



HILLINGDON
LONDON



Audit Committee

Members of the Committee

John Chesshire (Chairman)
Councillor Reeta Chamdal (Vice-Chairman)
Councillor Tony Burles
Councillor Nick Denys
Councillor Henry Higgins
Councillor June Nelson

Date: WEDNESDAY, 22
NOVEMBER 2023

Time: 5.10 PM

Venue: COMMITTEE ROOM 5 -
CIVIC CENTRE

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

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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 I

- 1** Apologies for absence
- 2** Declarations of interest
- 3** 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
- 4** Minutes of the Meeting held on 08 August 2023 1 - 14
- 5** EY External Audit update and 2022/23 Pension Fund Audit Plan 15 - 56
- 6** Internal Audit Progress Report 2023-2024 Q2 57 - 70
- 7** Risk Management Report 2023-2024 Q2 71 - 78
- 8** Counter Fraud Progress Report 2023-2024 Q2 79 - 94
- 9** Work Programme 95 - 96

Minutes

AUDIT COMMITTEE

08 August 2023



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

	<p>Committee Members Present: John Chesshire (Chairman), Councillors Reeta Chamdal, Kishan Bhatt, Henry Higgins, and Tony Burles</p> <p>Officers Present: Tony Zaman – Chief Executive, Andy Evans – Corporate Director of Finance, James Lake – Director - Pensions, Treasury and Statutory Accounts, Claire Baker – Head of Internal Audit and Risk Assurance, Stephanie Rao – Internal Audit Manager, Alex Brown – Head of Counter Fraud, Jack Francis-Kent – Senior Internal Auditor, Niti Joshi – Deputy Principal Lawyer, Dan Kennedy – Corporate Director of Central Services, and Liz Penny – Democratic Services Officer</p> <p>Also Present: Helen Thompson, Ernst & Young, and Larisa Midoni, Ernst & Young</p>
51.	<p>APPOINTMENT OF CHAIRMAN (<i>Agenda Item 1</i>)</p> <p>The Democratic Services Officer opened the meeting by asking if there were any nominations for Chairman. John Chesshire was nominated and seconded as Chairman. No other nominations were received.</p> <p>RESOLVED: That the Audit Committee appointed Mr John Chesshire as Chairman of the Audit Committee for the 2023-24 municipal year.</p>
52.	<p>APPOINTMENT OF VICE-CHAIRMAN (<i>Agenda Item 2</i>)</p> <p>The Chairman asked if there were any nominations for Vice-Chairman. Councillor Reeta Chamdal was nominated and seconded as Vice-Chairman. No other nominations were received.</p> <p>RESOLVED: That the Audit Committee appointed Councillor Reeta Chamdal as Vice-Chairman of the Audit Committee for the 2023-24 municipal year.</p>
53.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 3</i>)</p> <p>Apologies were received from Councillor Nick Denys with Councillor Kishan Bhatt</p>

	substituting.
54.	DECLARATIONS OF INTEREST (<i>Agenda Item 4</i>) None.
55.	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 5</i>) <p>It was confirmed that items 1-15 would be considered in public, and that item 16 would be considered in private.</p>
56.	MINUTES OF THE MEETING HELD ON 27 APRIL 2023 (<i>Agenda Item 6</i>) RESOVLED: That the minutes of the meeting held on 27 April 2023 be approved as a correct record.
57.	EY UPDATE ON ACCOUNTS (<i>Agenda Item 7</i>) <p>Officers introduced the EY update on accounts.</p> <p>The audit had progressed well since the last Committee to the point where EY were able to issue their draft audit results report. On other progress, the Capital Pooling certification was signed off by EY at the end of July and Hillingdon was very close to having the Housing Benefits certification signed off. This would hopefully come by mid-August, so 2021/22 was coming to a close in terms of the audit.</p> <p>EY outlined their draft audit results.</p> <p>It was confirmed that EY had issued the audit certificate for 2020/21, which had felt like a long time ago, however EY had had to wait for the National Audit Office to confirm that they were not going to ask EY to carry out any further work.</p> <p>The report set out EY's findings and they were close to finalising the 2021/22 audit. The report had been issued on Friday (04 August) and there had not been much progress since. EY were working through their review processes and were liaising with officers to resolve any matters that may arise.</p> <p>EY had also completed their value for money risk assessment and there were no matters to report.</p> <p>EY confirmed their plan to complete the report of the audit as the EY officer noted that they would be leaving EY in mid-October and they were keen to try and complete the audit as much as possible before this. EY planned to update the audit results report, which was before Members at the current meeting, with the final conclusions from the audit and to circulate to Members, and to arrange a meeting with the Chairman so that Members would receive the report about a week before EY would issue the audit opinion. Alongside this, EY would also like to issue the draft reporting on value for money by taking that approach, which would enable EY to conclude the audit effectively without being able to issue the certification for the same reasons relating to the National Audit Office. The reason for this is that the next Audit Committee meeting was scheduled for after the EY officer would have left EY and an extraordinary meeting was not the right way forward.</p>

The main change in the scope of the audit was a change in materiality. EY had to reassess materiality levels in light of the audit differences identified and reported. With regard to the Better Care fund, planning materiality had reduced by £1m. EY were currently doing an exercise to determine the extent of that impact.

