

Minutes

Audit Committee

Wednesday, 22 November 2023
Meeting held at Committee Room 5 - Civic Centre



	<p>Committee Members Present: John Chesshire (Chair), Councillors Reeta Chamdal (Vice-Chair), Nick Denys, Henry Higgins, June Nelson, and Tony Burles</p> <p>Officers Present: Andy Evans – Corporate Director of Finance, James Lake – Director - Pensions, Treasury and Statutory Accounts, Claire Baker – Head of Internal Audit and Risk Assurance, Tony Zaman – Chief Executive Officer, and Ryan Dell – Democratic Services Officer</p> <p>Also Present: Steven Reed, Ernst & Young, and Debbie Hamilton, Ernst & Young</p>
67.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>No apologies were received from Members.</p> <p>Officers noted apologies from the Head of Counter Fraud.</p> <p>(Apologies had been received prior to the meeting from the Internal Audit Manager).</p>
68.	<p>DECLARATIONS OF INTEREST (<i>Agenda Item 2</i>)</p> <p>None.</p>
69.	<p>TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 3</i>)</p> <p>It was confirmed that all items would be considered in public.</p>
70.	<p>MINUTES OF THE MEETING HELD ON 08 AUGUST 2023 (<i>Agenda Item 4</i>)</p> <p>The Chair noted that on page seven, the minutes read “... <i>the Committee conformed with the standards.</i>” This should have read “... <i>the Internal Audit team conformed with the standards.</i>”</p> <p>The Chair noted that on page eleven, the minutes read “<i>The Onsite Immigration</i></p>

Officer (OSIO) had identified £233,000 in savings". This should have stated that it was the presence of the Immigration Officer which led to that volume of savings.

Councillor Nelson advised that she had sent apologies for this meeting but they were not recorded.

RESOVLED: That the minutes of the meeting held on 08 August 2023 be approved as a correct record, subject to the above amendments

71. **EY EXTERNAL AUDIT UPDATE AND 2022/23 PENSION FUND AUDIT PLAN**
(Agenda Item 5)

Officers noted the completion of the 2021/2022 statement of accounts audit by EY under delegated authority. The Vice-Chair and officers had a thorough meeting with EY to review the audit results and agreed on the final sign-off, which was now brought to the Committee for formal ratification.

Additionally, the completion of the 2021/2022 accounts allowed the production of the draft 2022/2023 accounts, which were published on the council website. However, due to the state of local authority audits nationwide, there was a delay in the audit process, and a government consultation was ongoing regarding how to proceed.

Officers highlighted completed audit activities for 2021/2022, such as housing benefit assurance process, teachers' pension, and capital receipts pooling, with no adverse findings to report to the Audit Committee. Officers noted an increase of £60,000 in variation fees for 2021/2022 and the consultation by the Public Sector Audit Appointments body (PSAA) proposing a significant fee rise for 2023/2024 audits.

EY then provided context on the challenges in the public audit market, citing delays in completing audits across local governments in England. There was a complex set of circumstances around system leadership, resources and capacity. To address these delays, the former Minister with responsibility for local government appeared at Parliament's Levelling Up Committee in July and issued a cross statement letter which set out a number of areas and over the summer there would be ongoing consultation between stakeholders to address these delays, but no firm guidance had been provided yet from either the Financial Reporting Council (FRC) or the department. The focus was on completing pension fund audits and value-for-money reporting. The third area was around focusing on audits that were just about to be finished but could not previously be finished due to national technical issues. The guidance was awaited before any decisions were made on 2022/2023 audits and whether it would be a sensible position to progress with them bearing in mind that one of the announcements within the ministerial statement was that where audits are not completed by 31 March 2024, they would automatically move to a type of disclaimed opinion rather than the audits continuing without a finite date. Until this guidance was received, it did not seem appropriate to commence the 2022/2023 audit because at the current time if that back stop date remained then it was unlikely that EY would get through the whole audit and Hillingdon would have to pay for the work that was completed but with no result or completion of the process.

EY presented the Pension Fund audit plan for 2022/2023, identifying key risks and

changes. IAS26 disclosures were a higher area of inherent risk. There was a specific risk around the valuation of more complex level three investments which were harder to value.

There had been a minor change in the approach to auditing for two reasons: the first was that there was some testing on triennial membership numbers; the second was that EY would normally leverage some assurance from work on the Council's net liability, which they had not audited this year.

There would remain a focus on going concern because of the greater level of volatility and uncertainty as well as auditing standards.

Another change had been the introduction of IAS315 as a new standard that applied to audits for 2022/2023.

Members asked about the potential future c£400,000 fee for the Council and asked if this was in line with similar sized private sector organisations. Officers explained that previous years had been excessively low and that if the cost had gone up in line with general increases, then this would be the expected figure.

