. Update refresh of HIAG Terms of Reference, membership and reporting arrangements following senior management and directorate restructure.	Glen Egan	TBC
CRR 9	Cyber Security - The risk to the Council's ICT systems due to ransomware, malware, viruses and a continually adapting external cyber-threat environment.	This risk arises from the continual threat and attacks by cyber criminals, gangs, hackers, etc. along with staff not adhering to good email and data protection practices.	1. Potential reputational, operational, and financial damage to the Council if attacks to our network are successful. 2. Negative impact on staff and resident service users if an attack is successful and the Council's ICT systems are adversely affected for a significant time-period.	Dan Kennedy	C1	Static	1. This is the current "general" risk, though risk of such attacks can vary from day to day depending upon the global cyber-attack environment. The council remains vigilant. 2. Internal Audit Assurance review to be undertaken on ICT Information Security. 3. Ongoing communications plan is in process with the communications team to include further updates to staff directly via All Staff Email, including in Team Hillingdon. 4. The Active security software will continue to be regularly updated.	Louise Bateman / David Baker	TBC
CRR 10	Dedicated Schools Grant (DSG) - The pressure on the Dedicated Schools Budget which has a cumulative deficit of £25.4m at the end of 2020/21 and budgeted in-year budget gap of £7.3m gap for 2021/22.	The implementation of the Children & Families Act 2014 has expanded the number eligible for support and in turn the proportion of the DSG required to fund Special Educational Needs and Disabilities (SEND) within the High Needs Block. Alongside this there is an ongoing increase in the SEN population with complex learning needs.	1. DfE requirement to produce a Deficit Recovery Plan to balance the DSG within 5 years. 2. Risk of having to meet deficit from Council's general reserves and the resulting impact on wider financial resilience of the Council. 3. Increased risk of reputational damage and challenge when trying to balance the statutory requirement to provide these services within an unsustainable funding envelope. 4. Increased demand in the High Needs Block on other elements of the DSG.	Andy Evans	E1	Static	1. Continue to lobby government to resolve the underlying funding issue that primarily relates to new burdens arising from the 2014 Act.1. 2. Work is ongoing to develop savings options alongside the Business Improvement Delivery work that has commenced within the MTFF process. 3. Work to scope possibilities of an alternative funding regime and band funding rate for further education college placements with local provider. 4. Contribute to the formulation of the High Needs Efficiency Plan with specific emphasis into local provision ensuring effective and efficient use of available capital resources. 5. Tracking of Deficit Recovery Plan actions. 6. Track delivery of in-borough places provision as part of the recovery plan. 7. Continuation of monitoring inflation relating to the impact of the cost across the safety valve and associated capital schemes	Tehseen Kausar / Abi Preston	TBC

Risk Ref	Risk	Cause	Consequence	Officer Lead	Current Rating	Direction of Travel	Further Actions	Responsible Officer	Timescale
CRR 12	Inflation - Higher level of inflations are impacting on both the Council's own cost base and the financial position of residents which is exacerbates demand for services.	This risk arises predominantly from rising energy prices, amongst other contributing factors (socio-economic impacts of Covid-19, Brexit) behind UK annual consumer prices reaching a 40-year high, with UK and European wholesale natural gas prices trading at 10 times normal levels. Subsequently the Bank of England has increased interest rates 1.25% to 1.75%.	1. Potential the Council will be unable to meet its statutory obligation to set and operate within a balanced budget. 2. More increased transformation savings targets will need to be achieved. 3. Further drawdowns from the Council's financial balances/reserves may need to be considered as one offs. 4. Council could fail to deliver in some of its statutory duties either through a reduction of service by an external provider or complete failure to operate. 5. Increased risk of reputational damage when trying to balance the need to provide statutory services vs. Delivery within a finite budget.	Andy Evans	C1	Static	1. Significant programme of transformation activity underway, developing specific measures to secure savings and therefore counter inflationary pressures over the medium term. Outputs will feed into refreshed MTFF. 2. Ongoing monitoring of inflationary pressures and wider economic impacts such as interest rates. 3. Enhanced reporting around balance sheet position: council tax, housing rents etc where impact of inflation on households finances will feed through to Council position. 4. Scoping work continues on the 23/24 MTFF including scenario planning on some of the risks including high inflation and energy costs.	Andy Evans / Iain Watters	TBC

INTERNAL AUDIT PROGRESS REPORT FOR 2023/24 QUARTER 1

Committee name	Audit Committee

Officer reporting	Claire Baker, Head of Internal Audit

Papers with report	Internal Audit Progress Report for 2023/24 Quarter 1

Ward	All

HEADLINES

The attached Progress Report presents the Audit Committee with a summary of the Internal Audit (IA) work covered in 2023/24 Quarter 1. It also provides an opportunity for the Head of Internal Audit 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 to account on delivery of the IA Plan and facilitates holding management to account for managing risk and control weaknesses identified during the course of IA activity.

RECOMMENDATIONS:

That the Audit Committee:
1. **Notes the IA Progress Report for 2023/24 Quarter 1**

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

NIL.

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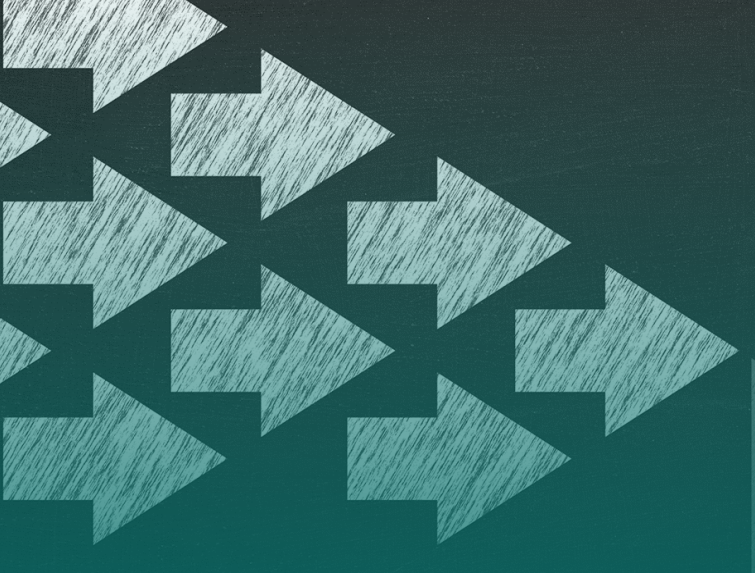
INTERNAL AUDIT PROGRESS REPORT

2023/24 QUARTER 1

July 2023

www.hillingdon.gov.uk

Contents

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1. INTRODUCTION

The Role of Internal Audit

Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, essential in helping the Council achieve its corporate objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit (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.

The Purpose of the Internal Audit Progress Report

This progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all IA work for Quarter 1 2023/24. In addition, it provides an opportunity for the Council's Head of Internal Audit (HIA), to highlight any significant issues which have arisen from IA work.

2. SUMMARY OF INTERNAL AUDIT ACTIVITY

Assurance Work in Quarter 1

Following the agreement of the 2023/24 Annual Plan at the April Audit Committee meeting, Internal Audit have made good progress agreeing the scope of the reviews and commencing the 2023/24 Audits.

During this quarter, **eight** assurance reviews were completed to final report stage, including **two** awarded a **SUBSTANTIAL** assurance opinion and **four REASONABLE** assurance. There were also **two LIMITED** assurance reports relating to IR35 and Care Leavers Allowances:

22.56: IR35	This audit focused on the internal governance arrangements rather than legislative compliance, to avoid duplicating a recent review undertaken by HMRC. One high, two medium and one low risk findings were identified. These related to weaknesses in the evidence available to demonstrate compliance with the internal control processes and did not directly highlight non-compliance with HRMC requirements.
	The root cause of the findings could be attributed to uncertainty over the ownership of key processes which cross multiple services and directorates. The E-Procurement Team previously undertook compliance monitoring however they were disbanded and the functions split between Procurement, Transactional Finance and HR. The Director of Procurement has now taken ownership for the actions in the report, which will improve co-ordination, collaborative working, and efficiency.
22.59: Care Leavers Allowances	This review sought assurance that Care Leavers were being supported by the Council for a sample of recent care leavers. Through an analysis of case notes, pathway plans and service request forms we confirmed the individuals reviewed received 1:1's with their Personal Advisors and financial support delivered through timely and appropriate service requests.
	One high, one medium and one low findings were raised in the report. The high finding related to the financial oversight of service request forms as there were insufficient receipts for three out of five cases (leading to un-receipted expenditure totalling £1,252), and the two receipts provided were inconsistent with the approved expenditure in the service request form (a variance of £185). An action plan has been agreed with the service to address all findings raised.

A further **three** assurance reviews were at a draft report stage. For details of the reviews and assurance levels achieved please see *Appendix A.*

The Parking Income review has been delayed slightly in agreement with the Review Sponsor to allow for ongoing changes within the service to be undertaken. This has been

replaced by the Mortuary review, which has been brought forward at the request of the Service to assist them prepare for an upcoming inspection.

Consultancy and Grant Claim Verification Work in Quarter 1

During this quarter, IA has completed three grant claim memos and one ad hoc consultancy review into section 106 funding at the request of the Chief Executive. Two further ad hoc consultancy reviews into Purchase card payments and debtors are ongoing. Further details can be found at *Appendix B.*

Other Internal Audit Work in Quarter 1

Since the last Audit Committee meeting the Internal Audit team have continued to follow up Internal Audit management actions raised in prior years to confirm whether they have been implemented effectively. A summary of the status of management actions has been presented below and included in the 2022/23 Annual Report.

The final report following the independent External Quality Assessment on the Internal Audit team was shared with the Audit Committee after the last meeting. The actions arising from the assessment have been listed in *Appendix C.* At the time of the final report three actions had not been completed, relating to the Internal Audit Manual and team capacity. These actions will also be completed by the date of the Audit Committee.

Finally, work has also been undertaken to complete the Internal Audit Annual Report and Risk Management Annual Report, which are presented separately to this Committee meeting, and the Annual Governance Statement which has been presented to the Corporate Management Team.

Current Internal Audit staffing position and resourcing challenges

Since the last Audit Committee meeting the Internal Audit Team has expanded from four to nine employees. These new starters include one Principle Internal Auditor, two Internal Auditors, and two level 4 Apprentices.

Although this will increase the team capacity in the long-term, it will take time to get the new starters appropriately trained before they are able to undertake a portfolio of Internal Audit reviews independently. The HIA has developed training materials, guidance and updated the Internal Audit Manual to support their training.

3. FOLLOW UP OF MANAGEMENT ACTIONS

The table below outlines the agreed management actions followed up since the last Audit Committee meeting. Actions are marked as verified once Internal Audit have received evidence to demonstrate the action has been fully implemented. Actions marked complete have been highlighted as complete by the responsible officer however Internal Audit are waiting for evidence to verify their status.

Ref	Audit	Total Actions	Verified	Complete	Overdue
16-A27	Semi Independent Living	2	1	1	0
17-A28	Corporate Payments	1	0	0	1
17-A34	Community Safety including Domestic Abuse	1	0	0	1
17-A37	Food and Safety Regulation	3	3	0	0

19-A01	Schools Payroll Arrangements	8	4	0	4
19-A13	Pupil Premium Funding in Schools	10	1	0	9
19-A20	Payment Process in New Year's Green Lane	4	0	4	0
19-A30	Playground Inspections	1	1	0	0
20-A11	Music Service - Invoicing and Debt Collection	3	0	0	3
20-A12	Educational Care Plans and Local Offer	1	0	0	1
20-A15	Purchasing and Payments in Schools	1	0	0	1
20-A16	Treasury Management	1	0	0	1
20-A02	Tree Inspections	4	0	1	3
20-A28	Governance & Financial Management in Schools	1	0	0	1
20-A03	Cemeteries: Bereavement Service & Ground Maintenance	8	1	0	7
20-A31	Exclusions or Education Cases for Vulnerable Young People	4	0	0	4
20-A06	Estates - Lease Management	1	0	0	1
21-A13	Allotments	7	7	0	0
21-A14	Birth Registration Service	3	0	0	3
21-A16	Procurement: Contract Compliance Mgt	2	0	0	2
21-A20	Thematic Review of Safeguarding in Schools	1	0	0	1
21-A26	Planning Enforcement	9	0	0	9
21-A29	Music Service - Overseas Trip	4	0	0	4
21-A03	ICT Service Desk	2	0	0	2
21-A35	Pension Fund Data Mapping	1	1	0	0
21-A05	Expenditure Approval Process	2	0	2	0
21-A06	Transport Contract Management	1	0	0	1
21-A07	Fostering Service	3	0	0	3
21-A09	Business Continuity Planning	3	3	0	0
		92	**22**	**8**	**62**

Actions are marked as overdue once they pass their implementation date if IA have not received confirmation they have been completed. These may include actions that have been completed in practice however IA have not received an update at the time of this report. In particular there are many actions where the responsible officer has changed, and IA are working with the new responsible officer to confirm if the action was completed or superseded by new processes.

All actions marked as overdue will continue to be followed up before the next Audit Committee meeting until IA receive evidence they have been implemented. Any actions due to have been completed from the 2022/23 internal Audit reports will also be added to the table above.

The Corporate Payments management action from 2017/18 has now been superseded by the Oracle transformation project, due to be implemented in April 2024, and will be followed up again once this is completed.

The responsible officer for the Community Safety management action has changed and Internal Audit were unable to obtain an update in time for this report. This will be followed up with the new responsible officer to confirm if it has been completed.

4. FORWARD LOOK

As noted above, Internal Audit are currently focusing on training the new starters within the team to ensure they are able to deliver high-quality reviews going forward. This will include

embedding the new Internal Audit Protocol and key performance indicators to improve the performance before the next Audit Committee meeting.

Although there was a delayed start to the 2023/24 plan, the improved team capacity will help increase the number of audits completed during Quarter 2 and the HIA expects the reports to be finalised for the next Audit Committee meeting.

IA would like to take this opportunity to formally thank all staff throughout the Council with whom IA had contact during Q1. There are no other matters that the HIA needs to bring to the attention of the CMT and Audit Committee at this time.

APPENDIX A: IA REVIEWS

IA Ref.	IA Review Area	Current Status at end of Q1 2023/24	Assurance Level	Actions & Risk Rating			
				H	M	L	O
22.36	Capital Programmes	Final report issued 30 June 2023	REASONABLE	0	1	1	0
22.38	Domestic Violence Homelessness Process	Final report issued 26 April 2023	REASONABLE	0	2	2	0
22.47	High Cost panel and Risk profile	Final report issued 2 June 2023	SUBSTANTIAL	0	0	3	0
22.52	Trading Standards POCA	Draft report issued 3 April 2023	*TBC once final report issued*				
22.56	IR35	Final report issued 6 July 2023	LIMITED	1	2	1	0
22.59	Care Leavers Allowances	Final report issued 11 July 2023	LIMITED	1	1	1	0
22.61	Thematic Review: Pupil Premium Funding in Schools	Final report issued 5 July 2023	REASONABLE	0	4	2	0
22.63	Robotic Process Automation	Final report issued 14 July 2023	REASONABLE	0	1	0	0
22.64	Mental Health Pathway	Final report issued 2 June 2023	SUBSTANTIAL	0	0	2	0
23.P02	Capital Programme	Draft report issued 13 July 2023	*TBC once final report issued*				
23.A01	Brokerage Outputs	Fieldwork	*TBC once final report issued*				
23.S01	IT Application Review	Report Drafting & Review Stage	*TBC once final report issued*				
23.F01	Risk Management	Draft report issued 13 July 2023	*TBC once final report issued*				
23.C02	Safety Valve Plan	Planning	*TBC once final report issued*				
23.P01	Private Sector Housing	Planning	*TBC once final report issued*				
23.C01	No Recourse to Public Funds	Fieldwork	*TBC once final report issued*				
23.S02	Workforce Planning, Establishment & Recruitment	Fieldwork	*TBC once final report issued*				
23.S06	Mortuary	Fieldwork	*TBC once final report issued*				
23.P04	DFG & Adaptations	Fieldwork	*TBC once final report issued*				
23.P03	Parking Income	Planning	*TBC once final report issued*				
23.A04	Contract Management	Planning	*TBC once final report issued*				
23.A02	Payments to Early Years Providers	Fieldwork	*TBC once final report issued*				

IA = Internal Audit	**H** = High Risk	**M** = Medium Risk	**L** = Low Risk	**O** = Observation

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IA Ref.	IA Review Area	Current Status at end of Q1 2023/24	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.F03	Effectiveness of the Pension Committee	Planning	*TBC once final report issued*				
23.P05	Climate Action	Planning	*TBC once final report issued*				
23.A03	Merrifields, Goshawk Gardens & Chapel Lane	Planning	*TBC once final report issued*				
23.F02	Payment Card Data Security Standard (PCI DSS)	Planning	*TBC once final report issued*				
23.P06	Facilities Management	*Planned for August 2023*	*TBC once final report issued*				
23.C03	SEND Data Quality	*Planned for September 2023*	*TBC once final report issued*				
23.P07	Social Housing applications	*Planned for September 2023*	*TBC once final report issued*				
23.A05	Partnership Working (Health)	*Planned for October 2023*	*TBC once final report issued*				
23.A06	Neglect (Adults)	*Planned for October 2023*	*TBC once final report issued*				
23.F06	Savings Programme	*Planned for October 2023*	*TBC once final report issued*				
23.P11	Building Control	*Planned for October 2023*	*TBC once final report issued*				
23.C05	Safety Valve Plan (2)	*Planned for October 2023*	*TBC once final report issued*				
23.P08	Homeless Housing applications	*Planned for October 2023*	*TBC once final report issued*				
23.C04	Neglect (Childrens)	*Planned for October 2023*	*TBC once final report issued*				
23.S04	Organisation Culture	*Planned for October 2023*	*TBC once final report issued*				
23.C06	Thematic Schools Audit	*Planned for November 2023*	*TBC once final report issued*				
23.F04	Oracle Programme	*Planned for November 2023*	*TBC once final report issued*				
23.A07	Telecare	*Planned for November 2023*	*TBC once final report issued*				
23.F05	Fraud Risk Assessment - Procurement	*Planned for November 2023*	*TBC once final report issued*				
23.P10	Maintenance and Replacement Service Contracts	*Planned for November 2023*	*TBC once final report issued*				
23.S03	Contact Centre	*Planned for November 2023*	*TBC once final report issued*				
23.S08	Performance Information	*Planned for November 2023*	*TBC once final report issued*				
23.P09	Uninspected B&Bs	*Planned for December 2023*	*TBC once final report issued*				
23.S09	Personal Appraisals	*Planned for December 2023*	*TBC once final report issued*				

IA = Internal Audit	**H** = High Risk	**M** = Medium Risk	**L** = Low Risk	**O** = Observation

IA Ref.	IA Review Area	Current Status at end of Q1 2023/24	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.A08	ARCH Social Work Outputs	*Planned for January 2024*	*TBC once final report issued*				
23.S05	Overtime Payments	*Planned for January 2024*	*TBC once final report issued*				
23.S07	Legal	*Planned for February 2024*	*TBC once final report issued*				
23.A09	Supported Living: Void Management	*Planned for February 2024*	*TBC once final report issued*				
23.P12	Building Safety Standards	*Planned for February 2024*	*TBC once final report issued*				
			Total Number of IA Management Actions Raised	2	11	12	0

IA = Internal Audit	**H** = High Risk	**M** = Medium Risk	**L** = Low Risk	**O** = Observation