On audit differences, EY split the differences into two categories – those expected to stay unadjusted and those that have been agreed to be adjusted. However, EY were still to see an updated set of accounts which was being worked on.

The differences expected to stay unadjusted were with regards to pension liability; property, plant and equipment; and Council dwellings.

On pension liability, this was a judgemental understatement of pension liability due to the Goodwin case of £2.5m. This was a recurring audit difference from prior periods (2020/21: understatement of £2.6m) that was likely to recur in future reporting periods until the case was resolved.

On property, plant and equipment, this was a judgemental overstatement of land and buildings values of £3.9m due to differences in professional opinion between professional valuers (Wilks Head & Eve and EY Real Estates) on undeveloped land values, external development costs and Central Depot valuation. This was a recurring theme in reported misstatements from the previous year's audit.

On Council dwellings, this was not a current difference, it related to a prior year difference and was an overstatement of property values by £8.6m due to additions in 2020/21 being valued on an incorrect basis as at 31 March 2021 (historic cost as opposed to EUV-SH).

The differences expected to be corrected were with regards to health and social care income and expenditure; housing benefit debtor and creditor; pension liability; property, plant and equipment; and disclosures.

On health and social care income and expenditure, this was an overstatement of income and expenditure in the amount of £41.6m due to grossing up of income and expenditure relating to the Better Care Fund arrangement. EY concluded that the Council should account only for its own share of income and expenditure. EY considered the Council's assessment that no restatement of prior period comparatives was required under IAS8 qualitative and quantitative materiality criteria and concurred with their judgement.

On Housing benefit debtors and creditors, this was an overstatement of the debtors and creditors balance of £25.3m due to grossing up balances with the Department for Work and Pensions (DWP) instead of recognising the net balance only.

On pension liability, this was an understatement of defined pension liability by £21.6m following the triennial valuation as at 31 March 2022 and the update of the IAS19 schedule of results.

There were a number of miscellaneous differences with regards to property, plant and equipment. These were an understatement of a sample of land and building values by £2.5m due to incorrect gross internal area and land area size

used by the Council's external valuers Wilks Head & Eve; an overstatement of community assets of £1.4m due to the assets being incorrectly revalued when they are held at depreciated historic cost; and an overstatement of properties of £1.6m which were disposed of but not derecognised.

On differences in disclosures, EY suggested a number of enhancements in disclosures to ease the understanding of the accounts by the users. The most significant were: on infrastructure assets, splitting out infrastructure assets as a separate line on the face of the balance sheet and disclosing the movement in a separate note, as well as updating the accounting policies to reflect the new statutory instrument relating to infrastructure assets accounting; on the Better Care Fund, disclosure on the face of the Comprehensive Income and Expenditure Statement ('CIES') to explain why no equivalent net off adjustment was made for the Better Care Fund in 2020/21 comparatives; and on pension liability, amendments to the pensions liability note to reflect the updated schedule of results for March 2022 following the impact on the Council's liability at the balance sheet dates as a result of assumptions used within the triennial valuation update.

There were significant risks: Valuation of land and buildings valued under the Depreciated Replacement Cost ('DRC') method and the Existing Use Value ('EUV') method; and Derecognition of infrastructure assets upon subsequent expenditure/replacement. With regards to the significant risk of valuation of land and buildings valued under the DRC method and the EUV method, EY had received the management assessment of assets not valued in the year and management had estimated an impact of a £7.5 million understatement of such assets. This was currently under review and so EY were not concluding on this yet.

These adjustments had no impact on the bottom line in the accounts or outturn figures.

There were also fraud risks: management override – misstatements due to fraud of error; risk of inappropriate capitalisation of revenue expenditure; and account adjustments made in the 'movement in reserves statement'.

EY had completed their work on most of the enhanced risks. On the valuation of Council dwellings, EY had obtained sufficient assurance with regards to the valuation of Council dwellings as at 31 March 2022. However, EY's review procedures had revealed that a number of dwellings added in 2020/21 were only revalued in 2021/22, resulting in a social housing adjusting factor revaluation loss of £8.6m recorded in 2021/22, which should have been recorded in 2020/21. Management had chosen not to restate the comparatives because a restatement was not considered to be material to the users of the accounts. EY had reported this as a prior year unadjusted misstatement in section 4 of the report.

There were some control observations. EY had not identified any significant deficiencies in internal controls but were recommending certain improvements, especially around fixed asset accounting and documentation retention on Key Management judgments on complex counting treatments.

Members asked whether it was normal for there to be such a loss of £8.6m for valuations of social housing. EY noted that the evaluation was based on the CIPFA code and it only accounted for a portion of the market value of the properties according to the accounting standards and that was what was driving the large drop in value.