Members asked about whether the fee paid would affect the timeliness of the audit being completed. EY noted the delays in the public audit market and the complex set of circumstances. EY also noted that the new fee reflected the degree to which the previous fee that had been set so low and that this had been a market reset. There was no difference between the work that an auditor would do for a private company than for a local authority. The quality of the work was similar, although the work for a local authority may be more complex. The increased cost also reflected the need for auditors to be fairly remunerated for the complexity of work required. Auditors had no control over the regulators/ the Financial Reporting Council or any new regulations that they put in place or changes in auditing standards.

On why the Council went with the PSAA approach, officers noted that there was a competitive process in terms of bidding to do local government audits. Assurances were given that the PSAA had been challenged robustly on this. Fee increases were a result of underfunding over the past few years and there were only a few audit firms available to carry out the work.

The Chair noted the benefit of retaining the same external auditors.

Members asked for clarity on the disclaimed opinion. EY noted that a disclaimed opinion was one type of modified opinion. Traditionally external auditors would express an opinion that confirmed that the financial statements were true and fair. Another type of modified opinion would be a limitation of scope whereby the external auditor could express a true and fair opinion except for a couple of specific areas. A disclaimed opinion is where the auditor cannot express an opinion because they do not have the evidence to support any opinion.

Given that it was currently six-seven weeks into the pension fund audit plan, the Chair asked if things were going as they should be. EY noted that they were making good progress and were aiming to conclude by the end of December with the aim of

bringing a draft audit results report to Committee in February 2024.

The Chair noted that the Committee were happy to ratify the accounts and noted the other recommendations.

RESOLVED: That the Audit Committee:

- 1. Ratified the completion of the 2021/2022 external audit Statement of Accounts, including the Auditor's Annual Report and Value for Money statement, which were approved under delegated authority on 28 September 2023;**
- 2. Noted the completion of all 2021/2022 certification requirements;**
- 3. Noted the 2022/2023 Pension Fund Audit Plan;**
- 4. Noted the EY verbal update on 2022/2023 Council Audit;**
- 5. Noted progress on 2022/2023 certification of the Housing Benefit Assurance Process and Teacher's Pension; and**
- 6. Noted the proposed Audit Fees**

72. INTERNAL AUDIT PROGRESS REPORT 2023-24 Q2 (Agenda Item 6)

The Head of Internal Audit presented the report, noting that since the last Audit Committee meeting, ten assurance reviews had reached the final report stage. These reviews were detailed in the summary table on page six (page 63 of the document). Out of these ten, three were substantial assurance, four were reasonable assurance, and three were limited assurance. The three limited assurance reports pertained to:

- The trading standards proceeds of crime act report. No significant issues had come out of this. Concerns were raised about oversight and consistency in record-keeping, however a new Head of Service was appointed at the time of the audit and positive actions were already being taken.
- The risk management report which highlighted ongoing positive risk management strategies, actively addressing known areas of improvement. This was an independent review by the external provider, Mazars, aligned with the organisation's transformation program focus on risk management.
- An audit concerning workforce planning, establishment control, and recruitment. There were a lot of findings related to having an overarching workforce strategy/ workforce plan. This again was a known area and was being addressed and should be addressed by the end of this year.

Officers emphasized the flexibility of the internal audit plan, adapting it as new risks emerged or as other sources of assurance became available. Additional reviews had commenced since the report's publication, including an examination of pool cars and various consultancy reviews, outlined in Appendix C of the report.

The follow-up on management actions had been extended, offering more comprehensive information compared to the previous Audit Committee meeting. 43 actions had been verified, and ten reports had been closed as all actions were completed. Where actions were marked as being overdue, new dates were being set. Some delays were due to the action's incorporation into larger projects or changes in responsible officers. Efforts to align with new responsible officers for better understanding were emphasized.

Members asked about any risk regarding trading standards records not being completed and stored appropriately. Officers clarified that it was not that they were not stored appropriately, but around consistency. There were two financial investigators and they had separate portfolios and were stored separately. So, this was around making sure that there was some consistency between the two to improve access in case of absence.

The Chair asked about changes to the plan, and where there were significant changes, did these have to be agreed/ approved again by the Committee, or simply noted. Officers noted that this would usually be for noting, unless for example if there were vastly significant changes such as cutting out a full Quarter from the plan.

Members suggested putting a key into the tables of information within the report. Officers agreed to provide a clearer key for better interpretation of the numeric representations.

The Chair raised a query about the Cemeteries and IR35 management actions. Officers noted that these were in part due to a change of responsible officer.

On 'Planning Enforcement', officers noted that there were two high findings and seven medium recommendations. All of these had now been closed.

On the 'Birth Registration Service', this was noted to have a new date of November 2024. Members asked if this was exceptionally long in audit terms. Officers noted that dates were pushed back to ensure they were realistic, especially if they related to a larger transformational project.

Members asked for some elaboration on 'Procurement – Contract Compliance Management' having a new date of June 2024. This related to the Oracle project and around changing processes with the move to the Oracle system which was due to come in in April.