APPENDIX B: IA AD HOC CONSULTANCY & GRANT CLAIM VERIFICATION REVIEWS

IA Ref.	IA Review Area	Current Status at end of Q1 2023/24
23.G1	Supporting Families Grant – Quarter 1	Memos issued 5 May 2023 and 28 June 2023
23.G2	Supporting Families Grant – Quarter 2	*Planned for September 2023*
23.G3	Supporting Families Grant – Quarter 3	*Planned for January 2024*
23.G4	Supporting Families Grant – Quarter 4	*Planned for April 2024*
23.G5	BNG Grant Allocation	Memo issued 6 April 2023
23.X1	Purchase Cards Data Analytics	Fieldwork Ongoing
23.X2	Debtors Data Analytics	Fieldwork Ongoing
23.X3	Section 106 Funding	Memo issued 12 June 2023

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IA = Internal Audit	**H** = High Risk	**M** = Medium Risk	**L** = Low Risk	**O** = Observation

APPENDIX C: EQA MANAGEMENT ACTION PLAN

Recommendation	Management Comments and Timeline
1. Similar to the Risk Management element of the Charter, the appropriate officer should ensure there are established roles and responsibilities in respect of Internal Audit for the statutory officers (S151, Monitoring Officer and Head of Paid Service). This should include governance arrangements, engagement with Internal audit and establish accountability.	The Internal Audit Manual is currently being updated and will include roles and responsibilities of statutory officers. Action Owner: Head of Internal Audit Implementation Date: 30 June 2023
2. As part of our interview process, we reviewed the audit plan for 2022/23 and the proposed audit plan was not clearly aligned to the Council's strategic objectives.	COMPLETE: This has been addressed in the 2023/24 plan which was submitted after the EQA was completed.
3. LBH should review all relevant DoI and ensure that they have been signed off by the relevant senior officers. For the HoIA, the DoI should be signed off by the S151 Officer and/or Chair or the Audit Committee. LBH should consider updating their DoI to include names of signatories.	COMPLETE: A new DoI form has been developed by the HIA and will be completed and signed off appropriately by all members of the IA team.
4. LBH should consider updating their terms of reference to include further detail within their audit scope. This will ensure that the audit coverage is clear and understood by the auditor and the auditee. Rather than having a detailed Internal Audit process within the ToR, LBH should consider referencing a link to the Internal Audit SharePoint site where further detail can be found.	COMPLETE: HIA has updated the ToR template which is now in place
5. Whilst the service is undergoing a review, management should consider their process to ensure that there is a consistent approach for recording evidence when undertaking audits and consultancy engagements.	The HIA is currently updating the IA Manual, and this will include more formal processes to ensure there is a consistent approach to recording evidence. Action Owner: Head of Internal Audit Implementation Date: 31 July 2023
6. Once the service has been fully established, the HoIA should create a new QAIP. This should be completed as soon as reasonably possible with a follow up with 6 months. Survey results should also be incorporated into the QAIP and used to inform change within the service.	COMPLETE: The new HIA has developed a QAIP taking into consideration a number of sources of feedback on the current service. This includes improved KPIs, new templates, recruitment and improving documentation.
7. Management should ensure that the audit management system's reporting functionality is fit for purpose and provides reporting that is useful for the service. If the service is unable to adjust the reporting from the current case management system, the service should consider whether the data and reporting could be presented better by using other technology available.	COMPLETE: Due to the vacancies in the team the TeamMate system is not currently in use. The HIA has developed new KPIs which are documented in the 2023/24 annual plan and IA protocol. They have also developed new reporting tools using excel to monitor performance against these KPIs throughout 2023/24. As the team grows alternative systems will be considered where necessary.
8. LBH should consider updating their SharePoint site to create a collaborative space which also provides support to its auditees, Heads of Services and Senior Management. The site should include a document which defines their key objectives, responsibilities, accountabilities, and their internal audit process.	COMPLETE: The new HIA has drafted new documentation for the SharePoint site, including a more accessible guide to IA. This will be added to the SharePoint site along with the IA Plan and IA Charter once they are approved at the April AC meeting.

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SharePoint site can also be referenced in their TOR to further streamline their report	
9. As the service has a new HoIA in place and the Internal Audit function is currently going through a review, the service should consider engaging in 'Lessons Learned' to interpret survey results and feedback received from the organisation. Where progress or change has been made, the service should consider including this on their SharePoint site. Better collaboration and insight into what the Internal Audit function does can create a better view of the service and possibly improve survey results. This should also form part of their QAIP.	COMPLETE: The survey was only one source of feedback received by the IA team. The HIA has done a wider review of feedback and used this to develop their improvement programme. As part of this programme the SharePoint site will be updated.
10. The Service should continue to review whether it is adequately resourced with an effective structure to be able to fulfil its objectives to the appropriate standard.	A full capacity and structure review has been undertaken by the new HIA as part of the annual planning process. In the last three months they have also recruited three new members of the team and are looking to appoint one further position. Audit tracker containing Gannt chart of auditable days implemented, identifying ongoing utilisation and resource requirements. The capacity plan will be reviewed quarterly in line with the review of the internal audit plan. This will include considering if there are any further training needs for the new appointees. Action Owner: Head of Internal Audit Implementation Date: 30 June 2023

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APPENDIX D: INTERNAL AUDIT KEY PERFORMANCE INDICATORS

The Key Performance Indicators (KPIs) for IA quarterly reporting to CMT and the Audit Committee in 2023/24 are set out below:

KPI	Performance Measure	2023/24 Target	Current Status
KPI 1	Planning to be initiated at least six weeks before the planned fieldwork start date to allow the relevant service to prepare documents and ensure staff availability.	80%	55%
KPI 2	Draft Reports to be issued three weeks after the end of fieldwork meeting with the key contact	80%	100%
KPI 3	Final Reports to be issued one week after the final approval received from the Audit Sponsor.	80%	TBC
KPI 4	Annual IA Plan delivered to draft report stage by 31st March	90%	TBC
KPI 5	Annual IA Plan delivered to final report stage by 31st March	80%	TBC
KPI 6	Initial documentation requests outlined at the planning meeting to be received by the audit fieldwork start date.	80%	25%
KPI 7	Final approval of the management responses to be received two weeks after the updated report is issued	80%	TBC
KPI 8	HIGH and MEDIUM risk IA Management Actions completed within the original agreed timescale	80%	TBC
KPI 9	HIGH and MEDIUM risk IA Management Action where positive management action is proposed	95%	TBC
KPI 10	Client Satisfaction Rating from Feedback Questionnaires	85%	100%

Key for future 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

This is the first time these KPIs have been presented and the results reflect the slight delay starting the 2023/24 Internal Audit plan due to the later Audit Committee meeting, ongoing 2022/23 audits, and the implementation of the new Internal Audit protocols and new members of the team.

However, the HIA is confident the timeliness of the reviews will improve now the team has significantly increased capacity, and the new protocols and KPIs are becoming more embedded. These KPIs will be updated as more reports are finalised before the next Audit Committee meeting.

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APPENDIX E: ASSURANCE LEVELS AND ACTION RISK RATINGS

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

FINDING RATING	DEFINITION
HIGH	The finding relates to **a significant threat** that impacts the Council's corporate objectives. i.e. a high number of key business risks remain unidentified and/or unmanaged as control systems do not exist and/or do not operate effectively. **The risk requires senior management attention as soon as possible** as it may result in the breakdown of part/whole of the service.
MEDIUM	The finding relates to **a potentially significant threat** that impacts on either corporate or operational objectives. This includes weaknesses in the control systems that are not considered serious but may have some impact on the service. **The risk requires management attention** and should be addressed within six months to ensure full compliance with expected controls.
LOW	The finding relates to **a minor threat** that impacts on operational objectives, this includes non-compliance with best practice or local procedures, and minimal impacts on the Service's reputation or budget. **The risk may be tolerable in the medium term** but management should take action within the next year to improve the control framework to ensure full compliance with expected controls.
OBSERVATION	This includes any items Internal Audit would like to highlight that may not directly relate to a finding. This includes notable performance and innovative controls that **should be shared with others,** potential concerns raised during the audit that are **outside the scope of the review** and will be considered separately, and any areas of improvement that had already been addressed by management at the time of the review.

RISK MANAGEMENT ANNUAL REPORT FOR 2022/23

Committee name	Audit Committee

Officer reporting	Claire Baker, Head of Internal Audit

Papers with report	Risk Management Annual Report for 2022/23

Ward	All

HEADLINES

The attached Risk Management Annual Report outlines the key actions taken to promote and embed risk management throughout the Council during 2022/23. It also includes a summary of the Corporate and Directorate Risk Registers as at the end of March 2023.

This report was previously presented to the Corporate Management Team on the 12 July 2023 and the Corporate Risk Management Group (CRMG) on 13 July 2023.

RECOMMENDATIONS:

That the Audit Committee:
1. **Notes the Risk Management Annual Report for 2022/23**

SUPPORTING INFORMATION

None.

BACKGROUND PAPERS

NIL.

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RISK MANAGEMENT ANNUAL REPORT

2022/23

April 2023

HILLINGDON

LONDON

CONTENTS

1.   INTRODUCTION

1.1   Hillingdon Council has a statutory responsibility to ensure arrangements are in place for managing risks. Risk management is about managing opportunities and threats to objectives and in doing so help create an environment of "no surprises". It is a crucial element of good management and a key part of corporate governance. Although risks can never be entirely eliminated, proportionate and targeted action can be taken to reduce risks to an acceptable level.

1.3   Managing risk should be viewed as a mainstream activity and something that is an integral part of everyday management. Risk Management involves the early identification of risks, assessing their potential consequences, and determining the most effective way to reduce the likelihood and/or impact of the risk. The Council's Risk Management Policy provides a framework to ensure:

- Clear accountabilities and well defined roles and responsibilities for managing risks

- Risks are promptly identified and their likelihood and impact on Council business is accurately assessed and appropriate action is taken to mitigate the potential risk

- Employees have the knowledge and skills to identify and manage risks

- Decisions are taken having considered relevant risks

- The impact of risk management is evaluated

2.   ROLE OF RISK MANAGEMENT

2.1   All Council Members and employees have a role in relation to embedding effective risk management, these include:

- Incorporate risk management into service improvement and everyday management arrangements such as service and financial planning;

- Identify, assess and manage risks so as to minimise the potential costs and disruption to services caused by undesired events;

- Make informed decisions based on a balance between risk and the benefits that may be realised from opportunities for service improvement;

- Encourage innovation and improvement through taking calculated and well managed risks to improve services for residents;

- Raise employee awareness of risk management through promotion, training, performance management and review;

- Work in partnership to manage risks.

2.2   For further info about the Framework please refer to the <u>Council's Risk Management Policy</u> 2020-23.

2.3   The Council's approach to risk management requires managers and staff to undertake the following steps illustrated below:

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3.   EMBEDDING EFFECTIVE RISK MANAGEMENT IN 2022/23

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3.1   This section of the report describes some of the key ways risk management is promoted and embedded throughout the Council during 2022/23.

3.2   Training

3.2.1   All managers are required to complete the e-learning risk management module. During 2022/23 this was added to the mandatory induction checklist for new managers. A refresher training module is also in place and can be accessed at any time through the e-learning platform. The purpose of the e-learning module is to support the development of a robust approach to risk management within the Council.

3.2.2   Training on risk management for elected Members and the Independent Chair of the Audit Committee is facilitated by Internal Audit and is included as part of the Training and Development Plan for Audit Committee Members that is co-ordinated by Democratic Services. In addition, during 2022-23 training was provided to the Senior Management Teams across the Council.

3.3   Risk Champions

3.3.1   Each Directorate has a risk champion representing their Directorate who will help and assist in the risk management process, giving support, advice and guidance on best practice developments in risk management. Their roles include promoting risk management within their Directorate to ensure that it is being applied consistently, and ensuring there is appropriate reporting to Senior Management Teams (SMTs) and the Corporate Risk Management Group (CRMG).

3.4   Risk Scoring Methodology

3.4.1   Risk owners must use the <u>Council's Risk Scoring Methodology</u> to assess a risk. The assessment of a risk is based on a combined score from the likelihood of the risk occurring and the impact in the event that the risk is fully realised. The risk scoring methodology shows the risk criteria in use to guide managers when assessing the likelihood/impact of the risk and the score the assessment will produce.

3.5   Corporate Governance of Risk Management

3.5.1   Following the appointment of a new Leader of the Council in 2021 a new Cabinet was put in place, a new Interim Chief Executive was appointed, and a restructure of senior management and directorates undertaken. This included the development of the Council's Strategy (2022-2026), which was presented to Cabinet in July 2022. The Council's Constitution has been remodelled and modernised to meet emerging risks and changing needs locally and to encompass new national legislation.

3.6   Internal Audit

3.6.1   A new 3-year IA strategy reflects the new environment, risk landscape, emerging risks and to take account of the significant transformation agenda that is required. The strategy provides structure and objectives for the next 3 years. It will help the IA team support the Council with their strategic priorities and help drive an improved, modern IA service.

3.6.2   It is vital for the organisation to have a comprehensive IA Plan which gives sufficient risk-based coverage and support to management. To help meet this need, the risk-based IA Plan for 2023/24 has been linked to the organisational objectives and strategic priorities, whilst also taking account of the Council's wider assurance framework. Further, scheduled audits detailed in the IA Plan are mapped against the risks on the Corporate Risk Register.

3.6.3   Internal Audit continues to communicate key findings from Limited and Nil assurance IA reports to CRMG for discussion. This enables current weaknesses to be considered as part of the review of the Corporate and Directorate Risk Registers.

3.7   Counter Fraud

3.7.1   Counter Fraud continues to adopt a risk-based approach to identify the highest risks when risk assessing fraud referrals and this commitment is set out in the Council's Counter Fraud Strategic Plan. Each fraud referral is assessed based on its systemic, financial, reputational and operational risk to the Council to enable appropriate allocation.

3.7.2   This approach is underpinned by the Council's Fraud Universe and fraud risk register. The Fraud Universe is regularly reviewed in collaboration with key stakeholders to enable the team to adapt to any emerging risks. As part of the commitment to creating a stronger counter fraud culture, a program of Fraud Awareness is being delivered across the organisation and externally, which includes the use of social media.

4.   CORPORATE RISK REGISTER (CRR)

4.1   The Council's Corporate Risk Register (CRR) is an essential part of the Local Authority's Risk Management arrangements. The CRR documents any risks which are graded 'red' due to their potential likelihood and impact, or are considered more strategic and could affect the longer term strategy of the Council.

4.2   The CRR is presented to the Corporate Management Team (CMT), CRMG and the Audit Committee quarterly to evidence how the identified risks are being managed and what mitigating actions are being implemented.

4.3   Directorate Risk Registers (DRR) are used for risks which are specific to a Directorate (see Appendix C). These are reviewed by the respective Senior Management Team (SMT) at least quarterly to assess whether the risk could have a significant effect on service delivery and planned priorities. Any significant risks are then escalated to the CRR.

4.4   Analysis of Corporate Risk Register

Number of Corporate Risks brought forward from 2021/22	11
Number of **new** Corporate Risks in 2022/23	1
Number of **retired** Corporate Risks in 2022/23	2
Number of Corporate Risks where the Risk Scores have **increased**	2
Number of Corporate Risks where the Risk Scores have **decreased**	0
Number of Corporate Risks where the Risk Scores have **remained static**	8
Total Number of Corporate Risks in 2022/23	**10**

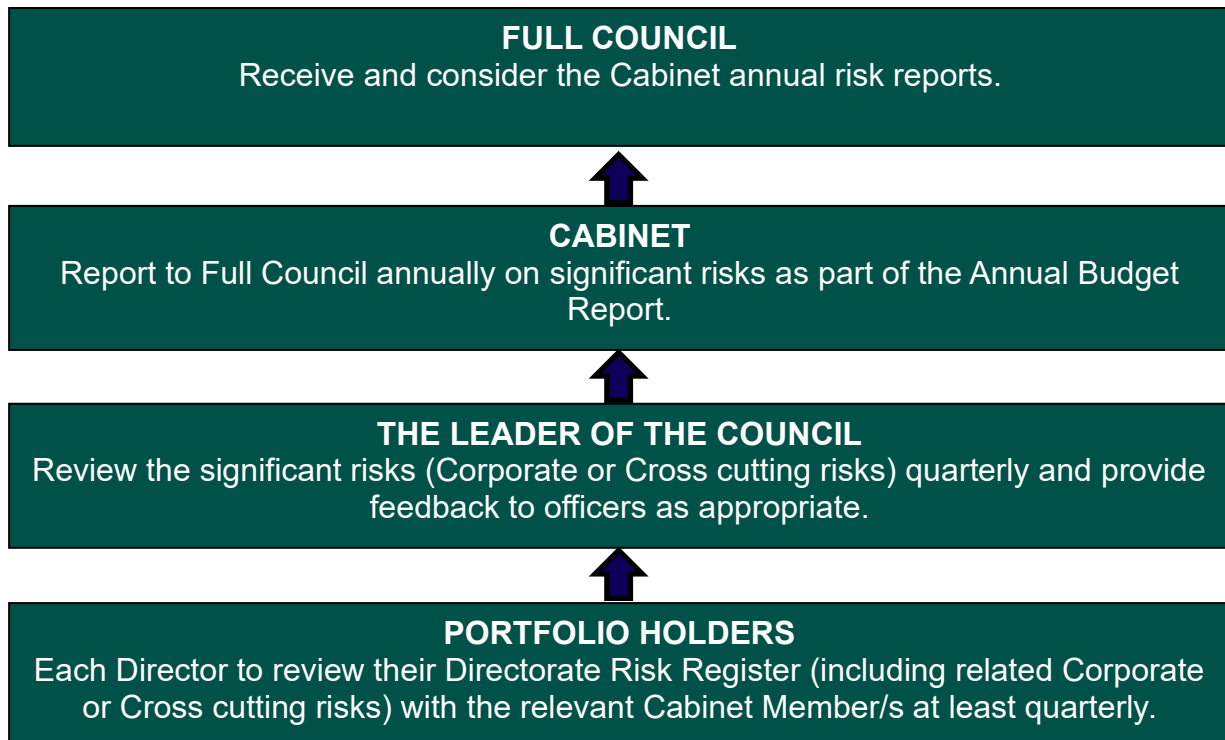| CRR Risk:	Q1	Q2	Q3	Q4
1. Heathrow	Static E1	Static E1	Static E1	Static E1
2. Housing Needs	Static B2	Static B2	Deteriorating A1	Static A1
3. Children's Demand Asylum & Trafficked	Static B3	Static B3	Static B3	Static B3
4. Litigation	Static B3	Retired		
5. Budget	Static C1	Static C1	Static C1	Static C1
6. Suppliers	Static C2	Static C2	Static C2	Static C2
7. School Places	Static D2	Deteriorating C1	Static C1	Static C1
8. GDPR	Static D1	Static D1	Static D1	Static D1
9. Cyber Security	Static C1	Static C1	Static C1	Static C1
10. Schools Grant	Static E1	Static E1	Static E1	Static E1
11. Coronavirus	Static C2	Static C2	Static C2	Retired
12. Inflation	New Risk C1	Static C1	Static C1	Static C1

5.   2023/24 FORWARD PLAN

5.1   Move to 'Risk Defined'

5.1.1   The Chartered Institute for Internal Audit's Risk Maturity Model is a benchmarking tool to assess the Council's organisation's risk maturity. In accordance with this model our current risk maturity level is **'Risk Aware',** the second of the five maturity levels.

5.1.2   It is an aspiration to develop the organisation's risk maturity to the next level of **'Risk Defined'** in alignment with the ongoing transformation programme and recently refreshed Council Strategy. An independent audit of the risk management process is currently being undertaken to inform and support the development of the planned work programme.

5.1.3   Scoping work is underway to assess the benefits of implementing a Risk Management System (linked to Oracle). This will support the facilitation of live risk registers (embedding risk management in daily activity, ensuring risk updates are more contemporaneous.