	<p>The Chairman noted that the Committee were pleased to be getting to the end of the process and officers noted that there would be no delays in supplying EY with the finalised accounts.</p> <p>RESOLVED: That the Audit Committee noted the position regarding the 2021/22 Statement of Accounts and Draft Audit Results Report and delegated 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.</p>
58.	<p>ANNUAL REPORT OF THE AUDIT COMMITTEE 2022-2023 (<i>Agenda Item 8</i>)</p> <p>Officers introduced the annual report of the Audit Committee 2022-23.</p> <p>This was a draft report from April 2022 until March 2023 summarising the work of the Audit Committee. Once approved, this report would be presented to Council.</p> <p>The Chairman noted that they were very happy with the report.</p> <p>RESOLVED: That the Audit Committee approved 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.</p>
59.	<p>2023-24 Q1 CORPORATE RISK REGISTER (<i>Agenda Item 9</i>)</p> <p>Officers introduced the 2023-24 Q1 Corporate Risk Register.</p> <p>Officers noted that the report included quarter 4 of the previous financial year and quarter one of 2023/24 as there was no Corporate Risk Register item in the previous meeting's agenda.</p> <p>The report provided evidence of how risks had been identified and managed, and what mitigating actions were in place.</p> <p>Since the previous update, which related to quarter 3, there had been only one change on the register, and lots of subsequent updates in terms of mitigating actions. This related to the coronavirus risk which had been retired at the end of quarter 4. It was acknowledged that pandemics can happen in the future and so in terms of risks, was about learning from the coping period. It was noted that while this risk item had been retired from the register, it could be re-introduced if necessary. During this time there were no new corporate risks on the register.</p> <p>It was noted that the Corporate Risk Register was now hosted on a Microsoft Excel document rather than the previous Microsoft Word version. It was now easier to filter and sort and had been replaced following consultation with the Corporate Management Team and Senior Management.</p> <p>Members asked about risk reference CRR8 – The General Data Protection Regulations, which was noted to arise from a minority of Council staff not complying with the Council's Data Protection policy due to a lack of awareness of lack of due consideration, and asked if this was due to repeat offenders or if it was a regular occurrence. Officers noted that the risk framed here was not necessarily residual risk. Senior Management scored risks based on financial impact and various other impacts</p>

	<p>such as the potential fine that the Local Authority could be given if it were not compliant. There were mitigating actions such as mandatory training and follow-up training built into inductions. There was monitoring from Learning and Development, and Legal Services had controls in place to monitor breaches that would be reported to the Information Commissioner's Office (ICO) where required. Wherever this had occurred, there had been positive feedback on the actions taken by the Council.</p> <p>The Chairman asked about the relationship between risks of inflation and balancing of the budget, which were closely linked. Inflation was marked as a static direction of travel, and the Chairman asked if this was changing now. Officers noted that they were currently identified separately because the current inflationary pressures were exceptional. There was a degree of overlap between the two. Inflationary pressures would feed into some of the challenges in balancing the budget but this was not the exclusive factor which was why inflation was currently on the corporate risk register but at other times it may not be. Given the volatility and the extent and variation in the forecast, inflation had remained a separate corporate risk at this point.</p> <p>RESOLVED: That the Audit Committee reviewed the CRR for Quarter 1 and suggest any comments/ amendments which will be shared with the relevant responsible officers.</p>
60.	<p>INTERNAL AUDIT PROGRESS REPORT Q1 2023-24 (<i>Agenda Item 10</i>)</p> <p>Officers introduced the Internal Audit Progress Report.</p> <p>Eight assurance reports were finalised during quarter 1: two substantial, four reasonable, and two limited. Following requests at the last Audit Committee meeting, a summary had been included for the two limited reports which were related to IR35 and Care Leavers allowances.</p> <p>There were three reports in draft, and the report outlined the audit plan and the detail of those reports (Trading Standards POCA, Capital Programme, and Risk Management). There were no concerns about getting the draft reports finalised.</p> <p>The forward plan of audits was a flexible plan and officers were already making changes. For example, the mortuary review had been brought forward; parking income had been moved back. A review had been added looking at budget monitoring alongside the savings programme audit. This demonstrated good engagement with different directors in terms of being flexible.</p> <p>Ad hoc consultancy into Section 106 funding had taken place. The Internal Audit Annual Report, Audit Committee Annual Report and Risk Management Annual Report had been drafted, as well as the Annual Governance Statement for 2022/23.</p> <p>Officers had continued to follow-up on older management actions and a summary was included within the report. This was a very high-level report due to the number of follow-up actions. More information would be included in future progress reports. Items were marked as overdue if officers had not received a response. Some of the overdue reports may have been due to officers changing roles, new appointments to services or service changes. There were no major concerns with any of these. The two oldest items were Corporate Payments and Community Safety.</p> <p>There was a new Principal Internal Auditor within the Internal Audit team. A new tracker had been put together and new processes were in place within the newly expanded</p>