On Internal Audit Reviews on page 63 of the agenda, officers noted that the reference numbers included a note to which Directorate the reviews related to.

Officers confirmed they were now fully staffed for handling current audits and confirmed that the audit plan's flexibility was normal practice.

Finally, the Committee expressed appreciation for the progress shown in key performance indicators (KPIs) and encouraged the team to continue their effective work.

	<p>RESOLVED: That the Audit Committee noted the IA progress since the last Committee meeting</p>
73.	<p>23-24 Q2 CORPORATE RISK REGISTER (<i>Agenda Item 7</i>)</p> <p>Officers introduced the first draft of a new risk report, part of their ongoing transformation work. They aimed to transition from merely presenting a risk register at a specific point in time to assessing how effectively officers managed risks within their respective areas. This approach intended to identify trends and proactive risk management strategies.</p> <p>Officers explained that a comprehensive corporate risk register was not provided for two primary reasons. Firstly, the Council had shifted to a centralized Excel register, which contained a substantial amount of data, making it challenging to present in a readable format. Secondly, efforts were underway to ensure the corporate risk register aligned with operational-level risk recording and escalation processes, ensuring significant risks from various areas were escalated effectively. This meant that the centralized risk register was very much an operational tool, continually being updated and to be a useful tool.</p> <p>The focus was on developing a strategic framework aligning corporate risks with the Council's strategic objectives. While plans to unveil this framework were underway, challenges with formatting and the need for additional time to ensure its usefulness were highlighted. This may be brought to the next Audit Committee.</p> <p>Officers emphasized the inclusion of key performance indicators (KPIs) in the report and invited suggestions for incorporating more useful information. The report highlighted significant changes in Q2, including the migration to a centralized risk register in Excel, re-allocation of risks due to internal service movements, and the ongoing refreshment of register content. The report indicated a substantial change in the corporate risk register, with six risks removed and ten added, some of which were still under evaluation and likely to undergo further modifications. The new system was hoped to be implemented by the next Audit Committee.</p> <p>It was noted that specific high-risk areas such as meeting housing needs and fraud had lots of different aspects to them.</p> <p>The Committee acknowledged that these issues were part of broader systemic challenges rather than isolated to Hillingdon.</p> <p>Members appreciated the report's structure and visual representation, suggesting it would help identify areas that needed more attention or improvement.</p> <p>Overall, the Committee acknowledged the work in progress, highlighting the need to track improvements. Members appreciated the efforts towards enhancing the risk management framework.</p> <p>RESOLVED: That the Audit Committee noted the Risk Management Report and progress to improve the risk management arrangements</p>

74.	<p>COUNTER FRAUD PROGRESS REPORT 23-24 Q2 (<i>Agenda Item 8</i>)</p> <p>There had been a lot of activity across a variety of risks which had led to further savings of £1.7M, bringing the year-to-date total to approximately £3.5M.</p> <p>Housing remained a focal point with 21 properties recovered due to tenancy fraud, totalling 48 properties recovered for the year. A proactive B&B residency check project had led to the investigation and closure of 15 cases, primarily due to non-occupancy, resulting in savings exceeding £134,000. The team had diligently worked through the national fraud initiative data, cancelling numerous single person discounts valued at £70,000.</p> <p>Collaborating closely with the housing department, the management team conducted training for over 90 staff members on interview skills and techniques, aiming to support and enhance the capabilities of frontline staff. Additionally, after a successful recruitment campaign, it was confirmed that all positions within the team were filled, as of 04 December. An updated structure chart was provided in Appendix D of the report, fulfilling the request from the previous Audit Committee meeting.</p> <p>The Counter Fraud team had been nominated for the Public Finance Awards and was shortlisted in the category of outstanding fraud prevention, detection, and recovery for their achievements during 2022-2023. The awards ceremony was scheduled for the following week, and the Committee wished the team luck.</p> <p>The Committee congratulated the team for the nomination, highlighting the achievement as well-deserved.</p> <p>Members expressed their appreciation for the well-drafted and informative report, acknowledging the team's sustained performance. Overall, the Committee commended the Counter Fraud team for their work.</p> <p>RESOLVED: That the Audit Committee:</p> <ol style="list-style-type: none"> 1. Noted the Counter Fraud Progress Report for 2023/24 Quarter 2; and 2. Suggested any comments/ amendments
75.	<p>WORK PROGRAMME (<i>Agenda Item 9</i>)</p> <p>Officers asked that Members, if they had not already done so, complete and return the Skills Matrix, which would be used to compile Member training for 2023-2024.</p> <p>Members suggested that it would be beneficial if future pre-meets could be added to Members' calendars.</p> <p>RESOLVED: That the Audit Committee:</p> <ol style="list-style-type: none"> 1. Confirmed the dates for Audit Committee meetings; and 2. Made suggestions for future agenda items, working practices and/ or

	reviews
	The meeting, which commenced at 5.10 pm, closed at 6.10 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.

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