5.1.4   In addition to this, the risk register is being developed to map the Council's objectives to risks, include both inherent and residual risk ratings and a target risk rating to establish the appetite for each risk.

APPENDIX A: CORPORATE GOVERNANCE OF RISK MANAGEMENT

Governance Functions:

FULL COUNCIL
Receive and consider the Cabinet annual risk reports.

↑

CABINET
Report to Full Council annually on significant risks as part of the Annual Budget Report.

↑

THE LEADER OF THE COUNCIL
Review the significant risks (Corporate or Cross cutting risks) quarterly and provide feedback to officers as appropriate.

↑

PORTFOLIO HOLDERS
Each Director to review their Directorate Risk Register (including related Corporate or Cross cutting risks) with the relevant Cabinet Member/s at least quarterly.

Executive Functions:

CORPORATE MANAGEMENT TEAM
Review the significant risks quarterly and provide any updates to the Leader of the Council or relevant portfolio holder.

↑

CORPORATE RISK MANAGEMENT GROUP (CRMG)
Review the significant risks quarterly, reporting to CMT. Communicate and action any feedback from CMT, the Leader of the Council, or Audit Committee

↑

SENIOR MANAGEMENT TEAM (SMT)
Ensure Risk Registers are up-to date/accurate/capture the key risks
Consider any significant Directorate risk for inclusion in the Corporate Risk Register

Assurance Functions:

AUDIT COMMITTEE
Review the Risk Assurance reports and report to Full Council annually on the effectiveness of the risk management process.

↑

RISK ASSURANCE TEAM
Provide independent assurance on the effectiveness of the Council's risk management process and the controls in place to mitigate risks.

APPENDIX B – DIRECTORATE RISK REGISTERS (as at 31 March 2023)

CENTRAL SERVICES

Risk	Summary Risk Description	DoT	Rating
(1)	Public Sector Equality Duty	Static	D3
(2)	Managing resident access (telephone, website & face-to-face)	Static	E3
(3)	Network Resilience and ICT Disaster Recovery	Static	D2
(4)	Staff Retention	Static	C3
(5)	Recruitment	Static	B3

DoT = Direction of Travel (Risk Movement over the last 3 months)

RISK MATRIX SCORING OF DIRECTORATE RISKS

LIKELIHOOD		Small (4)	Medium (3)	Large (2)	Very Large (1)
	Very High (A)				
	High (B)		(5)		
	Significant (C)		(4)		
	Medium (D)		(1)	(3)	
	Low (E)		(2)		
	Very Low (F)				
		Small (4)	**Medium (3)**	**Large (2)**	**Very Large (1)**
			IMPACT		

PLACE

Risk	Summary Risk Description	DoT	Rating
(1)	Rent Arrears	Static	**A3**
(2)	Flood and Water Management Act (FWMA) 2010 and the Flood	Static	**D4**
(3)	Tree inspections	Static	**C3**
(4)	Building Safety	Static	**E2**
(5)	Capital Programmes	Static	**C2**
(6)	Increase in "Prevent" Activity	Static	**E3**

***DoT** = Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF DIRECTORATE RISKS

LIKELIHOOD					
	Very High (A)		**(1)**		
	High (B)				
	Significant (C)		**(3)**	**(5)**	
	Medium (D)	**(2)**			
	Low (E)		**(6)**	**(4)**	
	Very Low (F)				
		Small (4)	**Medium (3)**	**Large (2)**	**Very Large (1)**
		IMPACT			

FINANCE DIRECTORATE RISK REGISTER

Risk	Summary Risk Description	DoT	Rating
(1)	Security of investments, particularly bank deposits	Static	E1
(2)	Outstanding Municipal Mutual Insurance claims	Static	E3
(3)	Impact of Business Rates Retention	Static	D2
(4)	Maintained schools funding	Static	D1
(5)	Impact of Council Tax Reduction Scheme & Council Tax Collection Rates	Static	D2
(6)	Financial Assessments and ASC debtors	Static	D2
(7)	Fuel	Static	C2
(8)	Litigation Claims	Static	D3
(9)	Increased own property damage claims due to subsidence.	Static	D3
(10)	Increased levels of fraud	Static	B1
(11)	Benefit Subsidy	*New*	C4

DoT = *Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF DIRECTORATE RISKS

LIKELIHOOD		Small (4)	Medium (3)	Large (2)	Very Large (1)
	Very High (A)				
	High (B)				(10)
	Significant (C)	(11)		(7)	
	Medium (D)		(8) (9)	(3) (5) (6)	(4)
	Low (E)		(2)		(1)
	Very Low (F)				
					IMPACT

ADULT SOCIAL CARE DIRECTORATE RISK REGISTER

Risk	Summary Risk Description	DoT	Rating
(1)	Adult Care Providers (Quality of Care)	Static	D3
(2)	Home to School Transport	Static	B2
(3)	Community DOL	Static	E3
(4)	Demand on Adult Social Care (ASC) budgets	Static	C2
(5)	Mobile Response Service	Static	C3
(6)	Viability of Care Providers	Static	D3

DoT = *Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF DIRECTORATE RISKS

LIKELIHOOD					
	Very High (A)				
	High (B)			(2)	
	Significant (C)		(5)	(4)	
	Medium (D)		(1) (6)		
	Low (E)		(3)		
	Very Low (F)				
		Small (4)	Medium (3)	Large (2)	Very Large (1)
		IMPACT			

CHILDREN AND YOUNG PEOPLE DIRECTORATE RISK REGISTER

Risk	Summary Risk Description	DoT	Rating
(1)	Increase in demand (Children Social Care)	Static	B3
(2)	Youth violence and knife crime	Static	E2
(3)	A further Ofsted Inspection of Children's Services (ILACS)	Static	D4
(4)	Timeliness of Education Health and Care Needs Assessments	Static	D3
(5)	High Needs SEN placements	Static	D3
(6)	Adolescent placements	Deteriorating	C2
(7)	School Redundancies and Settlements	Static	D3
(8)	Children Missing in Education	Static	C2

DoT = Direction of Travel (Risk Movement over the last 3 months)

RISK MATRIX SCORING OF DIRECTORATE RISKS

		Small (4)	Medium (3)	Large (2)	Very Large (1)
LIKELIHOOD	**Very High (A)**				
	High (B)		(1)		
	Significant (C)			(6) (8)	
	Medium (D)	(3)	(4) (5) (7)		
	Low (E)			(2)	
	Very Low (F)				
		Small (4)	**Medium (3)**	**Large (2)**	**Very Large (1)**
			IMPACT		

INTERNAL AUDIT ANNUAL REPORT FOR 2022/23

Committee name	Audit Committee

Officer reporting	Claire Baker, Head of Internal Audit

Papers with report	Internal Audit Annual Report for 2022/23

Ward	All

HEADLINES

The UK Public Sector Internal Audit Standards (PSIAS) requires the Head of Internal Audit, 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.

This report and opinion statement summarises the main findings arising from the work performed by IA during 2022/23 and outlines how Internal Audit (IA) has supported the Council in meeting the requirements of the Accounts and Audit (Amendment) Regulations 2021.

This report provides the opportunity for the Head of Internal Audit to highlight to the Committee any significant matters arising from the work of IA during 2022/23. The draft report was considered by the Corporate Management Team on 12 July 2023.

RECOMMENDATIONS:

That the Audit Committee:
1. **Notes the IA Annual Report for 2022/23**

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

NIL.

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INTERNAL AUDIT ANNUAL REPORT & OPINION STATEMENT

2022/23

April 2023

HILLINGDON

LONDON

Contents

The key contacts in connection with this document are:

Claire Baker
Head of Internal Audit
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1. INTRODUCTION

1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance. IA gives an objective opinion on whether the control environment is operating as expected to help 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.

1.2 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).

1.3 This annual report summarises the main findings arising from all of the 2022/23 IA work and the annual Head of Internal Audit opinion as required by the PSIAS. The report also provides IA key stakeholders including the Council's Corporate Management Team (CMT) and the Audit Committee, with an opportunity to review the performance of the IA service on the delivery of the 2022/23 IA Plan and on the effectiveness of the IA service.

2. SUMMARY OF 2022/23 INTERNAL AUDIT WORK

2.1 In total **39** pieces of IA work were fully delivered as part of the 2022/23 IA plan as at the end of April 2023. This included **27** assurance reviews, **2** consultancy reviews and **10** grant claim audits. A further **6** assurance reviews were nearing completion and the draft findings have been taken into consideration as part of the Annual Head of Internal Audit Opinion reported below.

2.2 An analysis of IA work over the past 5 years shows an **increase** in completed assurance work in 2022/23 despite the ongoing significant staff vacancies throughout the year.
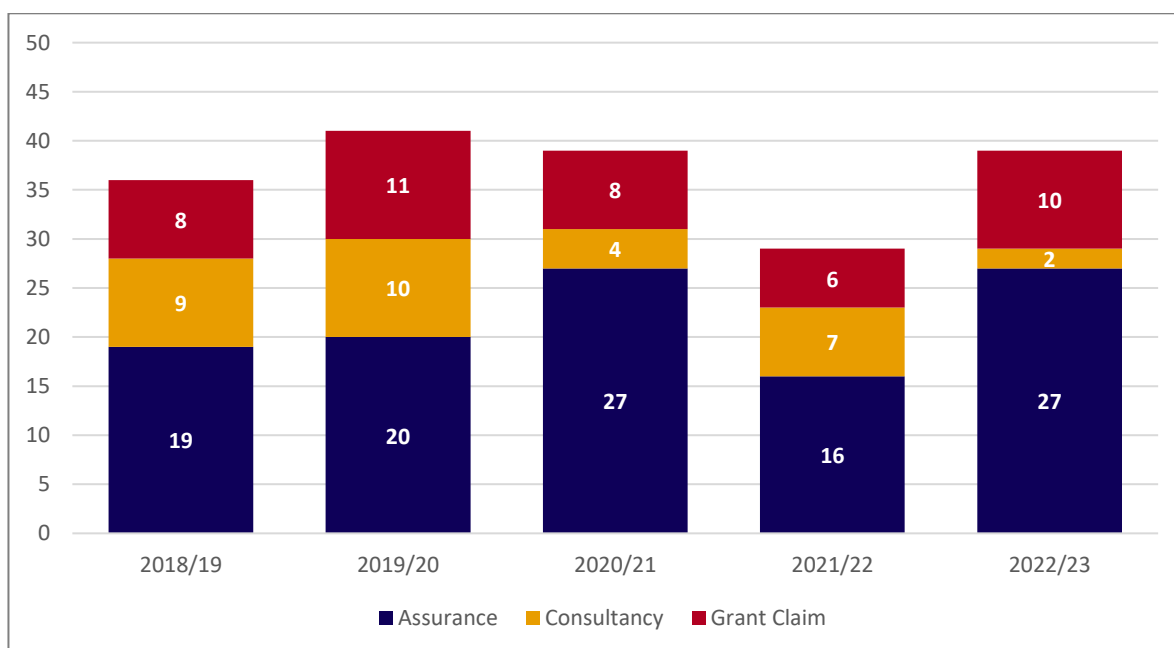

FIGURE 1 IA WORK COMPLETED BY REVIEW TYPE

2.3 **89%** of the completed 2022/23 assurance reviews resulted in a **SUBSTANTIAL** or **REASONABLE** assurance opinion and only **11%** of assurance reviews resulted in **LIMITED** and **NO** assurance opinions (definitions of the IA assurance levels are included at Appendix B). This is consistent with

expectations, due to the increased reliance on a third-party internal audit provider during the year but should still be considered positive given the risk based focus of IA coverage.
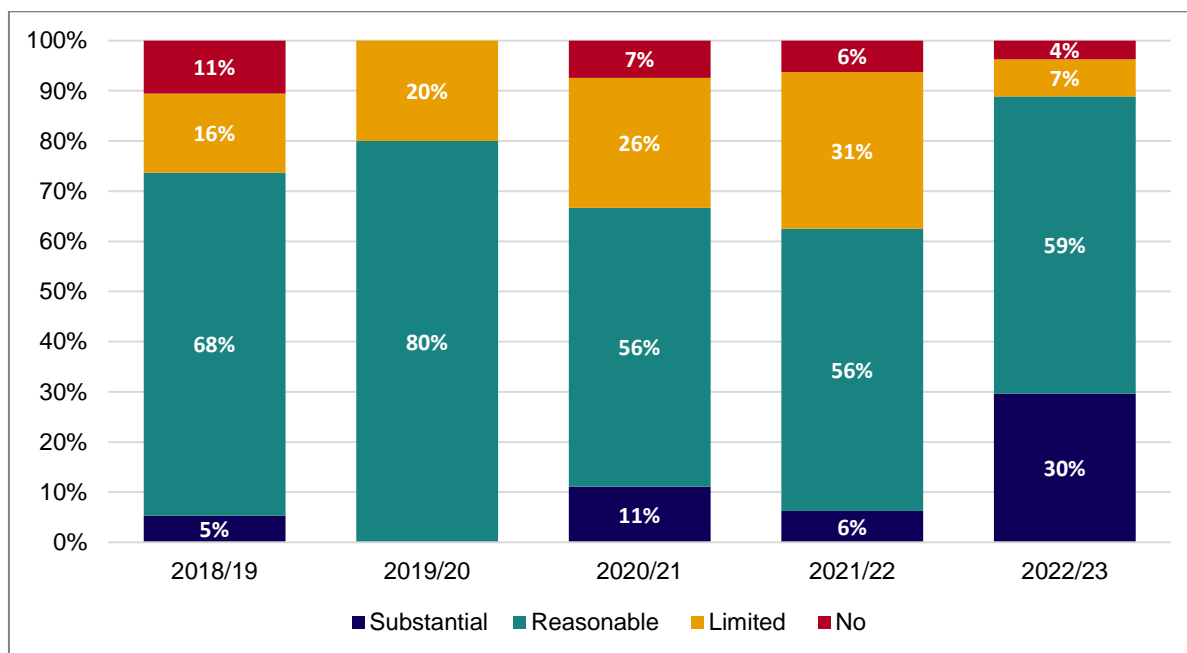

FIGURE 2 IA ASSURANCE RATINGS AS A PERCENTAGE OF ASSURANCE REVIEWS COMPLETED

2.4   Within the 27 IA assurance reviews completed in 2022/23, we raised **93** IA assurance recommendations in total**.** This is a **decrease** compared to prior years and reflects the higher number of substantial and reasonable assurance reports. All 2022/23 recommendations raised by IA were accepted by the relevant manager's/risk owner.
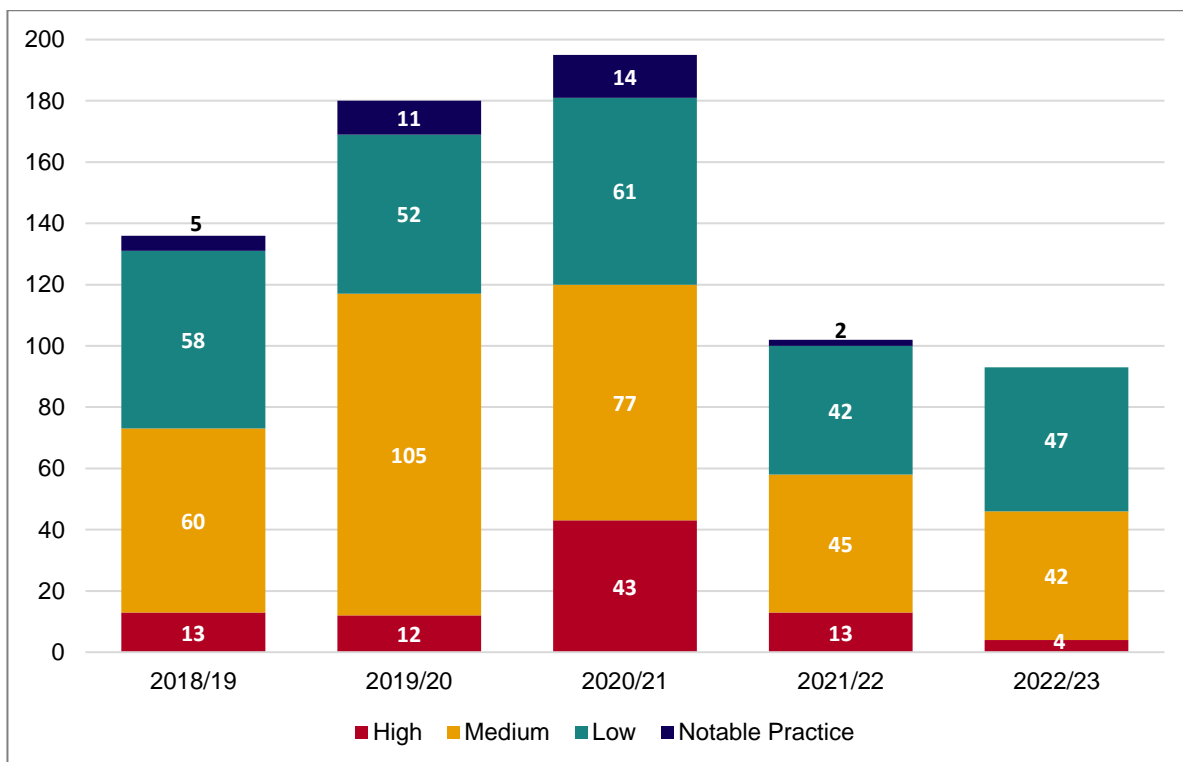
FIGURE 3 IA ASSURANCE RECOMMENDATIONS BY SIGNIFICANCE RATING

2.5   The individual assurance reviews carried out during 2022/23 are listed in Appendix A, including the assurance levels achieved (as outlined at Appendix B) and the number of IA recommendations made (in accordance with the risk ratings as outlined at Appendix C).

2.6   The two consultancy reviews and 10 grant claim audits are also detailed in Appendix A. Consultancy work continues to provide advice and guidance across the Council, enhancing the role of IA in helping Council services improve, achieving the collaborative approach that IA strives to deliver.

2.7   This year the IA team has faced significant challenges, including no permanent Head of Internal Audit & Risk Assurance and significant vacancies impacting on the capacity within the team. Although the team has been supported by an external partner, Mazars, throughout the year this has limited the scope of the reviews undertaken. A permanent HIA was appointed in quarter four, and recruitment was progressing for other members of the team at the end of the year. A wider programme of recruitment and training is being taken forward throughout 2023/24.

3. HEAD OF INTERNAL AUDIT OPINION STATEMENT 2022/23

> *It is the HIA's opinion that overall IA can provide* **REASONABLE** *assurance that the system of internal control in place at Hillingdon Council for the year ended 31ˢᵗ March 2023 accords with proper practice, except for the significant internal control issues listed below.*

3.1   Background & Scope

3.1.1   Our role as internal auditors is to provide the Audit Committee and CMT with an opinion on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The opinion statement is a source of assurance for the Chief Executive and Leader of the Council in completing the Annual Governance Statement (AGS), which forms part of the statutory Statement of Accounts for the 2022/23 year.

3.1.2   Our internal audit work for the 12-month period from 1 April 2022 to 31 March 2023 was carried out in accordance with the internal audit work plan approved by CMT and the Audit Committee. This opinion and report is calculated in relation to the service areas and risks reviewed in the year, and does not relate to any of the other operations of the Council. Our approach complies with best professional practice, in particular Public Sector Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

3.1.3   In assessing the level of assurance to be given we have taken into account the internal audits undertaken during 2022/23, the management responses and actions taken in relation to significant findings identified, the effects of any significant changes in the Council's objectives or systems, and any matters arising from previous internal audit reports.

3.1.4   During 2022/23 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. Therefore, there are no qualifications to the 2022/23 HIA opinion statement.