	<p>Internal Audit team to ensure escalation of any delays through to the Corporate Management Team. New actions from 2022-23 audits would be added to the tracker.</p> <p>The External Quality Assessment that had been completed for the Internal Audit service was shared following the previous meeting and the actions from that report had been included in the progress report. All of the actions had now been completed. The Chairman noted that as the actions had now been completed, the Committee conformed with the standards.</p> <p>The KPIs (key performance indicators) which were agreed as part of the annual plan and were all based on the 2023-24 work plan. The tracker was only introduced in May to monitor completion and so improvement was expected going forward.</p> <p>Members asked how much involvement HR had had in the IR35 order, given that the Director of Procurement has taken ownership of it and contractors has been utilised. Officers noted that both Procurement and HR were involved in the audit, which was signed off by both together. One of the major findings was around who was going to take ownership and so HR were involved.</p> <p>The Chairman commended officers for their recruitment to the team and asked for clarification on the current staff structure. There was the Head of Internal Audit; the Internal Audit Manager; Principal Internal Auditor; Senior Internal Auditor; three Internal Auditors and two apprentice Internal Auditors. The Chairman noted that the Committee were aware that staffing had been one of the biggest challenges for the Audit service over the last 18 months and it was commended that the service now had a fully populated audit team.</p> <p>RESOLVED: That the Audit Committee noted the IA Progress Report for 2023/24 Quarter 1.</p>
61.	<p>ANNUAL RISK MANAGEMENT REPORT 2022-23 (<i>Agenda Item 11</i>)</p> <p>Officers introduced the Annual Risk management report 2022-23.</p> <p>This was a statutory responsibility and the report outlined the key actions taken to promote and embed risk management during the financial year 2022-23. The role of risk management remained unchanged. There were lots of ongoing programmes of work such as the training and risk management e-learning module and risk champions in terms of governance structure. On corporate governance, it was noted that there was a new Leader of the Council in 2021 and a new Cabinet and so risk management included awareness of roles and responsibilities. The Council's constitution had also been remodelled and modernized to meet emerging risks and changing needs locally, and to encompass new national legislation. Internal Audit had adopted a new three-year Internal Audit strategy which was reflective of this new environment. Internal Audit continued to communicate findings of the risk-based approach of limited and nil assurance reviews to the Corporate Risk Management Group.</p> <p>The Corporate Risk Register was also part of the Forward Plan. It was noted that the Corporate Risk Register had been amalgamated with the Directorate Risk Registers with a new excel template to improve collaboration between directorates. This allowed improved tracking of risks.</p> <p>Recently, an independent review of risk management has been conducted and officers were working through the findings.</p>

Members asked why School Places was still listed as a C1 type risk. Offices clarified that this was the monitoring review of the corporate risks over the 2022/23 financial year and that the main detail would be within the corporate risk register. Officers further clarified that in terms of school places, Hillingdon had a strong track record of ensuring that every child had a school place and this continued to be the ambition. There was a rising level of demand for places particularly among the special educational needs and disabilities (SEND) group and this was where the risk came from. There was a smaller level of risk around secondary school places, and in primary schools there was a small drop in rolls. Members suggested more specifics on this risk to better tie in with the Council Strategy.

The Chairman noted that the key findings on nil and limited assurance reviews were reported to the Corporate Risk Management Group, and asked whether risks identified by the Audit team and not being currently well managed were moved onto departmental risk registers. Officers clarified that it was usually a summary of the findings of the nil and limited assurance reviews that were presented to the Corporate Risk Management Group and these were up for discussion as to other risks, themes, isolated incidents, or underlying issues. Sometimes these could feed into an existing risk or could present a new risk.

The Chairman also asked about the aspiration to develop risk maturity, and asked if there was an action plan in place for this. Officers noted that one of the main priorities was looking at risk management, and refreshing the way in which it was done. This included ensuring that down to an operational level with services, responsibility was taken within service areas, and that there was a clear process of escalating risk up to the Corporate Risk Register if they were significant risks, and how things from a corporate level go down to an operational level. This also included ensuring that actions were smart actions with timescales and responsible officers so that these could be tracked. Officers were also looking at risk management software which would allow more access and different ways of extracting data. This would enable information to be extracted on officers using the system and updating risks, and not just report on what the risks were. There was a project card in relation to risk management and this included updating the policy and training; raising awareness; and engaging with staff. In summary, officers confirmed that there was a very detailed action plan.

Further to this, the Chairman asked if officers had explored how SharePoint could be used as a front end to the excel spreadsheets that were being developed. Officers noted that one of the reasons for the move to excel was to improve access, so that there was more data centralised on one excel document which was located on SharePoint. This meant it was possible to track who was logging into the spreadsheet and who had made changes, which was easier to do than on Microsoft Word. Officers were also looking at how to ensure easier access from the front end of SharePoint as well as links into the risk software or the risk registers.