3.2   Annual Opinion Statement on the Effectiveness of the System of Internal Control

3.2.1   The HIA opinion is based primarily on the work carried out by the Council's IA service during 2022/23, which have all been conducted in accordance with the UK PSIAS. 59% of the reports finalised in the period were given a Reasonable assurance opinion, and 30% were given Substantial assurance. These included key governance areas such as IT Governance, Fraud Prevention in Procurement and Members' Gifts, Hospitality and Declarations of Interest.

3.2.2   Although three reviews were given No or Limited assurance (Crematorium, Service Tenancies and Payroll Rent Payments, and Purchase Cards), Internal Audit were specifically directed to these areas by management and work is ongoing to strengthen the Council's control environment in relation to the significant control weaknesses identified. This demonstrates the Council's commitment to engaging with Internal audit to continuously improve, rather than focusing on traditional compliance based audits.

3.2.3 Common themes arising from the Internal Audit findings raised in 2022/23 include outdated policies and procedures, unclear roles and responsibilities where processes cross between Directorates, and poor documentation due to a reliance on manual records. These are all elements the council is already looking to address in 2023/24.

3.2.4 When assessing the effectiveness of the system of internal Control the HIA has also taken into consideration the work of other assurance providers including External Audit and the Counter Fraud Team (CFT), as well as the council's performance against budget and key objectives. The Council also has a good record of engaging with Internal Audit and proactively in discussing plans to address the risks identified in the 2022/23 audits.

3.3 Risk Management

3.3.1 Risk Management is the process by which risks are identified and evaluated so that appropriate actions can be taken to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Council from achieving its objectives and fulfilling its strategic priorities.

3.3.2 The Risk Management Policy and Guidance (2020–23) was last updated and approved in August 2020. It was 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 roles and responsibilities of Members and Officers in relation to Risk Management.

3.3.3 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. The IA assessment of the Council's Risk Management maturity is that the Council was *RISK AWARE* as at the end of April 2023, the second of the five maturity levels.

3.3.4 Although significant risks are documented and reviewed by Directorate Senior Management Teams, CMT and the Audit Committee on a quarterly basis, this is not a proactive process and there insufficient clear action plans to address the risks identified. There is also very limited risk identification and management at an operational level, with limited understanding of Risk Management within the services.

3.3.5 The approach to managing risks still requires significant work if the Council is to achieve a *Risk Managed* enterprise-wide approach to risk management. Providing support to embed more effective risk management processes is a key priority for the HIA in 2023/24.

4. Internal Audit Follow-Up 2022/23

4.1 Implementation of recommended actions is a key determinant of our annual opinion. If actions are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

4.2 Due to the significant staff vacancies within the Internal Audit team during 2022/23 it was agreed with CMT and Audit Committee that follow-up work was temporarily suspended to focus on completing the 2022/23 IA annual plan. It was reintroduced at the end of the year and all actions due to have been implemented were followed up. The graph below shows the current status of recommended actions:
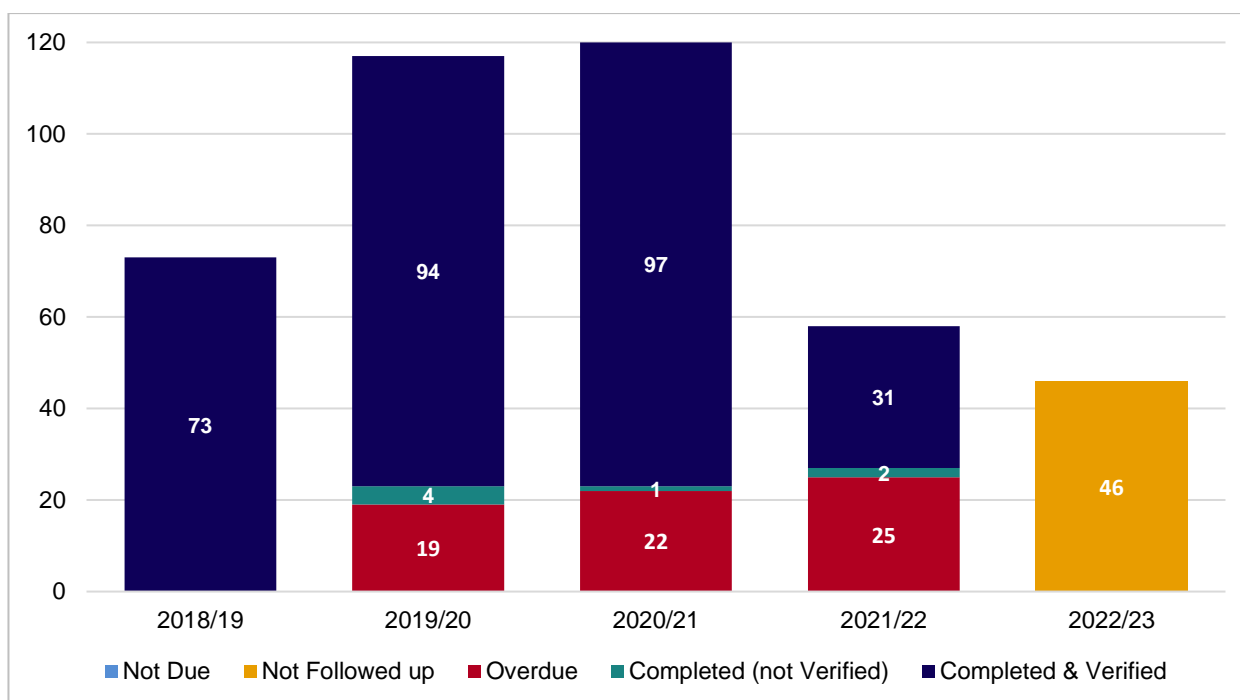
4.3   As at the year end, there were also seven outstanding recommendations relating to audits completed prior to 2018/19. Five of the seven were closed shortly after the year end, the remaining two recommendations will be followed up during 2023/24 to ensure they are implemented as planned.

4.4   Due to several management changes across the council, many of the recommendations have been delayed as the responsible officer has left the organisation. These recommendations have now been allocated to new responsible officers and will continue to be followed up until they are completed and verified.

4.5   Going forwards, updates on the progress of all outstanding IA recommendations will be reported in the quarterly IA progress reports for CMT and Audit Committee.

5. Review of Internal Audit Performance 2022/23

5.1   IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. Due to the significant vacancies within the IA team, performance data in relation to the KPIs was not collected and reported throughout 2022/23.

5.2   In total **39** pieces of IA work were finalised as at the end of April 2023, equating to **83% of the planned work** for the year. In addition, five reports had been issued in draft and we were waiting for management responses from the service, increasing the total to **94% of the plan issued in draft**. This is a fantastic result given the vacancies within the team over the year.

5.3   During the year a survey of key stakeholders was undertaken. In summary the survey results have revealed that:
   - The internal audit service demonstrates integrity in the way that it operates and is delivered with professionalism at all times.
   - Only 7% (2/28) felt Internal audit was not valued throughout the organisation, however 46% only partially agreed IA was valued throughout the organisation.
   - 29% (8/28) services felt that the internal audit service did not have the necessary resources and access to information to enable it to fulfil its mandate. A further 32% only partially agreed internal audit had the necessary resources, and no respondents fully agreed Internal Audit had the resources to fulfil its mandate.

5.4   KPIs have been re-introduced in the 2023/24 Internal Audit Plan, and new monitoring processes have been established to ensure performance can be reported more regularly going forward. The HIA is also confident that the IA KPIs performance will improve now that there has been significant recruitment into the team.

APPENDIX A: DETAILED INTERNAL AUDIT ACTIVITY

IA ASSURANCE REVIEWS

IA Ref.	IA Review Area	Current Status as at end of April 2023	Assurance Level	Risk Rating			
				H	M	L	NP
21-A25	Hatton Grove	Final report issued: 20 Dec 2022	REASONABLE	0	2	1	0
21-A27	Service Tenancies & Payroll Rent Payments	Final report issued: 17 April 2023	NO	2	0	1	0
21-A11	Crematorium	Final report issued 22 November 2022	LIMITED	1	2	5	0
21-A12	Absence Management	Final report issued 15 November 2022	REASONABLE	0	5	1	0
21-A24	Transport Funded Projects	Final report issued 20 September 2022	REASONABLE	0	2	3	0
21-A31	Tenancy Management – Fixed Term Tenancies	Final report issued 29 March 2023	REASONABLE	0	3	2	0
21-A35	Pension Fund Data Mapping	Final report issued 26 July 2022	REASONABLE	0	1	1	0
21-A32	IT Governance	Final report issued 15 November 2022	REASONABLE	0	2	0	0
21-A34	Licensing – Animal Welfare	Final report issued 16 September 2022	REASONABLE	0	1	0	0
22-A37	Direct Payments	Final report issued 20 October 2022	SUBSTANTIAL	0	0	1	0
22 A38	Domestic Violence Homelessness Process	Final report issued 26 April 2023	REASONABLE	0	2	2	0
22-A39	Stronger Families	Final report issued 16 November 2022	REASONABLE	1	1	3	0
22-A40	Information Security	Final report issued 21 February 2023	REASONABLE	0	4	4	0
22-A41	Making Tax Digital	Final report issued 18 July 2022	SUBSTANTIAL	0	0	1	0
22-A42	Fraud prevention Controls in Contracts	Final report issued: 17 April 2023	REASONABLE	0	4	1	0
22-A43	Registrars Cash Handling	Final report issued 16 November 2022	REASONABLE	0	1	2	0
22-A44	Members' Gifts, Hospitality & Declarations of Interest	Final report issued 17 January 2023	SUBSTANTIAL	0	0	1	0
22-A45	Adult Social Care Referrals and assessments	Final report issued 17 March 2023	REASONABLE	0	2	2	0
22-A46	Colham Road Care Home	Final report issued 13 March 2023	REASONABLE	0	2	2	0

Key:

IA = Internal Audit	**H** = High Risk	**M** = Medium Risk	**L** = Low Risk	**NP** = Notable Practice

IA Ref.	IA Review Area	Current Status as at end of April 2023	Assurance Level	Risk Rating			
				H	M	L	NP
22-A48	Quality of Practice	Final report issued 16 March 2023	REASONABLE	0	3	1	0
22-A49	Housing Benefits - Council Tax Reduction Scheme	Final report issued 02 February 2023	SUBSTANTIAL	0	0	2	0
22-A50	Purchasing Cards	Final report issued 13 April 2023	LIMITED	0	4	3	0
22-A51	Voids Management and Housing Repairs	Final report issued 17 April 2023	SUBSTANTIAL	0	0	3	0
22-A53	Local Land Charges	Final report issued 19 December 2022	REASONABLE	0	0	2	0
22-A54	Rent Collection and Arrears Recovery	Final report issued 07 March 2023	SUBSTANTIAL	0	0	1	0
22-A58	Merrimans Respite Care Unit	Final report issued 20 February 2023	SUBSTANTIAL	0	1	1	0
22-A62	Revenues Council Tax and NNDR	Final report issued 30 March 2023	SUBSTANTIAL	0	0	2	0
			Total Number of IA Recommendations Raised	4	42	47	0

IA CONSULTANCY & GRANT CLAIM VERIFICATION REVIEWS

IA Ref.	IA Review Area	Current Status as at end of April 2023
22-C11	A Domiciliary Care provider	Memo issued 21 March 2023
22-C1	Mayors Charity Accounts	Memo issued 24 March 2023
22-G1	Supporting Families Grant – Quarter 1	Memos issued 30 May and 22 June 2022
22-G2	Contain Outbreak Management Fund	Memo issued 30 June 2022
22-G3	Rough Sleepers Initiative	Memo issued 27 June 2022
22-G4	Test and Trace	Memo issued 30 June 2022
22-G5	Supporting Families Grant – Quarter 2	Memos issued 1 August 31 August and 28 September 2022
22-G6	Universal Drug Treatment (Crime and Harm Reduction)	Memo issued 15 July 2022
22-G7	Trading Standards Grant	Memo issued 15 September 2022
22-G9	Housing Benefit Subsidy Grant	Memo issued 9 November 2022
22-G10	Supporting Families Grant – Quarter 3	Memos issued 28 October, 24 November and 23 December 2022
22-G11	Supporting Families Grant – Quarter 4	Memos issued 27 January, 24 February and 31 March 2023

Key:

IA = Internal Audit	**H** = High Risk	**M** = Medium Risk	**L** = Low Risk	**NP** = Notable Practice

APPENDIX B: INTERNAL AUDIT DEFINITIONS

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

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

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2023/24 QUARTER 1 COUNTER FRAUD PROGRESS REPORT

Committee name	Audit Committee

Officer reporting	Alex Brown, Head of Counter Fraud

Papers with report	2023/24 Quarter 1 Counter Fraud Progress Report

Ward	All

HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2023/24 Quarter 1 and assurance in this respect. It also provides an opportunity for the Head of Counter Fraud 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 Head of Counter Fraud to account on delivery of the Counter Fraud Plan and facilitates in holding management to account for managing issues identified during the course of the Counter Fraud Team activity.

RECOMMENDATIONS:

That the Audit Committee:

1. **Notes the Counter Fraud Progress Report for 2023/24 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 Counter Fraud Team holds various background research documents in relation to the Counter Fraud Plan.

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COUNTER FRAUD
Report to Audit Committee:
2023/24 Quarter 1

30th June 2023

Contents

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

Alex Brown

Head of Counter Fraud

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e: abrown@hillingdon.gov.uk

1. INTRODUCTION

The Role of the Counter Fraud Team

1.1   The Counter Fraud Team (CFT) 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 CFT underpins the Council's commitment to a zero-tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.

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.

The Purpose of the Counter Fraud progress report

1.3   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(Q1) period (1st April to 30th June 2023). In addition, it provides an opportunity for the Head of Counter Fraud (HCF) to highlight any significant issues arising from the counter fraud work in Q1.

1.4   The progress report also highlights to CMT, the Audit Committee and other key stakeholders, the performance of the CFT in meeting its strategic and operational objectives (as set out in the Counter Fraud Strategy 2022 to 2025), which provides an opportunity for the HCF to be held to account in this respect.

2. EXECUTIVE SUMMARY

2.1   The CFT has had a positive start to 2023/24 by continuing the success of 2022/23. The team have been heavily focused on fraud risks in Housing during Q1 but have also undertaken activity in other areas. **This approach has delivered financial outcomes across multiple fraud risks in Q1 to the value of c£1.8m**. This means the CFT are on course to reach its financial target of £5m in 2023/24.

2.2   The CFT continues to deploy the majority of its resources into Housing in particular tenancy fraud. The team are currently investigating 128 cases of suspected tenancy fraud which includes cases of non-occupation, subletting and wrongful succession. **During Q1 the team has successfully investigated and recovered 27 properties,** making Q1 the most successful quarter ever for property recovery. These much needed properties have been returned to Housing services to re-let to those in genuine need.

2.3   During Q1 the CFT has continued its proactive project to **visit emergency accommodation** provided by the Council to residents who have approached as homeless. During visits**, the CFT uncovered 4 clients were not occupying their emergency accommodation, which led to accommodation closures on all 4 cases saving c£33k.** This work is vital to ensure the Council has enough accommodation to support those in need during a time when demand is increasing.

2.4   Working closely with various teams withing Housing the CFT led on a **new proactive project** undertaking unannounced visits to Council properties where the tenant has not engaged with services for electrical and gas safety works. These works are key and are required under legislation. **Following a collaborative visiting programme, the CFT has engaged successfully with 144 tenants for the works to be carried out, with a further 8 cases now under investigation for tenancy fraud**. This project will continue throughout Q2 with further positive outcomes to be reported.

2.5   As mentioned in the previous progress report the HCF has reviewed the current resourcing arrangements and structure with the S151. To meet the increase in fraud risk **a new structure with additional resourcing has been approved**. The new structure comprises of a further Counter Fraud Manager, Counter Fraud Investigator and two Counter Fraud Investigator Apprentices. These additional resources are much needed to combat the risk of fraud in the current economic climate and will support the service in reaching its strategic objectives in particular the financial savings target for 2023/24.

3. COUNTER FRAUD ACTIVITY IN QUARTER 1

3.1   Housing Fraud

3.1.1 The CFT has had a positive start to the new financial year continuing to combat fraud risks within Housing. **This focused effort has led to the highest number of properties recovered in a quarter, with the CFT returning 27 properties to Housing** with a notional saving of c£1.5m. Q1 has seen a large part of the CFT's resources deployed in Housing with the team leading on **two proactive projects** across multiple fraud risks, whilst continuing with investigations of cases consisting of non-occupation, sub-let, wrongful succession and deceased.

3.1.2 In Q1 the CFT **concluded a 4-year legal battle** whereby a match from the National Fraud Initiative (NFI) highlighted a tenancy which had been obtained using a stolen identity. The tenant had used the identity of someone else to enter the UK and make a homeless application, obtaining a 3 bed council property in 2003. The tenant made further applications, claiming years of benefits in which a joint working approach with the DWP back in 2018 resulted with the tenant convicted of benefit fraud up to the value of over £234k and being sentenced to three and a half years in prison. The tenant refused to give back the property, and so Legal proceedings were instigated, resulting in the tenant being evicted this year. This case was publicised across many social platforms including My London, Tenancy Fraud Forum and Inside Housing, showing that Hillingdon Council will take action on those who are abusing the system.

3.1.3 The Key Performance Indicator (KPI) 4 (refer to **Table 5** in **Appendix A**) requires the CFT to recover 30% of properties associated with tenancy fraud referrals. This quarter **the CFT has achieved 43% of tenancy fraud referrals resulting in property recovery.** As per **Table 1** below, the case type of property recovery shows that non-occupation is still the highest area of tenancy fraud risk.

Table 1 ~ Housing Tenancy Fraud Cases

Case Type	Q1*	£k/value**
Abandonment	0	**£0**
Deceased	7	**£392k**
NFI Fraud Hub	5	**£280k**
Non-Occupation	9	**£504k**
Other	2	**£112k**
Sub-Let	1	**£56k**
Wrongful Succession	3	**£168k**
Total Properties Recovered	**27**	**£1,512k**

* As at end of Q1 (30th June 2023).
** Tenancy Fraud Forum valuation.

3.1.4 Tenancy fraud continues to remain the highest fraud risk faced by the Council, currently the CFT are investigating **128 cases relating to tenancy fraud**. Notices to end tenancies have been served on 34 of those cases and a further **11 cases are currently with our legal team**. The team have also obtained 3 possession orders following legal proceedings, which are awaiting enforcement action.

3.1.5   In Q1 the team have also continued with proactively identifying cases of unknown deceased tenants with the assistance of the **NFI Fraud Hub.** The details of this work can be found in subsection 3.6 of this report. This work, though not classed as fraud, has continued to contribute to the number of properties recovered.

3.1.6   In Q1 the CFT led on a **new proactive project** to undertake unannounced residency visits to properties where electrical and gas safety works were overdue, and access had proven difficult. It is the council's responsibility as the Landlord to ensure that our housing stock is maintained and that we are doing everything we can to engage with our tenants and residents, whilst meeting our statutory duties and obtaining access to properties. The collaborative approach involved various departments across Housing with the project likely to highlight potential cases of non-occupation, abandonment, and sub-let.

3.1.7   Over a period of 3 weeks unannounced visits were made to **165 properties**, of which a total of **144 properties resulted in successful engagement**. The project has highlighted **8 cases of non-occupation and sub-let**, which are currently under investigation. The remaining 13 properties have visits continuing. Further outcomes and savings are expected to be available for the Q2 report.

3.1.8   The ongoing pressures in the current economic climate continue to cause an increase in demand for housing and **Bed and Breakfast (B&B) emergency accommodation.** Therefore, for 2023/24, the CFT has implemented a rolling proactive project conducting residency checks to all emergency accommodation placements, to highlight any instances of non-occupation or subletting.

3.1.9   In Q1 the CFT has **closed 4 emergency accommodation units due to non-occupation**, **resulting in savings of c£33k.** A further **6 cases have been opened** highlighting concerns of suspected non-occupation. This brings the total number of B&Bs closed to 28 since the start of the project in Q3 of 2022/23.

3.1.10 The CFT carries out verification checks on all Right to Buy (RTB) applications submitted to the Council, to provide assurance that those who apply are eligible for the significant discount and that the funds used for the purchase abide by money laundering regulations. In Q1 the CFT have received 21 RTB applications to verify, **4 cases are being investigated for suspicion of sub-letting and non-occupation**, with 1 case referred to our Legal department to instigate criminal proceedings based on fraud offences.

3.1.11 In Q4 the CFT completed **258** verification checks on applicants who have registered for social housing. Outlined in **Table 2** over the page, the team successfully **closed 12 housing register applications** due to reasons including non-occupation, or they have been found to already be adequately housed. Without the CFT's enhanced verification checks, these applicants may have been successful in obtaining a council property that they were not entitled to.

Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	Q1
Total number of cases reviewed	258
% Identified by CFT for rejection	25%
Total number of applications closed	12

* As at end of Q1 (30th June 2023).

3.1.12 KPI 2a (refer to **Table 5** in **Appendix A**) targets an outcome of **95%** of housing allocation verifications to be completed within the target date set by the Housing department. In Q4 the team has successfully achieved **99% of verifications** being completed within their target date.

3.2   Revenues Fraud & Inspections

3.2.1   In the area of Revenues, the CFT has continued to maintain a high level of performance and again exceeded their KPI target (refer to **Table 5** at **Appendix A**). In Q3, as detailed in **Table 3** below, the CFT has **conducted 1,792 inspections, with 1,783 (99%) visited within the 10-day KPI target**.

Table 3 ~ Revenues Inspections Performance 2023/24

Revenues Inspections	Q1*
Total number of inspections completed	1,792
Percentage within 10 day target	99%

As at end of Q1 (30th June 2023).

3.2.2   During Q1 the CFT has identified a further **13 previously unlisted properties** made up of '**Beds in Sheds**'. As a result, an additional **c£18k of loss prevention savings** has been identified following the issue of revised Council Tax bills to the liable parties. In addition, **five** properties are pending a decision from the Valuation Office Agency (VOA), with these savings to be reported in Q2.

3.2.3   During Q1 the CFT have expanded the programme of internal Revenues Maximisation and carried out a day of action focusing resources on a high-risk area of the borough to identify unlisted buildings and changes to the use of land. This has **identified six previously unlisted business premises and three business premises which have been altered and improved**. These properties have been submitted to the VOA for a decision and will be reported in Q2.

3.2.4   In addition to the internal work being carried out, the CFT requested and received Cabinet Member approval to continue its work with suppliers to maximise revenue. Contracts are now in place for external Revenues Maximisation work to continue with **bills in Q1 issued to businesses to the value of c£44k**. The HCF expects outcomes in this area to increase during Q2 as suppliers work with the team recommences.

3.3   Social Care

3.3.1   With preventive controls and reactive processes in place across fraud risks within Social Care, Q1 marks a successful quarter for the team with **c£106,000 in loss prevention savings identified**. These positive outcomes have predominantly stemmed from counter fraud activity within Children Social Care, in particular the Kinship Team.

3.3.2   In line with the CFT's risk-based approach loss prevention work within Financial Assessments has continued throughout Q1, with the team conducting **126 financial assessment verifications, 12 of which are undergoing further checks**. The verification process is designed to identify anomalies, such as hidden capital or assets prior to financial support being administered and to provide assurance that only eligible applicants are provided support.

3.3.3   Due to the sizeable financial cost to the Council in providing financial assistance in meeting service users care costs, the CFT is strategically placed to utilise the teams' analytical capabilities to identify fraud, loss and error within the financial assessment verification process. During the course of Q1 the team **concluded 2 cases where 2 perspective service users had failed to supply information** that arose as part of these stringent checks. As a result, **financial support was not provided with over c£13k in actual savings achieved**.

3.3.4   Section 17 of the Children's Act 1989 places a duty on the Council to safeguard and promote the welfare of children in need. Section 17 support offers a range of services that includes providing accommodation and/or financial assistance to eligible applicants. The CFT undertake verification checks for all Section 17 applicants who approach Social Care. **Table 4** below, illustrates the outcomes derived from the preventive measures in place that ensure services provided are only accessed by those who meet the eligibility criteria.

Table 4 ~ Section 17 Verification Cases 2023/24

Section 17 Cases	Q1
Total number of cases reviewed	4
Total number verified as accurate	1
Total number of cases closed	0
Total number of cases under further checks	3
Loss Prevention Savings	0

* As at end of Q1 (30th June 2023).

3.3.5   Following the teams proactive Section 17 residency project that commenced in 2022/23, Q1 marked the conclusion of a lengthy and complex Section 17 investigation. With the project designed and orchestrated to identify instance of non-occupation and subletting, 1 service user was found not to be occupying the accommodation provided. Working collaboratively with Social Care, Legal Services and the Home Office, the **placement was closed and c£13,000 of loss prevention savings were identified**.

3.3.6   During Q1 the CFT has undertaken its **first investigation into Special Guardianship Orders** (SGO's). The investigation commenced following concerns raised by the Kinship Team that highlighted significant overpayments that had been made to a previous special guardian. An SGO is a formal arrangement through a legal order that appointments one or more individuals to be a child's special guardian. The order is intended in circumstances where a child's parents are unable to look after the child for either a short or long period of time. This highly sensitive investigation identified that the SGO had been overpaid, and the special guardian was **no longer entitled to financial support, this resulted in c£79k in savings**.

3.4   Blue Badge

3.4.1   Q1 marked the CFT's participation in the **2023 National Blue Badge Day of Action**. The days operation saw a total of 82 Councils working collaboratively to tackle Blue Badge misuse across the country. Using intelligence lead information, Counter Fraud Officers were deployed in plain clothes at Uxbridge Town Centre. **A total of 43 badges were inspected, with officers seizing 9 badges due to misuse, 1 of which was identified as being stolen**. These cases are now under investigation, with outcomes expected to be reported in Q2.

3.4.2   The team's commitment to ensuring that Blue Badge holders can continue to access the parking facilities on offer across the borough was further demonstrated in Q1 with the successful **prosecution of a Blue Badge case**. Upon receiving an allegation of misuse outside John Locke Academy counter fraud resources were deployed to highlight any instances where people were abusing the scheme. Following deployment, a member of the public was caught fraudulently using a deceased resident's badge. A criminal investigation commenced, and the suspect was interviewed under caution before the case moved to prosecution. **The evidence of the case was heard at Uxbridge Magistrates Court on 20th June with the defendant pleading guilty to the offence. The offender received a fine and ordered to pay full costs as well as a victim surcharge totalling £2,958.00.**

3.5   Onsite Immigration Official

3.5.1   Following the significant financial savings reported in Q4 of 2022/23 the CFT has taken positive steps to further raise the Onsite Immigration Officials (OSIO) profile across the Council. This exposure has enabled the team to increase its **Social Care working group members by welcoming Corporate Parenting to the group**. With the number of services participating rising from 4 to 5, the group is now positioned better than ever to discuss new and emerging fraud risks in addition to highlighting immigration matters that pose a financial risk to the Council.

3.5.2   The operational capabilities of the OSIO have continued to contribute towards the team's counter fraud and loss preventions activities with **over c£68k in loss prevention savings achieved in Q1**. These savings are in relation to 5 Social Care cases where there has been a change in the service user's immigration status. These changes enabled the service users to access public funds and be supported to move on from Council accommodation. In addition, a housing case was closed following an investigation into a service user's homeless application identified that the service users had been living in the UK illegally and was therefore not entitled to support.

3.6   London Counter Fraud Hub

3.6.1   The CFT joined the London Counter Fraud Hub (LCFH) in the last financial year. The hub is designed to bring London Boroughs together, sharing data to identify fraud, loss or error. This innovative approach will also use the power of data to uncover cross borough frauds.

3.6.2   The unique capabilities of the LCFH are now embedded in the CFT and this is producing referrals automatically every two weeks identifying cases where the Council may not be aware of tenants passing away. This has maximised loss prevention by ensuring that cases are identified at an early stage. A total of **five council properties** have been recovered and returned to use as a result of information provided by the LCFH during Q1.

3.6.3   Members of the CFT have joined a working group set up by The London Boroughs' Fraud Investigators' Group (LBFIG) which is developing innovative bespoke data matching reports to identify cross border fraud in identified high risk areas. The group is currently working towards a pan London data match regarding internal fraud which will be potentially released in Q2.

3.7   National Fraud Initiative

3.7.1   The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office and conducted every 2 years. The NFI matches data from over 1,300 organisations, including councils, the Police, hospitals and almost 100 private companies to identify potential fraud and error.

3.7.2   During Q1 matches for the main NFI exercise for 2022/2023 were received. The CFT have started to review these matches in conjunction with the service areas.

3.7.3   The CFT have allocated significant resource to reviewing and investigating matches, particularly in the areas of Council Tax Single Person Discount which has generated savings of **£9293.42 in additional billing** during Q1 with a further **34 claims due to be removed**. Further results from this match are expected throughout the year.

3.7.4   Additional work by the service areas have cancelled **12 disabled parking blue badges** where the council was previously unaware that the badge holder had passed away. This is an important preventative measure which reduces the opportunity for blue badge misuse in the borough. Additional cases are being reviewed with further results expected through the year.

3.7.5   A further **17 cases** have been identified where the council's pensions administrator was previously unaware that the recipient of a pension had passed away. These cases remain under investigation by the administrator with results expected in Q2.

3.8   Other Counter Fraud Activities

3.8.1   As part of the CFT's strategic objectives, the team has been embedding and promoting a counter fraud culture throughout the Council, by regularly undertaking fraud awareness sessions to service areas. These sessions give teams the tools to identify, and report suspected fraud or loss. During Q1 the CFT conducted **fraud awareness sessions** within Children's Social Care and provided tailored adhoc fraud training to Housing staff.

3.8.2   The CFT previously supported the verification processes for Covid-19 support grants which were administered by the council. The Department for Business & Trade has carried out a post payment assurance exercise which has included an audit of support payments made by the council. This audit has found that all support payments were correctly paid and none of the businesses supported were ineligible for support. This shows that pre-payment verification procedures carried out by CFT were robust and effective.

3.8.3   The team have recently been working closely with the private sector IT company behind the NFI. As a pilot the team received 10 free intelligence reports on its most valuable cases. The reports provide additional data from the private sector including insurance information. These checks provided intelligence that was not available from other sources and assisted our investigations. Following this the CFT are in talks with the provider to enter into a contractual arrangement for the use of this service. This will give the team another tool in its armoury to combat fraud.

3.8.4   With the challenges faced due to the increase in fraud the HCF has reviewed the current interim resourcing arrangements and the team's substantive structure. A business case was presented to SDB outlining a restructure of the service which included the need for additional resources to combat the risk of fraud and the growth in case load. **This new structure has been approved**. In short, the team will be recruiting to 4 additional posts including Counter Fraud Manager, Counter Fraud Investigator and two Counter Fraud Investigator apprentice roles. The HCF is confident all recruitment will be concluded by the middle of Q2.

3.8.5   The CFT are currently investigating 174 cases of fraud with some of these cases containing serious or complex matters which may lead to prosecution. Some of these high value criminal cases have a Proceeds of Crime (POCA) element to them and require an Accredited Financial Investigator (AFI) to take them forward. With the Councils current AFI's carrying a significant case load, the CFT are fortunate to have a member of staff trained and qualified as an AFI. The member of staff is in the process of being reinstated as an AFI, meaning the CFT can undertake its own Proceeds of Crime investigations.

4. COUNTER FRAUD PERFORMANCE IN Q1

4.1   Attached at **Appendix A** is **Table 5** which sets out the Q1 performance by the CFT against the nine KPIs. 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. The CFT's financial performance should be considered against a target of £5m for 2023/24.

4.2   The CFT has achieved a consistent level of performance across KPI's throughout the quarter. The details of this are that **9 out of 9 KPI's are above targeted performance**. The management team are pleased that all KPI's have been met and will be working closely with the team to ensure this level of performance is sustained.

5. FORWARD LOOK

5.1   The CFT will continue its housing proactive projects in emergency accommodation and Gas and Electric safety non-engagement residency checks. These projects have already highlighted cases in Q1 for the CFT relating to tenancy fraud. All outstanding visits on both projects are planned to be completed in Q2, with positive outcomes to be reported in future reports.

5.2   With the volume of housing investigations remaining high, the team will in Q2 prioritise its investigative work. A focus on casework will lead to further positive outcomes and also bring cases to their natural conclusion.

5.3   After the approval of the **new CFT structure** the HCF and management team will be focusing on recruitment and training of staff in Q2. All jobs will be advertised and recruited to through a robust selection process. The HCF expects to have a fully resourced service by the end of Q2.

5.4   Now the CFT has approval to continue its revenue maximisation project with suppliers, the team will re-engage with contractors. This will see suppliers pass cases to the CFT to investigate before reporting to the VOA. Further positive outcomes are expected in Q2.

5.5   The CFT 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 HCF needs to bring to the attention of CMT or the Audit Committee at this time.

Alex Brown APCIP
Head of Counter Fraud
30th June 2023

APPENDIX A: Table 5 - CFT KPIs and Actual Performance

CFT KPIs	Target	Q1*	23/24*	22/23
1. Percentage of fraud referrals risk assessed within 3 working days	95%	99%	99%	99%
2. Verification work timescales for completion:				
a. Housing Allocations completion within the target date set by Housing	95%	99%	99%	99%
b. Right to Buy case completion within 28 working days	95%	100%	100%	100%
c. Financial Assessments completion within 7 working days	95%	100%	100%	100%
d. Section 17 reviews completion within 7 working days	95%	100%	100%	100%
3. Investigation plan completion within 5 working days of case allocation	95%	100%	100%	99%
4. Tenancy fraud referrals received resulting in property recovery	30%	43%	43%	40%
5. Investigations resulting in loss prevention/financial saving outcome	40%	41%	41%	39%
6. Revenue inspections completed within 10 working days of referral date	95%	99%	99%	99%

* As at end of Q1 (30th June 2023).

APPENDIX B: Table 6 - CFT Quarter 1 2023/24 Financial Performance

Work Area	Description	Quarter 1*	Quarter 2	Quarter 3	Quarter 4	2023/24*
Housing	Right to Buy discounts	£0	£0	£0	£0	**£0**
	Property Recovery (notional savings)	£1,512,000	£0	£0	£0	**£1,512,000**
	Other savings/loss prevention	£38,283	£0	£0	£0	**£38,283**
Social Care	Section 17 and UASC**	£13,586.50	£0	£0	£0	**£13,586.50**
	Financial Assessments	£13,320.80	£0	£0	£0	**£13,320.80**
	SGO	£79,150.60	£0	£0	£0	**£79,150.60**
	Direct Payments	£0	£0	£0	£0	**£0**
Revenues	Single Person Discount	£14,148	£0	£0	£0	**£14,148**
	Council Tax Reduction & arrears	£12,070.60	£0	£0	£0	**£12,070.60**
	Unlisted Buildings	£18,740.77	£0	£0	£0	**£18,740.77**
	Housing Benefit Overpayments	£985.50	£0	£0	£0	**£985.50**
	NNDR	£44,661	£0	£0	£0	**£44,661**
Blue Badge	Simple Caution & Financial Penalty	£2,518	£0	£0	£0	**£2,518**
Immigration Officer	Housing Homelessness Applications**	£8,412.30	£0	£0	£0	**£8,412.30**
	Social Care Savings	£60,469	£0	£0	£0	**£60,469**
Totals	Loss Prevention Savings	£208,588.20	£0	£0	£0	**£208,588.20**
	Notional Savings	£1,512,985.50	£0	£0	£0	**£1,512,985.50**
	Cashable Savings	£49,593.4	£0	£0	£0	**£49,593.40**
	Costs awarded and penalties	£2,518	£0	£0	£0	**£2,518**
	Total	**£1,818,346.10**	£0	£0	£0	**£1,818,346.10**

* As at end of Q1 (30th June 2023).

** Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's Business Performance Team.

APPENDIX C - Glossary of Terms

Beds in Sheds: '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 the Valuation Office Agency (VOA).

Blue Badge: A Blue Badge provides parking concessions and helps people with **non-visible and visible disabilities or health conditions** park closer to their destination. The Blue Badge enables holders to park in designated disabled person's parking bays either on the public highway or privately owned car parks. In addition, badge holders can park on single or double yellow lines for up to 3 hours.

Direct Payments: The Council are responsible for administering direct payments to service users who have been assessed as needing care and support services. The payments are made to allow applicants to access care to meet their social care needs, such as support with living tasks and social activities.

Disabled Facility Grants: The council offers a range of financial support schemes for people with disabilities, such as the Disabled Facilities Grant (DFG). The DFG is a means tested scheme that allows eligible applicants to receive financial support to make adaptations to their home, if they, or someone living at the property is disabled.

Financial Assessments: The Council is under a financial and legal obligation to carry out this means tested assessment for each service user. The Financial Assessment (FA) identifies whether the applicant(s) is eligible to receive funding towards their care costs.

Fraud Hub: Utilising the existing Cabinet Office infrastructure and systems, most London based local authorities have agreed to upload internally held data sets for proactive data matching exercises. These regularly agreed upon exercises will lead to the identification of possible fraud, loss or error.

National Fraud Initiative: The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Government Cabinet Office and conducted every 2 years. There is also an annual review of claimants in receipt of Single Persons discount data that is matched against the Electoral Roll data. 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.

New Homes Bonus: The New Homes Bonus (NHB) is a grant that is paid by central government to incentivise local housing growth.

Onsite Immigration Enforcement Official: The Onsite Immigration Enforcement Official (OSIO) provides 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.

Right to Buy: The Right to Buy (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.

Revenue Maximisation: The use of internally held data and the utilisation of external data partners to identify previously unlisted commercial and domestic properties, along with identifying commercial properties that have undertaken modifications or improvements that would result in the revaluation of its Rateable Value (RV). Commercial entities are under no obligation to inform Council Tax as to when they have started trading or if their RV needs to be recalculated. The Council will only retain 15% of the identified rates.

Section 17: The CFT provides assurance and mitigate the risk of fraud within Children's Social Care, in particular the allocation of emergency accommodation provided under Section 17 of the Children's Act 1989. The verification process seeks to validate a family's reason for approach as well as their financial circumstances, as applicants claim to be destitute and requiring accommodation and or financial support. The CFT conducts verification checks on all applicants approaching the Council.

Small business Rates Relief: The Small Business Rates Relief (SBRR) scheme is designed to reduce the amount of business rates payable by small businesses. This reduction is available to ratepayers who occupy a property with a rateable value of no more than £15,000.

Tenancy Fraud Forum Valuation: As of the 2022/23 financial year, the CFT will be using the new Tenancy Fraud Forum valuation for property recovery. Working in conjunction with the London Boroughs' Fraud Investigators' Group (LBFIG) a new formula has been created to determine how much tenancy fraud costs. The formula considers the annual average temporary accommodation cost per family, the average duration for tenancy fraud, as well as the average investigation, legal and void costs. The agreed calculation for tenancy fraud within the borough is now valued at £56k per property (Previously £18k). The new calculation allows Hillingdon Council to accurately calculate financial savings by factoring in local figures.