The Chairman noted the Finance Directorate Risk Register and that due to the cost-of-living crisis and other pressures, 'increased levels of fraud' was listed as a 'B1' or 'high likelihood' risk. The Chairman asked whether this was an issue rather than a risk due to an increased reality of fraud, not just risk. Officers noted that some of this was a function of current economic circumstances. Some responses had been made on an operational level so there was some flexibility within the structure of the fraud team. In other aspects, there had been more closely linking of the audit approach and the fraud approach, so a joint approach was being developed to risk management across the two

	<p>teams. It was noted that new types of fraud were being discovered. There was some London-wide collaborative work. Officers noted that they would continue to look at the scoring of risk when the programme was next refreshed.</p> <p>RESOLVED: That the Audit Committee noted the Risk Management Annual Report for 2022/23.</p>
62.	<p>INTERNAL AUDIT ANNUAL REPORT 2022-23 (<i>Agenda Item 12</i>)</p> <p>Officers introduced the Internal Audit Annual Report 2022-23.</p> <p>The Internal Audit Annual Report summarised the work of Internal Audit undertaken during 2022-23. It also included the overall Head of Internal Audit opinion, which was that Internal Audit could provide <i>reasonable</i> assurance for the year despite significant vacancies and reliance on a third-party provider (Mazars). The team completed 39 pieces of work including 27 assurance reviews. 89% of those assurance reviews received substantial or moderate assurance which also led to the decrease in the number of management actions that were raised in the year. It was very positive having a lot of substantial and reasonable assurance reports and this was consistent with having a third-party provider due to the nature of their work. The work for the current year was more risk-based so it was expected to see more limited or no assurance reports or more consultancy reviews.</p> <p>The Chairman noted that they were pleased with the volume of work that had been completed during the year, particularly given the staffing challenges that had been faced. The role of the third-party provider was noted. It was also noted that the depth of work that the in-house team would be able to complete going forward may lead to discussions around levels of assurance and agreed actions with management. The Chairman congratulated the team on its success and for populating the team.</p> <p>The Chairman noted the survey of key stakeholders, noting that the results were slightly concerning, and asked how officers felt about this. The survey was undertaken as part of the External Quality Assessment and officers were not surprised that respondents felt that Internal Audit did not have the necessary resources – officers agreed with this. Only a small number of respondents indicated that they did not feel that Internal Audit was valued, and this was in part due to having an external provider, which may have impacted relationships with management and directors. Officers were confident in the figures improving, and there had already been good returns in client feedback questionnaires, and so officers were not concerned about this. The Chairman noted that the benefit of the in-house team was that this enabled better relationship-building. The Chairman also noted that it was good to have the new Head of Internal Audit to ensure some stability in the leadership role.</p> <p>RESOLVED: That the Audit Committee noted the IA Annual Report for 2022/23.</p>
63.	<p>COUNTER FRAUD PROGRESS REPORT Q1 2023-24 (<i>Agenda Item 13</i>)</p> <p>Officers introduced the Counter Fraud Progress report for quarter 1 of 2023-24.</p> <p>The team had picked up from where it had left off in the previous year and had achieved another £1.8 in savings during quarter 1. The team had mainly focused its efforts on fraud risks within housing and had recovered 27 properties due to tenancy fraud, which was the highest figure achieved to date during one quarter. The risk of tenancy fraud would remain high for some time which was demonstrated by the team's</p>

current caseload of 127 live investigations. There had been unprecedented demand on housing due to homelessness which had led to an increase in the need for emergency accommodation and the team had been working closely with the Housing Service to check all emergency accommodations to ensure they were being used appropriately. The team had closed four cases so far worth £33,000 and this project was ongoing.

In Social Care, officers had identified financial savings totalling £106,000 across a variety of service areas including financial assessments, section 17 and special guardianship orders (SGOs).

Officers also took part in the first National Blue Badge Day of Action. 82 Councils attended and tackled misuse. 10 blue badges were seized due to misuse. Officers had prosecuted a resident for using a blue badge that had belonged to a deceased resident, and during the court case the offender received a fine, a victim surcharge and full costs to the Council of £2,900.

It was noted that there had been an increased risk of fraud over the last 18 months, particularly due to COVID-19 and the cost-of-living crisis. This had had a vast impact on the service and its workload. Officers had reviewed the structure and resourcing of the service moving forward and a new structure had been agreed with the Corporate Management Team. This included posts of a Counter Fraud Manager, Counter Fraud Investigator and two apprentices. Recruitment was progressing well and officers expected to be fully staffed by the end of August 2023.

The Chairman noted the £5m financial target, and that officers had already delivered £1.8m of this during quarter 1. This was evidence of the increasing levels of fraud. The Chairman also noted the 127 live cases of tenancy fraud and asked how many team members were dedicated to this area of Counter Fraud. Officers noted that officially there were four officers dedicated to this, but in reality, the service was deploying more resources into this area, and it was high on the agenda with the Corporate Management Team. On the new appointments to the team, officers clarified that a structure chart would be included within the agenda for the next Audit Committee meeting.

The Chairman asked, on Social Care, whether the types of Social Care fraud were as expected. Officers noted that there was a yes and no answer to this. There had been positive engagement from the Social Care service which had been very beneficial, and so there were areas that officers had not expected to go into. There was lots of reference to special guardianship order payments in the report, which was unusual. Conversely, the financial assessments, direct payments and section 17 work were more expected areas and this was similar for other Local Authorities. It was noted that there were some regulatory issues of processing Social Care data for the purposes of fraud. The Cabinet Office were leading on this.

The Chairman referred to the investigation into special guardianship orders. Officers noted that the criminal process was still live. This type of case was unusual and was one of two cases. Discussions with the Social Care service had led officers to believe that these were one-off cases and not evidence of a larger issue. The sensitive nature of these types of cases was noted.

Members asked how officers were informed of new cases of housing fraud. Officers noted that a lot of reports came from members of the public, and more so in the aftermath of COVID-19. Reports also came from staff in the Housing service, both

	<p>Housing Management and the Homelessness service.</p> <p>Members noted that the majority of the team's efforts were currently on housing fraud, and asked how long this may continue before officers were better able to focus on other areas. Officers noted that their work was based on risk, and so focus was on wherever the highest risk was to the organisation. Currently this was housing fraud risk and so in terms of value for money and what was required for the organisation to function, it was best to keep the majority of efforts there. Officers were still working on other areas such as revenues and social care, and if the fraud risk of housing were to reduce, officers could re-prioritise.</p> <p>Members noted that types of fraud were constantly evolving, and asked officers how they kept up with emerging types of fraud, noting the National Fraud Initiative (NFI). Officers advised that when the risks within a service were understood, this allowed identification of where fraud could take place. The London Boroughs' Fraud Investigators' Group was highlighted, whereby representative from London Boroughs came together to share knowledge about emerging risks.</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 1; and 2. Suggested any comments/ amendments.
64.	<p>COUNTER FRAUD ANNUAL REPORT (<i>Agenda Item 14</i>)</p> <p>Officers introduced the Counter Fraud Annual Report 2022/23.</p> <p>The report provided an overview of the previous financial year and gave a statistical view of the year in terms of its activity.</p> <p>The team had achieved £12.3m in savings across the year, mainly in housing, revenues and social care against a target of £3.5m. This included recovering 84 Council properties due to tenancy fraud and closing 24 emergency accommodation placements due to non-occupation saving £193,000.</p> <p>In Social Care, officers had identified savings of over £235,000 which was an 11% increase from the previous year and the majority of these savings were in section 17, direct payments and financial assessments.</p> <p>Revenue maximization work identified businesses that were undeclared for rates or that they should have an increase in rateable value which led to billings issued of nearly £6m from the Council and the Council retained 15% of that income.</p> <p>The Onsite Immigration Officer (OSIO) had identified £233,000 in savings, which was a 202% increase on the previous year. This was where the Immigration Officer had identified applicants that were not eligible for support due to their immigration status.</p> <p>Officers highlighted appendices D and F. Appendix D included benchmarking for the previous year and was going back two years because all annual reports for last year were currently being reported to the Committees. Appendix F gave a snapshot of some of the communications that officers had sent out over the last year to residents.</p> <p>Members asked where the savings were allocated to. Officers noted that a large</p>

	<p>portion of the savings were denoted as notional savings and was not cash returning to the Council. For example, in housing, this related to managing the current demand. Reducing tenancy fraud would free up Council housing which people from the waiting list could then be moved into. On Business Rates, while some big returns had been achieved, these were one-offs and the Council only received a small portion of this as the savings went back to the Government. These helped to balance the budget. Officers also noted that the relative performance to other Councils justified the slightly larger than average Counter Fraud team in Hillingdon.</p> <p>Members also asked if there were areas where the Council would see a physical return of money that could possibly justify an even larger team. Officers noted that they were constantly reviewing resource allocation within the team, for example whether officers should employ additional resources and whether there was a business case for this. One area to investigate further was Social Care where there may be some returns to the Council such as the special guardianship orders (SGO).</p> <p>The Chairman noted a good year's performance by the team.</p> <p>RESOLVED: That the Audit Committee:</p> <ol style="list-style-type: none"> 1. Noted the Counter Fraud Annual Report for 2022/23; and 2. Suggested any comments/ amendments.
65.	<p>WORK PROGRAMME (<i>Agenda Item 15</i>)</p> <p>Consideration was given to the work programme, and the dates and planned agenda items of future meetings were noted.</p> <p>RESOLVED: That the Audit Committee:</p> <ol style="list-style-type: none"> 1. Confirmed the dates for the Audit Committee meetings; and 2. Made suggestions for future agenda items, working practices and/ or reviews.
66.	<p>SERVICE ACCOMMODATION ACTION PLAN (<i>Agenda Item 16</i>)</p> <p><i>This item was discussed as a Part II item without the press or public as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule of the Act).</i></p> <p>RESOLVED: That the Audit Committee noted the findings raised in the Internal Audit report.</p>
	<p>The meeting, which commenced at 5.10 pm, closed at 6:30 pm</p>

These are the minutes of the above meeting. For more information on any of the

resolutions please contact Democratic Services on 01895 250636 or email: democratic@hillingdon.gov.uk. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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.