Unaccompanied Asylum-Seeking Children: Unaccompanied Asylum-Seeking Children (UASC) are children and young people who are seeking asylum in the UK but have been separated from their parents or carers. Whilst their asylum claim is processed, they are cared for by the Council and provided with accommodation and or financial support.

2022/23 COUNTER FRAUD ANNUAL REPORT

Committee name	Audit Committee

Officer reporting	Alex Brown – Head of Counter Fraud

Papers with report	2022/23 Counter Fraud Annual Report

Ward	All

HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2022/23 and assurance in this respect. It also provides an opportunity for the Head of Counter Fraud 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 Head of Counter Fraud 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 Counter Fraud Team activity.

RECOMMENDATIONS:

That the Audit Committee:

1. **Note the Counter Fraud Annual Report for 2022/23; 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 Counter Fraud team holds various background research documents in relation to the Counter Fraud Strategic Plan.

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COUNTER FRAUD ANNUAL REPORT TO AUDIT COMMITTEE: 2022/23

1 April 2023

HILLINGDON

LONDON

Contents

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

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1. INTRODUCTION

1.1 The Role of the Counter Fraud Team

1.1.1 The Counter Fraud Team (CFT) 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 CFT 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 CFT also conduct 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 CFT 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 2022/23 provides the Council's Corporate Management Team (CMT) and the Audit Committee with information on the counter fraud work carried out during 2022/23. 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 Head of Counter Fraud (HCF) to highlight any significant issues arising from the counter fraud work in 2022/23.

1.2.2 The Annual Report also highlights to CMT, the Audit Committee and other key stakeholders, the performance of the CFT in meeting its strategic and operational objectives (as set out in the Counter Fraud Strategy 2022 to 2025 and The Annual Operational Plan), which provides an opportunity for the HCF to be held to account in this respect.

2. EXECUTIVE SUMMARY

2.1 2022/23 has been a challenging year with the Council facing a heightened risk of fraud following the pandemic and the current cost of living crisis. The CFT has also seen a turnover of staff in a variety of positions leading to vacancies for periods of time during the year. Despite this, the team has remained focused and determined in the fight against fraud **achieving c£12.3m in savings against a financial target of £3.5m**. The success in exceeding the financial target and delivering the highest savings recorded can be attributed to the work carried out in tenancy fraud, emergency accommodation and revenues maximisation.

2.2 Throughout 2022/23 the CFT operated with an interim staffing structure in place including the use of agency staff. This is due to the team having a variety of vacancies at different stages of the financial year. The interim structure has been effective in supporting the workload created from the increase in fraud risk across service areas. The HCF and Section 151 will seek a permanent solution to resourcing in quarter one 23/24.

2.3 Tenancy fraud and other Housing related frauds have remained the highest risk to the Council and an area of focus for the CFT, with the team conducting civil and criminal investigations into suspected cases of housing fraud, alongside proactive loss prevention projects. This has achieved overall **loss prevention savings of c£5.64m** in 22/23. These savings included the **recovery of 84 Council properties** due to tenancy fraud, this represents a **100% increase** on the previous year's outcomes (21/22). The increase in recovery can be attributed to the rise in risk in this area since the pandemic and the effective detection of cases.

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2.4   With the cost of living crisis Housing services have seen a significant rise in those requiring support due to homelessness. This has led to increased numbers currently in emergency accommodation. This increased demand presents the Council with a higher risk of fraud. The CFT undertook a 4 month project to residency check all emergency accommodation to highlight any occurrences of non-occupation or sublet. **In total 24 cases of accommodation placements were cancelled saving c£193k**. With the success of this project reducing costs and demonstrating the increased levels of fraud, the CFT will continue to visit all accommodation in 23/24 on a rolling programme.

2.5   The CFT has continued to deploy resources into combatting Social Care fraud. In total **c£235k of financial savings have been identified**, demonstrating an **increase of 11%** on the previous year's outcomes. Though this is a small increase, the cases dealt with by the CFT have been of high financial value and the HCF expects further positive outcomes in 23/24 based on the team's current case load.

2.6   In the area of **Revenues**, the team has delivered **8638 inspection visits** during 2022/23, which is a **5% reduction** from 2021/22. Though this represents a slight decrease in the number of visits completed, the approach of the CFT is this area has been focused, with time dedicated to high value investigations relating to revenues maximisation. This effective way of working has led to the **CFT to generating c£6m in additional business rates billings**.

2.7   During 22/23 the CFT supported its colleagues in Internal Audit (IA) by undertaking some consultancy reviews relating to fraud controls within processes. This work was the first of its kind for the CFT but demonstrated the value of a collaborative approach to risk and governance with IA. The CFT completed **5 consultancy reviews highlighting 44 recommendations** relating to fraud controls across key processes within services. Following the success of this work, the HCF and HIA have agreed to continue this joint approach into 23/24 with resourcing being shared where appropriate to undertake fraud related consultancy reviews or data analytics.

2.8   The CFT has operated with a **Home Office Onsite Immigration Official (OSIO)** integrated within the Counter Fraud Team since 2018**.** Service provisions have been temporarily interrupted throughout the year due to sickness and a change in OSIO. Despite this, the work of the OSIO has continued to add value by identifying **c£233k in loss prevention savings** which is a **202% increase on the previous year**. These savings have been identified predominately in the areas of Housing and Social Care, whereby applicants are no longer eligible for support due to their immigration status.

2.9   The CFT has continued to carry out focussed proactive projects as part of its strategic approach to tackle fraud in the Councils highest risk areas. These areas are considered to be susceptible to fraud and financial loss. Per the table at **Appendix C** the CFT conducted **nine** proactive projects in 2022/23. The proactive drives provide assurance across the Council and highlights, where needed, any further preventative measures.

2.10   Part of the CFT's remit is to create awareness internally and externally of fraud including promoting positive outcomes from its work. Across 22/23 the team has worked closely with the Communications Team to educate on the risk of fraud, how to report fraud and share some of the successes of the CFT. **Appendix F** showcases some of the media work delivered in 22/23.

2.11   **Chart 1** (over the page) summarises the areas* in which the CFT has achieved loss prevention savings (cost reductions) in 2022/23 by each quarter. The majority of loss prevention savings have been achieved by the CFT within Revenues due to the teams work in Revenues Maximisation. However, Chart 1 also illustrates the consistent level of financial achievements in the area of Housing. A full breakdown of all CFT loss prevention savings can be found at **Appendix A**.

Chart 1 - CFT Loss Prevention Savings Achieved in 2022/23*
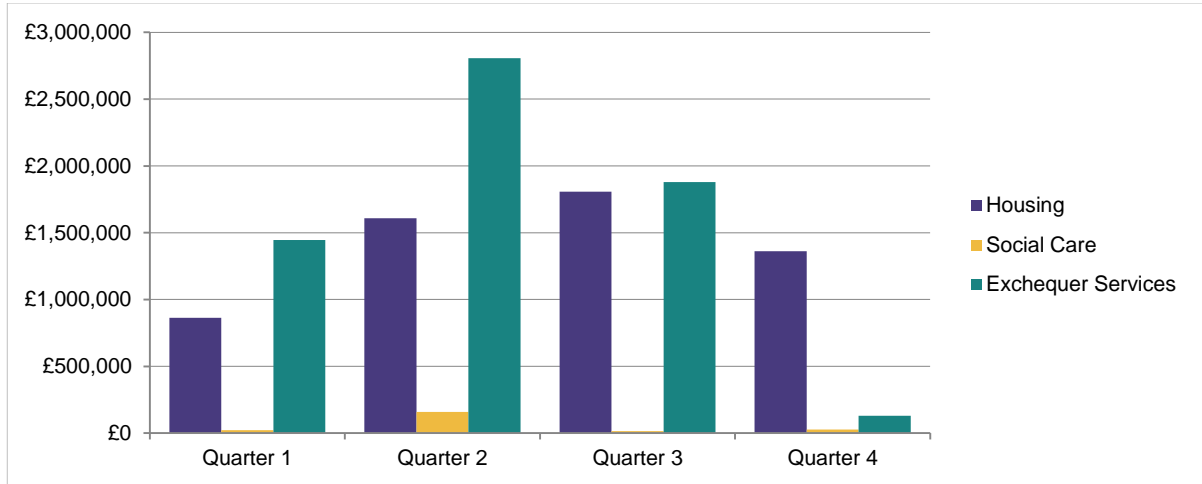
*This includes savings generated through the work of the OSIO

2.12   **Chart 2** below summarises the allocation of CFT resource in 2022/23. Similar to previous years, the team has spent the majority of its time working within the area of Housing. This is reflected by the increased number of properties recovered due to tenancy fraud. The resource allocation in Social Care and Revenues has reduced slightly due to the need to combat the increased fraud risk within Housing. However, outcomes in both of these areas have increased. With the CFT now undertaking consultancy reviews in relation to fraud controls the time spent on internal matters has increased by 5%.

Chart 2 - CFT Allocated Resource in 2022/23
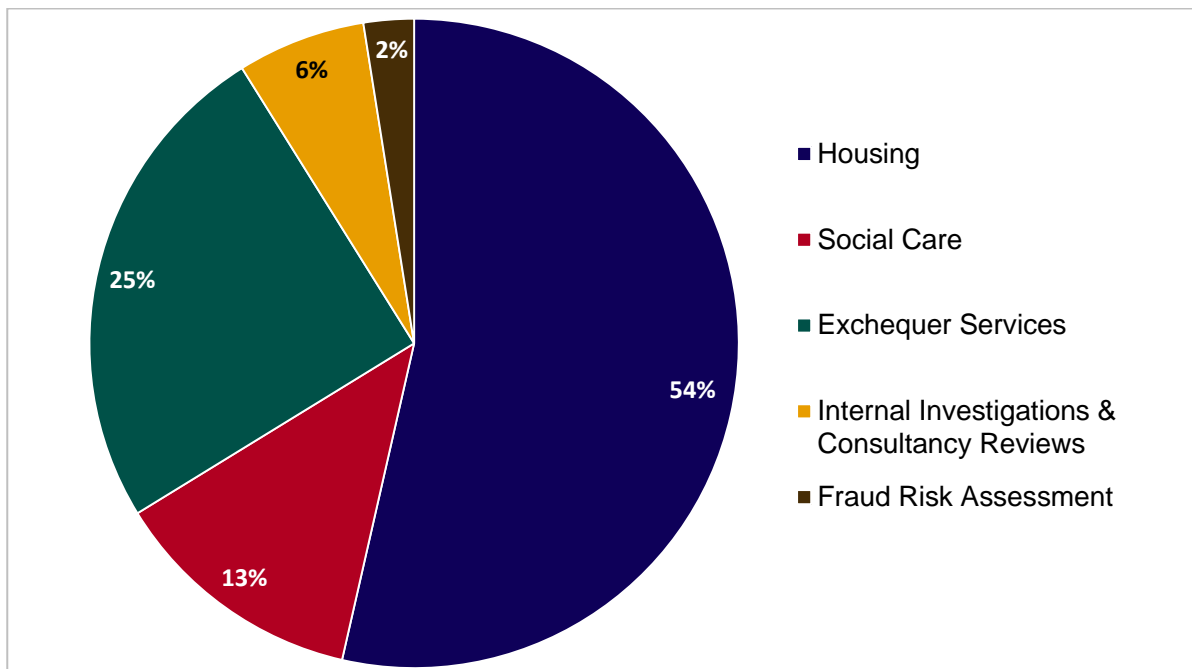
2.13   In 2022/23 the CFT received **a total of 628 referrals for investigation** from both internal and external sources (compared to 586 in 2021/22). **Chart 3** (over the page) provides a summary of the trend in referrals over the year. In Q3 the CFT received a sharp increase in internal referrals, this can be attributed to the increase in fraud awareness presentations delivered to service areas within the Council.

2.14   The HCF notes that referrals in Q4 were in a slow decline from external sources. To combat this the CFT are preparing a communications package to engage with residents in 23/24 which will be consistent throughout the financial year, with the anticipation of increased fraud referrals from a variety of services areas across the Council.

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Chart 3 - Number of 2022/23 Referrals by Quarter
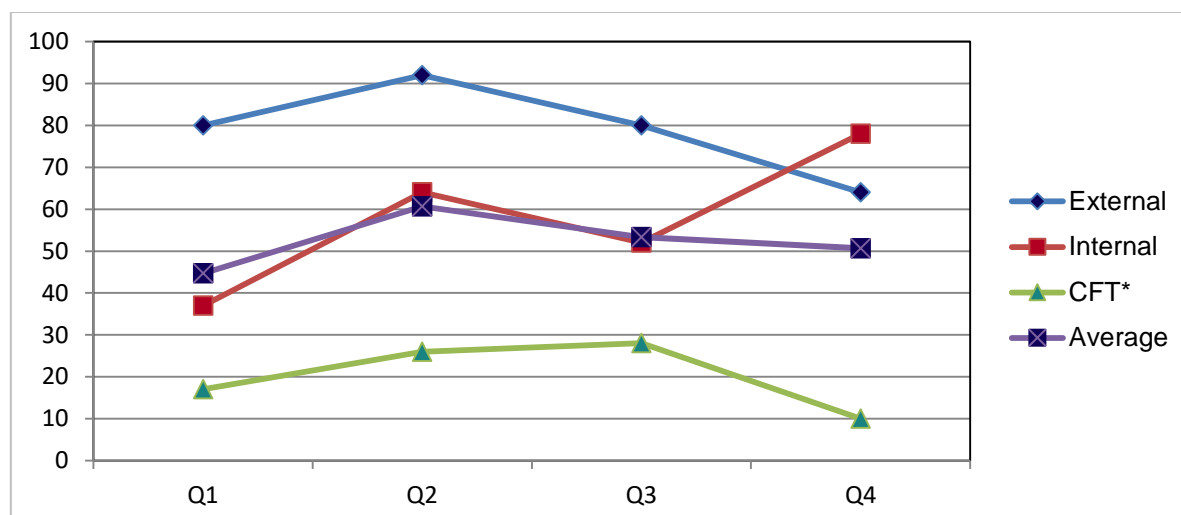
*Referrals generated through CFT proactive projects or data matching exercises

3. ANALYSIS OF COUNTER FRAUD ACTIVITY IN 2022/23

3.1   This section provides a more detailed analysis of the activities of the CFT during 2022/23, detailing specific work streams and the trends within each area for comparison and contrast. The activities of the CFT were predominantly focussed on three main fraud areas of work: **Housing, Social Care** and **Revenues**. The CFT also conducted proactive **Blue Badge** operations during the year as well as investigating allegations of Blue Badge misuse. The team were also commissioned to carry out several internal fraud control consultancy reviews in conjunction with Internal Audit.

3.2   Housing Fraud

3.2.1   Throughout 2022/23 tenancy fraud investigations, housing verifications and proactive projects has continued to be the key area of work for the CFT. By undertaking verification checks, the applicants' eligibility for housing services are properly verified prior to being offered a tenancy and provides assurance to key stakeholders that the risk of fraud in this area is being managed effectively. The CFT continues to proactively identify and investigate instances of tenancy fraud. This combined approach has enabled the team to deliver effective loss prevention savings.
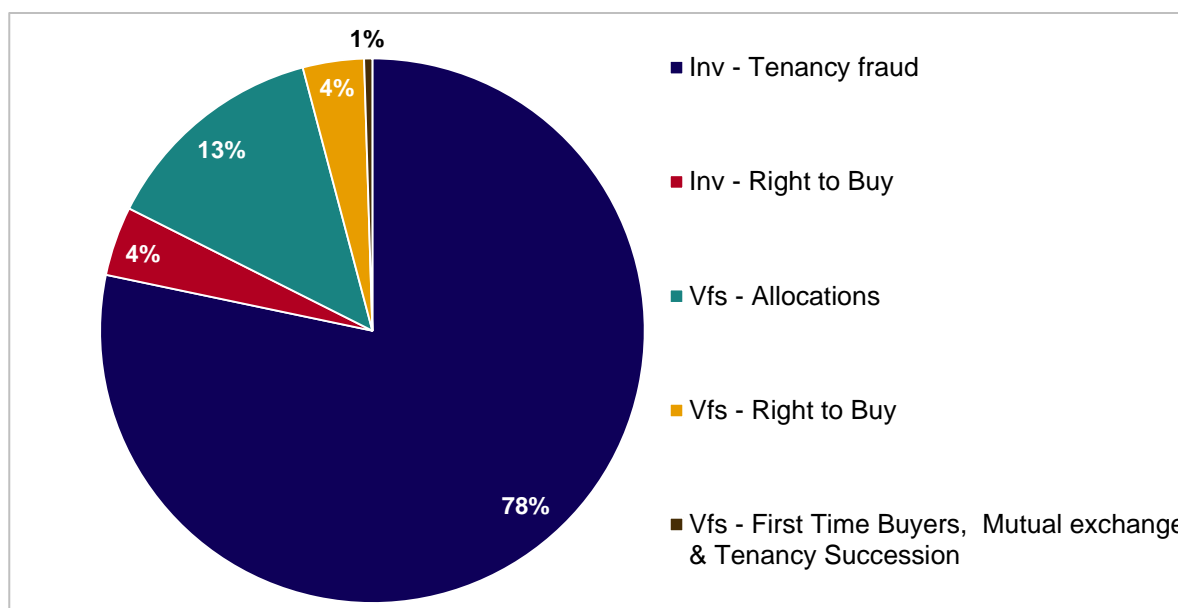
3.2.2   The CFT undertook a range of proactive projects throughout the year within housing, as listed in **Appendix C**. These projects are planned as part of the Counter Fraud Annual Workplan and are intended to ensure that areas where housing fraud predominantly occurs are reviewed to highlight any fraudulent activity. In addition to this the CFT has adapted to emerging fraud risks within housing providing much needed resources to mitigate these risks and provide positive assurance through effective management and outcomes.

3.2.3   During the year the Counter Fraud Management Team worked closely with stakeholders in Housing to improve the counter fraud culture and provide tailored support. Management provided guidance on potential fraudulent cases and interviewed clients in conjunction with housing staff to provide learning opportunities and demonstrate first hand interviewing techniques. This close support from the CFT has given housing staff the tools and confidence to challenge suspected fraudulent applications with further training to be rolled out in 23/24.

3.2.4   As per **Chart 4** over the page, most of the counter fraud activity that was conducted within housing is heavily focussed on tenancy fraud investigations which correlates to the increased outcomes in this area.

3.2.5   Following the commencement of the CFT's transformational work in Q4 the resourcing into verifications has reduced by 58% due to efficiencies made in processes. However, the work still remains a risk based preventative measure mitigating against fraud risk and providing positive outcomes.

Chart 4 - CFT Work Within Housing Services in 2022/23

- Inv - Tenancy fraud
- Inv - Right to Buy
- Vfs - Allocations
- Vfs - Right to Buy
- Vfs - First Time Buyers, Mutual exchange & Tenancy Succession

3.2.6   The team also achieved positive outcomes in other areas of loss prevention work outside of tenancy fraud, such as the **cancellation of 6 Right to Buys leading to loss prevention savings of £672k**. All 6 applications were closed due to various reasons including failure to disclose finances, non-occupation of a Council Property or a false application. Right to Buys present a variety of fraud risks relating to potential money laundering and tenancy fraud.

3.2.7   Per **Table 1** below, in 2022/23 the CFT successfully recovered **84 Council properties.** This is a **100% increase on outcomes** from 2021/22. The increased risk of tenancy fraud following the pandemic and cost of living crisis, combined with the improvement in referral quality and the effective processing of investigations by the CFT has contributed to this success.

Table 1 ~ Housing Tenancy Fraud Cases

Housing Tenancy Fraud	2022/23		2021/22		2020/21	
	Cases	£k/value*	Cases	£k/value	Cases	£k/value
Total number of recovered properties	84	£4,704k	42	£756k	22	£396k

Calculated using the new Tenancy Fraud Forum valuation.