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EXTERNAL AUDIT UPDATE & 2022/23 PENSION FUND AUDIT PLAN

Committee name	Audit Committee
Officer reporting	James Lake, Director of Pensions, Treasury & Statutory Accounts
Papers with report	EY Pension Fund Audit Planning Report 2022/23
Ward	All

HEADLINES

This report provides an overview on the Pension Fund audit plan for 2022/23 and covers updates on other external audit activities.

RECOMMENDATIONS:

That the Audit Committee:

- 1. Ratify the completion of 2021/22 external audit of the Statement of Accounts, including the Auditors Annual Report and Value for Money statement, which were approved under delegated authority on 28 September 2023;**
- 2. Note completion of all 2021/22 certification requirements;**
- 3. Note the 2022/23 Pension Fund Audit Plan;**
- 4. Note EY verbal update on 2022/23 Council Audit;**
- 5. Note progress on 2022/23 certification of the Housing Benefit Assurance Process and Teachers Pension; and**
- 6. Note the proposed Audit Fees**

SUPPORTING INFORMATION

2021/22 External Audit Update

On 28 September 2023 the external audit of the 2021/22 Statement of Accounts was completed and an unqualified opinion was issued by the external auditors. Under delegated authority, Cllr Chamdal and the Section 151 officer, Andy Evans, attended the final governance meeting with EY to review the audit reports and sign off the accounts. Copies of the final Audit Results Reports for the Council and Pension Fund along with the Auditors Annual report which includes the Value for Money assessment, were issued to all Committee members for review and comment to complete the pre-ratification governance requirements. No subsequent requests were made by Committee members.

In addition to the audit of the main statement of accounts, three further pieces of audit work are carried out each year. These include certification of the Teachers Pension return, Housing Benefits Assurance Process and Housing Capital Receipts return. These items have been

completed for 2021/22 with no issues to report to Committee.

2022/23 Pension Fund Audit

Attached to this report is the 2022/23 EY Audit Planning report for the Pension Fund. The draft Pension Fund Accounts were prepared in line with guidance issued by the Chartered Institute of Public Finance & Accountancy. The external audit of the Pension Fund began mid-October, with the results and sign-off due at the February 2024 Audit Committee.

Materiality: Pension Fund planning materiality remains unchanged on a basis of 1.0% of the prior year's net assets of the fund, which for 2022/23 the materiality is estimated as £11.8m. Based on this amount, EY would expect to report on all unadjusted misstatements greater than £0.6m.

Key Financial Statement Risks: The plan highlights the key audit risks, these being the main areas on which specific audit work will focus. There is one new risk for 2022/23 relating to the classification of investments. For 2022/23 the audit risk areas include:

- Misstatement due to fraud or error
- Misstatement of investment amounts through fraudulent journal entries
- Risk of incorrect valuation of Unquoted Investments
- Disclosure on Going Concern
- IAS26 Disclosure Actuarial Present Value of Promised Retirement Benefits.
- Classification of Investments (New)

There are no specific listed areas of audit focus classified as not having significant risk.

Fees

The basic scale fee for the 2022/23 audit is £16,170, with additional fees estimated to be between £9,500 and £11,500 and other fees yet to be advised.

2022/23 Council Audit

Committee will be aware of the national issue in terms of delays in the completion of external audits across the country. A high percentage of 2021/22 audits remain ongoing with further outstanding audits dating back to 2015/16.

Latest available information (May 2023) shows the following:

Year	Percentage Outstanding	Number Outstanding
2021/22	73%	343
2020/21	27%	128
2019/20	8%	36
2018/19	2%	10
2017/18	<1%	2
2016/17	<1%	1
2015/16	<1%	1

The government, in consultation with governance bodies, accounting bodies and auditors are currently exploring options to address the backlog. EY will provide a verbal progress update on

the 2022/23 Council audit at the November 2023 Committee meeting.

2022/23 Housing Benefit Assurance Process (HBAP) & Teachers Pension

The audit of the Teachers Pension began in November and is due to be completed by the end of the calendar year.

Preparatory work has commenced in terms of the HBAP with the Council Housing Benefit team preparing evidence in line with EY requirements. In addition, Internal Audit are testing casework on which EY will rely and only take samples to verify. This approach results in efficiencies and fee savings.

Audit Fees

In line with the additional work being carried out by EY, the associated audit variation fees have increased considerably.

For the 2021/22 audit, EY are proposing variation fees of £160k in addition to the extended scale fee of £142k. Public Sector Audit Appointments (PSAA) will assess the variation fee request and will approve a final figure to be paid.

Following the Redmond review which emphasised the need for quality audit and for commensurate fees to be paid, there is a proposal to increase Council audit fees for the 2023/24 audit by 151% from a base charge of £161k. This will result in a £243k increase and total suggested fee of £404k.