3.2.8   **Chart 5** (over the page) summarises the loss prevention outcomes of the team by area of counter fraud activity within Housing. The team's high levels of property recovery have attributed to the majority of the savings. However, other loss prevention savings increased in Q3 and Q4 due to the teams work in identifying tenancy fraud within emergency accommodation. **The CFT identified and closed 24 emergency accommodation placements saving c£193k**. With the success of uncovering fraud within emergency accommodation the HCF expects further positive outcomes in this area during 23/24 following the introduction of a rolling programme of visits.

Chart 5 - CFT Loss Prevention Outcomes in Housing 2022/23
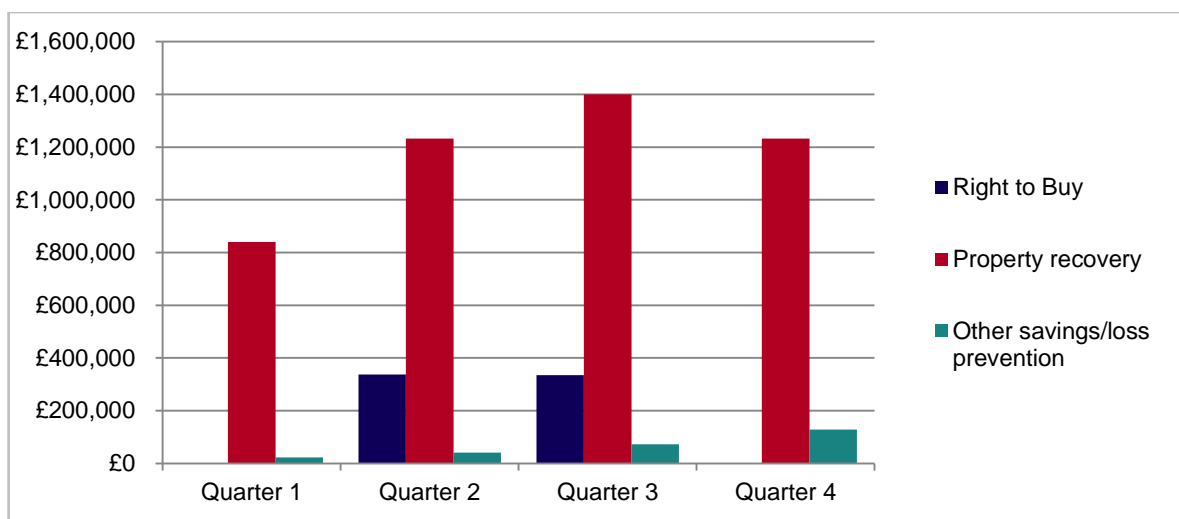
3.2.9   In 2022/23 the CFT continued to carry out verifications as part of the housing allocations process. As per **Table 2** below, 1377 housing cases were processed for verification These enhanced checks give assurance to management that housing applicants are genuine, entitled to be housed prior to allocation and highlight potential fraudulent applications for further investigation.

3.2.10 Of the **1377 housing verifications** carried out in 2022/23, the CFT identified **17% for rejection,** including the closure of **14 applications**. There are various reasons for a verification to be rejected or closed, and these include significant rent or Council Tax arrears, property ownership, no immigration status, or misrepresentation of circumstances. With a high demand for social housing assistance these checks continue to highlight their importance, as applicants may have been successful in obtaining a council property that they were not entitled to.

Table 2 ~ Housing Tenancy Verification Cases 2022/23

Housing Tenancy Verification Cases	Q1	Q2	Q3	Q4	Total
Total number of cases reviewed	424	304	291	358	**1377**
% Identified by CFT for rejection	17%	20%	20%	10%	**17%**
Total number of applications closed	**3**	**4**	**0**	**7**	**14**

3.3   Revenues

3.3.1   The CFT carries out **inspections of businesses and domestic properties in the borough**, Council Tax exemptions and discounts (such as SPD) and data matching work through the National Fraud Initiative (NFI), as well as maximising revenue through the identification of Beds in Sheds/Annexes. The work of the CFT aims to improve efficiency and increases productivity by applying proven effective visiting processes and investigative techniques to maximise revenue. This ensures that Business Rates and Council Tax are correctly applied to all properties, including business premises and new-build properties.

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3.3.2   Per **Table 3** below, outlines the performance of the Revenues Inspection function against the previous year. The CFT has slightly improved its performance against its KPI in providing an effective and efficient service. Though the volumes of inspections have decreased by 5%, the outcomes achieved have significantly increased due to a focused risk based approach prioritising income generation through the Revenues Maximisation project.

Table 3 ~ Revenues Inspections Performance 2022/23

Revenues Inspections	2022/23	2021/22	Improvement
Total number of inspections completed	**8,638**	9,138	-500 / - 5%
Percentage within 10 day target	**99%**	97%	+ 2%

3.3.3   The CFT continued to proactively identify Beds in Sheds within the borough and a **total of 49 unregistered dwellings** during the year have been added to the Council Tax list. These previously unlisted properties resulted in **loss prevention savings of c£69k**. The identification of Beds in Sheds will continue to be a priority for the CFT with further work planned for 2023/24.

3.4   Revenue Maximisation

3.4.1   The continued focus on areas of loss prevention within NNDR has proven to be highly successful. The team have maintained its activity in this area identifying unknown businesses for ratings or those businesses that should have an increased RV through its own proactive projects and working with suppliers. **This has led to billings being issued to businesses to the value of c£6m** with the Council retaining 15% under the business rates retention model. This area of work highlighted the benefits of utilising data and using investigative practices to support inspections.

3.4.2   With positive financial outcomes across 2021/22 and 2022/23, the CFT has obtained Cabinet Member report approval to engage with suppliers for an additional year. The HCF believes this partnership coupled with our own in-house work will lead to further positive outcomes in the new financial year.

3.5   National Fraud Initiative

3.5.1   The National Fraud Initiative (NFI) is a bi-annual data matching exercise overseen by the Cabinet Office. Referrals generated by the NFI from the 2022/23 exercise were released to local authorities late in Q4 of 2022/23.

3.5.2   An initial review of the information provided by the NFI has commenced two internal cases which remain under active investigation.

3.5.3   The NFI also produces an annual review of Council Tax Single Person Discount claims which are matched against Electoral Roll records which identified savings of **£11,548.20** during 2022/23. Matches for the new financial year were received during Q4 and are being reviewed.

3.5.4   The remaining matches from the NFI exercises will continue to be reviewed by service areas and the CFT Data Analytics Unit with results expected during 2023/24.

3.5.5   The CFT has been a leading member of the NFI backed **London Counter Fraud Hub (LCFH)** which aims to proactively identify instances of cross borough fraud and loss and to provide access to regularly updated data from other public sector bodies.

3.5.6   During 2022/23 the LCFH has provided fortnightly data matching between council tenancy records and death registration information. This has identified **nine properties** where the council was unaware of the death of the tenant and which has led to the properties being recovered and returned to use earlier and more efficiently that would otherwise be the case. This provides a notional financial saving of **£504,000.**

3.6   New Homes Bonus

3.6.1   During Q2 the CFT undertook a project to identify properties that had been classified as long-term empty but were found to be occupied. A large number of properties were initially listed as unoccupied. Following internal systems checks and intelligence gathering, unannounced visits were conducted to the properties where occupancy could not be determined from information held internally. As a result of the internal systems interrogation and the visiting programme, **130** properties were identified as occupied.

3.6.2   Following the conclusion of the project, the work conducted by the CFT led to a **£111k increase** to the provisional figure that was provided by the Local Government Council for the Consultation Budget relating to the New Homes Bonus Scheme. This area of work directly impacted the amount of grant money that would be allocated to the Council.

3.7   Blue Badge Fraud

3.7.1   Although the direct monetary value of Blue Badge fraud is relatively low, the reputational risk to the Council is significant. The CFT's commitment to protect some of the boroughs most vulnerable residents and visitors to the area has been achieved by conducting both proactive and reactive operations. These operations were orchestrated to identify instances of Blue Badge misuse and for those found to be abusing the scheme to be held to account.

3.7.2   In 2022/23 the CFT **undertook a total of 3 Blue Badge operations**. The first saw resources deployed in previously unexplored commuter locations, which targeted various train stations across the borough. The second was coordinated following concerns that were raised by residents to their Councillors over visitors to the area misusing Blue Badges. The operation took place during peak times and included a weekend to account for the increased likelihood of misuse within the parking management schemes at Ruislip Lido and surrounding residential area.

3.7.3   The third operation was a new initiative involving 18 other London Boroughs working collaboratively to participate in a **London wide Blue Badge Day of Action**. This action enabled all participating boroughs to ensure that genuine badge holders were able to access the disabled parking facilities on offer across London.

3.7.4   The results in this area of work for 2022/23 saw the CFT **inspect 69 Blue Badges, seized 5 expired badges and issue 6 financial penalties along with administering 6 simple cautions**.

3.8   Social Care

3.8.1   A focus for 2022/2023 has been for the CFT to build and maintain strong working relationships with key stakeholders within Social Care. This has enabled the team to further strengthen counter fraud activity across this essential service.

3.8.2   Since the introduction of the Financial Assessment (FA) verification process which was designed to highlight any instances of hidden capital or assets, the CFT has seen a **62% increase** in verification requests this financial year. **In total 666 requests have been received with 6 cases undergoing additional checks**.

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3.8.3   In addition, the CFT undertook a range of investigations into FA cases where applicants had misrepresented their circumstance and failed to disclose capital and assets. These investigations spanned across multiple fraud risks within Housing and Revenues, further demonstrating the CFT's effectiveness to manage frauds risks across services and minimise the Council's fraud losses. **In total, over c£148k of loss prevention savings were achieved as a direct result of these investigations and verification checks**.

3.8.4   With the CFT positioned across all main fraud risk within Social Care the team has seen positive results when identifying other areas of adult social care fraud, especially direct payments and assisting the Corporate Collections Team in recovering adult social care debt. With the increase in direct payments being used to assist service users to access care to meet their needs, fraud in this area can pose a considerable cost to the Council. During 2022/23 the CFT concluded an ongoing direct payment case and traced 3 debtors whose whereabouts was previously unknown. Loss prevention savings achieved across both areas was over **c£17k.**

3.8.5   To maximise loss prevention through effective counter fraud activity, the CFT undertook verification checks for all applicants who approached Social Care for Section 17 assistance. This proactive approach is a preventive fraud control to minimise the Council's exposure to fraud whilst providing a greater level of assurance that fraud risks are managed appropriately. As per **Table 4**, the team reviewed a total of 19 cases of which **9 cases were closed and 3 are undergoing additional checks. Work undertaken in this area has led to c£39k in loss prevention savings**.

Table 4 ~ Section 17 Verification Cases 2022/23

Section 17 Cases	Q1	Q2	Q3	Q4	2022/23
Total number of cases reviewed	5	2	5	6	18
Total number verified as accurate	1	0	3	2	6
Total number of cases undergoing further checks	1	0	0	2	3
Total number of cases closed	3	2	2	2	9
Loss Prevention Savings	**£13,128**	**£0**	**£0**	**£26,256**	**£39,384**

3.8.6   As part of counter fraud activity within Social Care, the CFT commenced the annual Section 17 project. The launch of this project enabled counter fraud officers to provide assurance that accommodation provided to destitute families was being lawfully occupied and for instance of non-occupation or subletting to be robustly investigated. This project saw counter fraud resources deployed to **all 34 placements, with 1 service user** currently under investigation due to non-occupation.

3.8.7   Throughout 2022/23 the CFT has continued to investigate cases in relation to **Disabled Facilities Grant (DFG).** The DFG scheme has strict eligibility criteria and is means tested to determine an applicant's contribution. In total the team **cancelled 1 DFG application,** following discrepancies found within financial statements. An explanation for these discrepancies was never provided and no further applications were made. **The financial savings in this area of work totalled £30,000**. 1 further case remains under investigation with the outcomes expected in 2023/24.

3.8.8 **Chart 6** below, summarises the loss prevention outcomes of the team for the work carried out within Social Care. Over the course of 2022/23 the CFT have continued to raise their profile within these services and engage positively with stakeholders, which has **delivered loss prevention savings of c£235k,** with most of these savings delivered in Q2.

Chart 6 - CFT Loss Prevention Outcomes in Social Care 2022/23
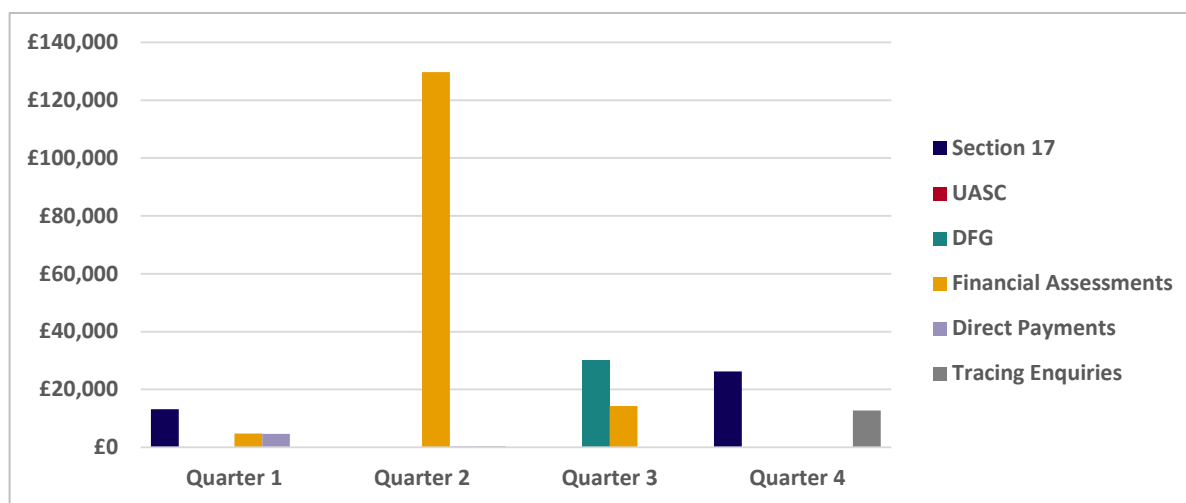
3.9 Onsite Immigration Officer (OSIO)

3.9.1 **Chart 7** below, summarises the outcomes for the work of the OSIO within 2022/23. This is based on prudent estimates of the costs of Council services that are linked to immigration issues where the OSIO has been able to directly assist with by providing Home Office information. The total value of the OSIO work for 2022/23 is prudently estimated at c**£233k**.

Chart 7 - OSIO Loss Prevention Outcomes 2022/23
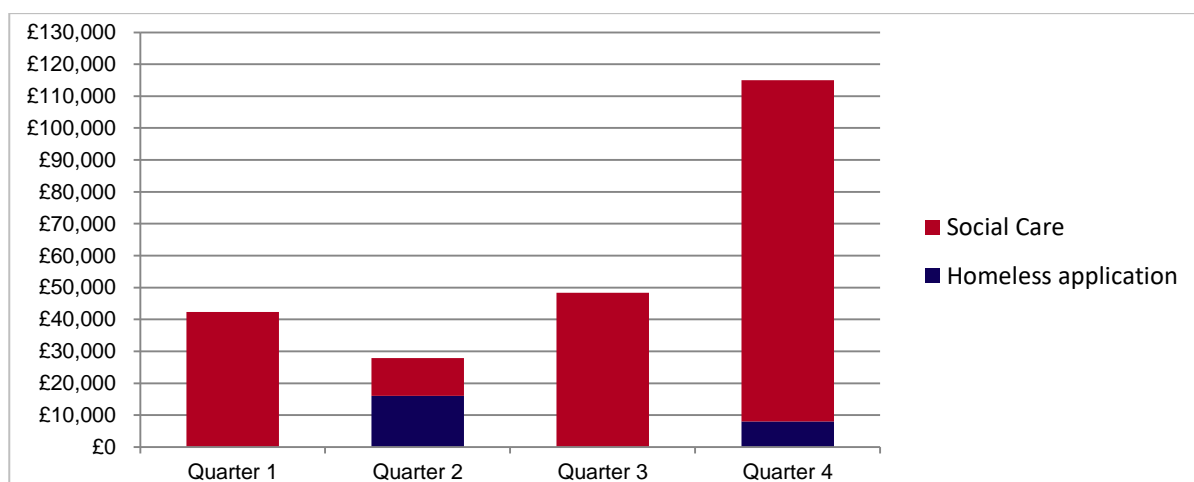
3.9.2 During the financial year the OSIO service has been interrupted due to sick leave and a change in officer. However, with a variety of workstreams feeding into the OSIO the HCF expects to see further positive outcomes in 23/24.

3.10 Fraud Awareness Campaign

3.10.1 The CFT continued to **embed an effective counter fraud culture** within the Council. A total of **11 Fraud Awareness sessions** were conducted both in person and virtually over the course of the year. Each presentation was tailored to incorporate the different fraud risks encountered by each service area. These sessions give officers the tools to spot and report fraud, whilst encouraging to champion a counter fraud culture organisation wide.

3.10.2 The Councils various social media platforms have been utilised by the CFT to raise awareness of the different types of fraud scams that had become prevalent over the course of the year, as well as fraud risks and team outcomes. Tweets and online posts were shared to encourage residents to report suspected instances of fraud. Examples of the CFT's media campaign can be found in **Appendix F**. There has been a notable correlation between the quality and quantity of referrals following on from the Fraud Awareness campaign.

4. ANALYSIS OF THE COUNTER FRAUD TEAM PERFORMANCE 2022/23

4.1 The CFT introduced a suite of KPIs in 2018/19 which were agreed and implemented in liaison with CMT and the Audit Committee. The KPI's allow effective measurement of performance and enable the team and the HCF to be better held to account by CMT and Audit Committee. The table at **Appendix B** sets out the performance by the CFT against the KPIs throughout 2023/23 by quarter and previous years.

4.2 As illustrated in **Appendix B**, performance against KPIs have remained consistent throughout the financial year. The team has also **achieved 8 of the 9 KPI targets** which is a considerable achievement with 2 KPI's targets increasing for 2022/23. The team's overall performance can be attributed to the management information available and the management team's engagement with staff around performance.

4.3 The table at **Appendix A** provides a detailed breakdown of the loss prevention performance of the Counter Fraud Team during 2022/23. The table highlights the **significant increase in Revenue's outcomes** since the introduction of the revenue's maximisation project and the increased number of properties recovered in housing.

4.4 During 2022/23 the CFT 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 2021/22. 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 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 which are present across most London Boroughs.

5. FORWARD LOOK 2023/24

5.1 Looking ahead to 2022/23, the CFT as part of the Council's Counter Fraud Strategy 2022-25 will continue to develop its risk based approach, focussing on the areas of highest fraud risk within services. Key to this is the continued engagement with service areas on fraud risk and controls to support and underpin the Council's "Fraud Universe" which steers the CFT Annual Operational Work Plan.

5.2 Moving ahead, there are a number of key priorities for the CFT. These include:

- Currently the CFT is operating with one vacancy and interim arrangements. The HCF will draft a **business case to restructure the service to create additional resources** to meet the increased risk in fraud. The proposal will be presented in Q1 2023/24 to SDB for approval;

- **Implementation of the Counter Fraud Annual Operational Work Plan 2023/24**, with a full and ongoing reassessment of the fraud risk profile of the Council to ensure the CFT adapts to any emerging risks;

- To continue to embed a counter fraud culture across the Council through a successful **programme of Fraud Awareness**, alongside engagement with key stakeholders regarding fraud issues internally and externally;

- Maintain performance with suppliers to identify businesses that are not listed for ratings through our **Revenues Maximisation Project**, to increase the NNDR collectable by the Council, using open source data and intelligence gathering;

- **Sustain the level of performance the team achieved in 2022/23 into 2023/24**,by focusing on our strategic objectives, KPI's and the financial loss prevention target by deploying a risk based approach to fraud;

- Continue to work closely with **Housing key stakeholders around the increased risk of fraud**, with the view to conduct further proactive and reactive counter fraud activity in this area; and

- **Undertake key activity in the CFT's transformation plan** to make efficiencies and improvements to the investigative function and workflow processes to maintain an effective service.

5.3   The CFT 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, CMT and the Audit Committee during 2022/23.

Alex Brown APCIP
Head of Counter Fraud
1st April 2023

APPENDIX A: CFT Loss Prevention Performance 2022/23

	Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4*	2022/23*
Housing	Right to Buy discounts	£0	£336,900	£335,100	£0	**£672,000**
	Property Recovery (notional savings)	£840,000	£1,232,000	£1,400,000	£1,232,000	**£4,704,000**
	Other savings/loss prevention	£22,491	£40,267	£72,481	£128,856	**£264,095**
Social Care	Section 17 and UASC*	£13,128	£0	£0	£26,256	**£39,384**
	Financial Assessments	£4,758	£129,749	£14,232	£0	**£148,739**
	Disabled Facilities Grants	£0	£30,000	£0	£0	**£30,000**
	Direct Payments & Tracing Enquiries	£4,369	£300	£0	£12,699	**£17,368**
Revenues	Single Person Discount	£5,697	£5,847	£8,410	£3,382	**£23,336**
	Council Tax Reduction & arrears	£6,910	£20,203	£15,830	£532	**£43,475**
	Unlisted Buildings	£35,995	£17,239	£10,988	£5,401	**£69,623**
	Housing Benefit Overpayments	£5,456	£82,224	£428	£1,397	**£89,505**
	NNDR**	£1,391,666	£2,680,774	£1,844,320	£121,162	**£6,037,922**
Blue Badge	Simple Caution & Financial Penalty	£100	£200	£300	£0	**£600**
Immigration Officer	Housing Homelessness Applications*	£0	£16,107	£8,053	£0	**£24,160**
	Social Care Savings	£42,335	£11,760	£48,367	£106,983	**£209,445**
Totals	Loss Prevention Savings	£72,644	£565,084	£478,235	£274,794	**£1,390,756**
	Notional Savings	£2,028,372	£3,592,883	£2,968,100	£1,335,355	**£9,924,710**
	Cashable Savings	£271,789	£445,407	£311,877	£25,473	**£1,054,546**
	Costs awarded and penalties	£100	£200	£300	£0	**£600**
	Total	**£2,372,905**	**£4,603,574**	**£3,758,512**	**£1,635,622**	**£12,370,614**

* Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's Business Performance Team.

** NNDR operates under a business rates retention model with the Council keeping 15% of income.

APPENDIX B: KPIs and Actual Performance 2022/23

CFT KPIs	Target	Q1	Q2	Q3	Q4	22/23	21/22
1. Percentage of fraud referrals risk assessed within 3 working days	**95%**	99%	99%	95%	100%	99%	99%
2. Verification work timescales for completion:							
a. Housing Allocations completion within the target date set by Housing	**95%**	99%	99%	99%	100%	**99%**	99%
b. Right to Buy case completion within 28 working days	**95%**	100%	100%	100%	100%	**100%**	100%
c. Financial Assessments completion within 7 working days	**95%**	100%	100%	100%	100%	**100%**	**N/A***
d. Section 17 reviews completion within 7 working days	**95%**	100%	100%	100%	100%	**100%**	**N/A***
3. Investigation plan completion within 5 working days of case allocation	**95%**	100%	100%	99%	100%	**99%**	99%
4. Tenancy fraud referrals received resulting in property recovery	**30%**	35%	36%	51%	41%	**40%**	33%
5. Investigations resulting in loss prevention/financial saving outcome	**40%**	41%	41%	46%	29%	**39%**	55%
6. Revenue inspections completed within 10 working days of referral date	**95%**	99%	99%	99%	**99%**	**99%**	97%

N/A* = New KPI that has been introduced in the Counter Fraud Strategy for 2022 – 2025.

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APPENDIX C: Proactive Counter Fraud Projects 2022/23

Proactive Project & Rationale	Project Outcomes
Temporary Accommodation Residency - Q1 The CFT carried out unannounced residency checks on all service users residing in Temporary Accommodation properties. The purpose of the project was to identify any sub-letting of accommodation, instances of non-occupation, as well as verifying those that had applied for social housing and ensuring that they were still eligible.	• Number of properties visited - **225** • Number of properties verified - **216** • Properties Recovered - **6** • Investigations continuing - **3** • Financial Savings - **£336,496**
Section 17 Residency – Q2 The CFT 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.	• Number of cases reviewed - **34** • Number of cases validated - **33** • Cases recommended to cease funding - **1** • Loss prevention through terminating funding - **£13,128**
Blue Badge Q1 & Q2 The CFT conducted a total of three proactive Blue Badge operations at commuter locations, which targeted various train stations across the borough and within the parking management schemes at Ruislip Lido and surrounding residential area. Checks were carried out on all badges that were displayed, to ensure that the eligible holder was present. The operations included seizing expired badges, which removes them out of circulation from potential misuse in the future.	• Number of badges checked - **69** • Number of badges seized - **5** • Number of fraudulent uses of badges - **6**
Empty Properties New Homes Bonus - Q2 The New Homes Bonus (NHB) is a grant paid by central government to local councils to incentivise housing growth in local areas. The CFT worked alongside colleagues within Exchequer Services, to identify properties that were recorded as empty but were in occupation, counting towards the NHB. CFT completed desk-top enquiries and information gathering along with unannounced visits to properties where checks indicated that a visit was required.	As a result of this work, the Council's provisional NHB grant figure has been calculated at an increase of c£111k compared to the figure detailed in the Consultation budget presented to Cabinet in December 2022. 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.
Beds in Sheds - Q2 and ongoing '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. The CFT carried out unannounced visits to properties that were highlighted via referrals and intelligence checks.	• Number identified for bringing into Council Tax - **49** • Investigations continuing - **5** • Income generation - **£69,624.60**

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National Fraud Initiative (NFI) - Ongoing The National Fraud Initiative (NFI) main exercise is a bi-annual data match against numerous public and private sector data sources. The National Fraud Initiative (NFI) Recheck is an annual data match where SPD data is matched against the Electoral Roll.	• **£11,548.20** Savings from Single Person Discount matching
London Counter Fraud Hub - Ongoing The London Counter Fraud Hub is designed to bring London Boroughs together, sharing data to identify cases of fraud, loss or error. The first in house data matching exercise using the LCFH, matched tenancy records against the death register. This highlights any properties that the Council are unaware that the tenant has passed away.	• Number of properties returned - **9** • Financial Savings - **£504,000**
Outstanding Gas Safety Inspections – Q4 Working collaboratively with internal departments, the CFT conducted unannounced visits to all social housing properties that were overdue a gas safety check of 12 months or longer. The purpose of this project was to reduce the number of properties that were overdue a gas safety inspection, whilst also identifying potential cases of non-occupation or subletting.	• Number of properties visited -**79** • Number of gas inspections completed - **55** • Properties Recovered - **5** • Financial Savings - **£280,000** • Legal costs savings - **£32k** • Investigations continuing - **12**
B&B Emergency Accommodation - Q4 The CFT carried out a project conducting unannounced residency checks for all clients residing in Bed and Breakfast emergency accommodation. The objective of this project was to verify that the accommodation provided was being occupied and to also identify cases of subletting, non-occupation, or misrepresentation of circumstances.	• Number of clients visited - **449** • Number of clients verified - **387** • Accommodation Recovered - **24** • Investigations continuing - **12**

APPENDIX D: Counter Fraud Benchmarking 2021/22

London Borough	Council Properties Returned	RTB Cancelled	Housing Applications Closed	Council Tax & CTRS	Blue Badge Outcomes*	Social Care
Barking & Dagenham	6					
Barnet	14	15	6		1	
Bexley	1		12		1	
Brent	27			£33,955	12	
Bromley					30	
Camden	50	7			24	
City of London	7		4	£2,663		
Croydon	19	3	14		7	
Ealing	8		10	£67,214		
Enfield	48	8	8	£19,345		
Greenwich	27				1	£16,179
Hackney	34	3	5			
Hammersmith & Fulham	22	4				
Haringey	28	52				
Harrow	2	9	1	£21,492		
Havering	6	2				
Hillingdon	**42**	**3**	**16**	**£133,591**	**11**	**£192,933**
Hounslow	6	4	2	£2,380	2	
Islington						
Kensington & Chelsea	18	2	50		36	
Kingston	3	6	40		5	
Lambeth	91	5		£13,921	178	£240,000
Lewisham	3		4	£8,500	1	
Merton	4	5				
Newham	8	6	10			
Redbridge	5			£2,000		
Richmond	9	1	96		2	
Southwark		5	15			
Sutton	9	1	1		1	
Tower Hamlets	35	4				
Waltham Forest	35	11	5	£23,700	15	
Wandsworth	35	4	160			
Westminster (City of)	26	2	17			

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 excludes seized badges.

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APPENDIX E: Glossary of Terms

Beds in Sheds
'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 the Valuation Office Agency (VOA).

Blue Badge
A Blue Badge provides parking concessions and helps people with **non-visible and visible disabilities or health conditions** park closer to their destination. The Blue Badge enables holders to park in designated disabled person's parking bays either on the public highway or privately owned car parks. In addition, badge holders can park on single or double yellow lines for up to 3 hours.

Direct Payments
The Council are responsible for administering direct payments to service users who have been assessed as needing care and support services. The payments are made to allow applicants to access care to meet their social care needs, such as support with living tasks and social activities.

Disabled Facility Grant
The council offers a range of financial support schemes for people with disabilities, such as the Disabled Facilities Grant (DFG). The DFG is a means tested scheme that allows eligible applicants to receive financial support to make adaptations to their home, if they, or someone living at the property is disabled.

Financial Assessments
The Council is under a financial and legal obligation to carry out this means tested assessment for each service user. The Financial Assessment (FA) identifies whether the applicant(s) is eligible to receive funding towards their care costs.

Fraud Hub (LCFH)
Utilising the existing Cabinet Office infrastructure and systems, most London based local authorities have agreed to upload internally held data sets for proactive data matching exercises. These regularly agreed upon exercises will lead to the identification of possible fraud, loss or error.

National Fraud Initiative
The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Government Cabinet Office and conducted every 2 years. There is also an annual review of claimants in receipt of Single Persons discount data that is matched against the Electoral Roll data. 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.

New Homes Bonus
The New Homes Bonus (NHB) is a grant that is paid by central government to incentivise local housing growth.

Onsite Immigration Enforcement Official
The Onsite Immigration Enforcement Official (OSIO) provides 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.

Right to Buy
The Right to Buy (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.

Revenues Maximisation
The use of internally held data and the utilisation of external data partners to identify previously unlisted commercial and domestic properties, along with identifying commercial properties that have undertaken modifications or improvements that would result in the revaluation of its Rateable Value (RV). Commercial entities are under no obligation to inform Council Tax as to when they have started trading or if their RV needs to be recalculated. The Council will only retain 15% of the identified rates.

Section 17
The CFT provides assurance and mitigates the risk of fraud within Children's Social Care, in particular the allocation of emergency accommodation provided under Section 17 of the Children's Act 1989. The verification process seeks to validate a family's reason for approach as well as their financial circumstances, as applicants claim to be destitute and requiring accommodation and or financial support. The CFT conducts verification checks on all applicants approaching the Council.

Small business Rates Relief
The Small Business Rates Relief (SBRR) scheme is designed to reduce the amount of business rates payable by small businesses. This reduction is available to ratepayers who occupy a property with a rateable value of no more than £15,000.

Unaccompanied Asylum-Seeking Children
Unaccompanied Asylum-Seeking Children (UASC) are children and young people who are seeking asylum in the UK but have been separated from their parents or carers. Whilst their asylum claim is processed, they are cared for by the Council and provided with accommodation and or financial support.

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APPENDIX F: Social Media Campaigns

Council homes returned following a six-week long campaign

A six-week campaign to tackle tenancy fraud has helped recover three council properties, saving the council more than £55,000 as well as helping house families in genuine need of a home.

Between Monday 8 November and Friday 17 December, the council's business assurance counter fraud team ran a key amnesty to reclaim social housing being used illegally. This was an opportunity for anyone to hand in the keys to a council property with no questions asked or fear of any further legal action relating to tenancy fraud.

Tenancy fraud costs councils hundreds and thousands of pounds each year and denies residents access to suitable accommodation. Over the past year, the council has recovered 41 council properties which have then been relet to residents in genuine need.

Examples of tenancy fraud include illegal subletting, wrongful succession, a fraudulent 'right to buy'

application, lying about a tenancy agreement or housing application, or not disclosing a change of circumstances.

The three properties returned during the amnesty each had two bedrooms. Two-bedroom emergency accommodation costs the council an average of £18,552.95 a year. The three returned properties means that the council will save £55,568.85 in emergency accommodation costs.

Cllr Martin Goddard, Cabinet Member for Finance, said: "This is the first time we've held a key amnesty to tackle tenancy fraud and I am pleased that it has allowed us to quickly reclaim council homes so desperately needed by people and families on our waiting list."

If you suspect tenancy fraud is taking place, report it online at *www.hillingdon. gov.uk/reporting-fraud-or-corruption*, call 0800 389 8313 (Monday to Friday 9am to 5pm) or email *fraud@hillingdon.gov.uk.*

Hillingdon Council @Hillingdon · Nov 13, 2022 ···

Help us to stamp out fraud! If you suspect that someone is committing fraud against the council, you can report it directly to us. Report fraud in confidence at buff.ly/3DsZBOk or call 0800 389 8313 #FraudAwarenessWeek.

Promote

Hillingdon Council @Hillingdon · Nov 14, 2022 ···

Fraud is a serious crime that can have a devastating impact on victims. The most common types of frauds include the illegal subletting a council house, bogus benefit applications and the misuse of Blue Badges. Report fraud at or call 0800 389 8313 #FraudAwarenessWeek.

Promote

Hillingdon Council @Hillingdon · Nov 16, 2022 ···

Report suspicious emails by forwarding them to report@phishing.gov.uk. Your reports help to protect the public against fraud and cyber crime. As of May 2022, over 83,000 scams and 153,000 malicious websites have been removed. #FraudAwarenessWeek

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Hillingdon Council @Hillingdon · Nov 15, 2022 ···

Misuse of disabled parking badges stop our most vulnerable residents, with legitimate disabilities, parking closer to their destination. If you suspect someone is misusing a badge you can report it at buff.ly/3DsZBOk or call 0800 389 8313 #FraudAwarenessWeek.

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Stamping out tenancy fraud

The council's counter fraud team, working closely with housing services, investigates hundreds of claims of tenancy fraud across the borough and in the last year alone, the team has recovered 62 council properties which have now been relet to residents in genuine need.

The council takes tenancy fraud seriously, not only because it's the unlawful occupation of council housing, which carries a sentence of up to two years in jail or an unlimited fine, but also because it deprives legitimate applicants of a home, and results in them staying in costly temporary accommodation.

Tenancy fraud occurs when a tenant provides false information to gain a property, sublets the property to someone else, doesn't declare a change of circumstances or does not use the property as their only or main home.

Cllr Martin Goddard, Cabinet Member for Finance, said: "Tenancy fraud costs councils hundreds of thousands of pounds each year and denies eligible residents access to suitable accommodation.

"We will follow up all reports of alleged tenancy fraud and if we have strong evidence that someone has committed tenancy fraud, we will take steps to recover the property."

If you suspect tenancy fraud is taking place, report it online at *www. hillingdon.gov.uk/report-fraud*, by calling 0800 389 8313 (Monday to Friday 9am to 5pm), by emailing *fraud@hillingdon.gov.uk* or sending a letter to the Counter Fraud Manager, 2N, Civic Centre, High Street, Uxbridge, UB8 1UW.

London-wide day of action on Blue Badge fraudsters

Officers from the council's counter fraud and parking services teams were out on the streets of Uxbridge in May on the lookout for instances of Blue Badge parking permit misuse, counterfeit and copied badges.

It was all part of the Blue Badge Day of Action, a coordinated joint patrol of streets, involving 18 boroughs across London, to identify cases where the concessionary parking permits have been used fraudulently.

A total of 53 blue badges were inspected on the patrol, five of which had already expired. Four other badges were being used by someone who wasn't the registered holder. Those drivers were cautioned and could now receive fixed penalty fines of £100 or even face prosecution.

Blue badges provide parking concessions for people with severe mobility problems, as well as people with less visible conditions, such as learning disabilities and mental health conditions.

The scheme is open to eligible people irrespective of whether they are travelling as a driver or as a passenger and it helps badge holders park closer to their destination.

They are intended only to be used by the holder and misusing a badge has implications for everyone because it means there are fewer accessible parking spaces for people who need them most.

Cllr Martin Goddard, Cabinet Member for Finance, said: "Although most blue badge holders abide by the rules, this day of action should serve as a reminder that the council will not tolerate misuse.

"If you suspect a case of Blue Badge fraud, you can report it to the council by calling 0800 389 8313 (Monday to Friday 9am to 5pm) or emailing *fraud@hillingdon.gov.uk*."

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WORK PROGRAMME 2023/24

Committee name	Audit Committee

Officer reporting	Ryan Dell, Democratic Services

Papers with report	None

Ward	All

HEADLINES

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

RECOMMENDATIONS

That the Audit Committee:

1. **Confirms the dates for Audit Committee meetings; and**

2. **Makes suggestions for future agenda items, working practices and/ or reviews.**

SUPPORTING INFORMATION

The meeting on 22 November 2023 will start at 17:10.

Meetings	Room
22 November 2023	CR5
12 February 2024	CR5
30 April 2024	CR5

Meeting Date	Item	Lead Officer
22 November 2023	**Private meeting with Head of Internal Audit 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 2023/24 (incl. the Quarter 3 2023/24 Internal Audit Plan)	Head of Internal Audit
	2023/24 Q2 Corporate Risk Register	Internal Audit Manager
	Counter Fraud Progress Report Quarter 2 2023/24	Head of Counter Fraud
	Forward Programme	Democratic Services

Meeting Date	Item	Lead Officer
12 February 2024	**Private meeting with Corporate Director of Finance	
	EY Grant Certification	Corporate Director of Finance/ Ernst & Young
	Internal Audit Progress Report Quarter 3 2023/24 (incl. the Quarter 4 2024/25 Internal Audit Plan)	Head of Internal Audit and Risk Assurance
	Counter Fraud Progress Report Quarter 3 2023/24	Head of Counter Fraud
	Internal Audit Charter	Head of Internal Audit
	2023/24 Q3 Corporate Risk Register	Internal Audit Manager
	Forward Programme	Democratic Services

Meeting Date	Item	Lead Officer
30 April 2024	**Private meeting with Ernst & Young to take place before the meeting	
	2022/23 External Audit Plan.	Corporate Director of Finance/ Ernst & Young
	EY 2021/22 Auditor's Annual Report and Grant Certification	Corporate Director of Finance/ Ernst & Young
	Internal Audit Progress Report Quarter 4 2023/24 (incl. the Quarter 1 2024/25 Internal Audit Plan)	Head of Internal Audit
	Internal Audit Plan 2023/24	Head of Internal Audit
	Internal Audit Charter	Head of Internal Audit
	2023/24 Q4 Corporate Risk Register	Internal Audit Manager
	Counter Fraud Progress Report Quarter 4 2023/24	Head of Counter Fraud
	Forward Programme	Democratic Services

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