FINANCIAL IMPLICATIONS

21/22 fees for the London Borough of Hillingdon include the PSAA agreed scale fee of £121k + consolidated Pension & PPE fees of £22k + VFM fees of £18k (£161k in total). All other details are included in the paper.

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 has 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:

BACKGROUND PAPERS

Pension Fund Audit Planning Report attached.

Hillingdon Pension Fund Outline Audit Planning Report

Year ended 31 March 2023

7 November 2023



7 November 2023

London Borough of Hillingdon Pension Fund
Hillingdon Civic Centre
225-226 High St,
Uxbridge UB8 1UW

Dear Audit Committee Members

We are pleased to attach our Outline Audit Planning Report for the forthcoming meeting of the Audit Committee. The purpose of this report is to provide the Committee with a basis to review our proposed audit approach and scope for the 2022/23 audit, in accordance with the requirements of the auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Audit Committee's service expectations.

This report summarises our initial assessment of the key issues which drive the development of an effective audit for the Fund. We have aligned our audit approach and scope with these. We held a planning meeting with management and are currently completing our audit planning procedures based on our historic knowledge of the Pension Fund and sector wide knowledge. We will update the Audit Committee if there are any changes to our risk assessment once we have complete all our planning procedures.

This report is intended solely for the information and use of the Audit Committee, Pensions Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 22 November 2023, as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully,

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated April 2018)" issued by the PSAA sets out additional requirements with which auditors must comply, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee, the Pensions Committee and management of the Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we can state to the Audit Committee, the Pensions Committee, and management of the Fund, those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, the Pensions Committees and management of the Fund for this report or for the opinions we have formed. It should not be provided to any third party without our prior written consent.



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01

Overview of our 2022/23 audit strategy



Overview of our 2022/23 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

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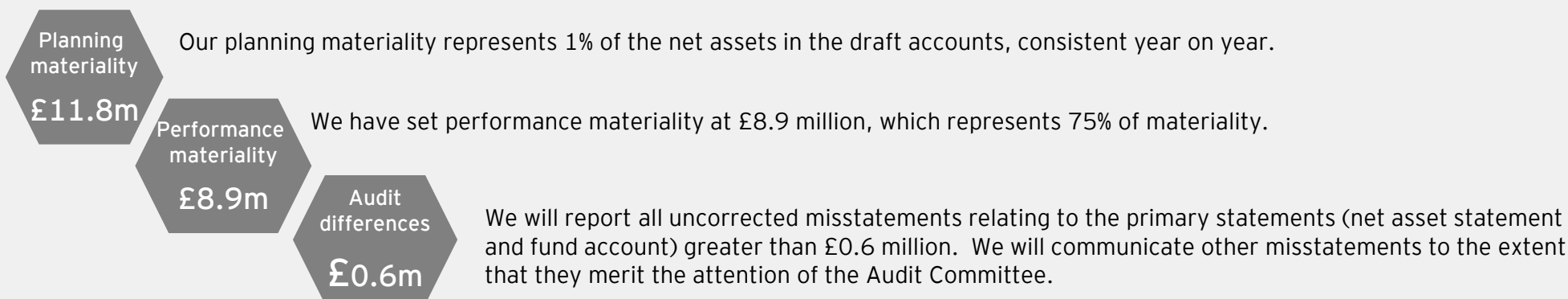
Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Misstatement of investment income and investment values through fraudulent journal entries	Fraud risk	No change in risk or focus	There could be potential manipulation of investment income and investment values through manipulation of investment journals by finance managers with an incentive to improve the reported performance of the Fund.
Incorrect valuation of unquoted (Level 3) investments	Significant risk	No change in risk or focus	Based on our initial planning work and discussions with management, we note that the Pension Fund holds a significant balance of unquoted investments, including Private Equity and Pooled Property funds. By their nature, these investments are more difficult to value because their valuation includes elements of judgement, which increases the risk of misstatement.
IAS 26 disclosure - Actuarial present value of promised retirement benefits	Inherent risk	No change in risk or focus	<p>An actuarial estimate of the present value of future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on triennial valuation as at 31 March 2022 and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.</p> <p>There is a risk that the valuation uses inappropriate assumptions to value the present value of the future benefits as at 31 March 2023.</p>
Going concern	Area of focus	No change in risk or focus	The unpredictability of the current environment gives rise to a risk that the Pension Fund would not appropriately disclose the key factors relating to going concern. Disclosures should be underpinned by management's assessment with particular reference to Covid-19 and other factors causing market volatility and the Pension Fund's actual year end financial position and performance for the going concern period of 12 months after the auditor's report date.

Overview of our 2022/23 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk/area of focus	Risk identified	Change from PY	Details
Classification of investments	Area of focus	New area of focus	In prior year, our audit of fair value hierarchies of the Pension Fund's assets identified an error in the classification of investments which resulted in £47.8 million of investments being reclassified from level 2 to level 3. There is an element of judgment in the fair value hierarchy classification and we will therefore scrutinise and challenge these classifications in the current year.

Materiality



Overview of our 2022/23 audit strategy

Audit scope

This Outline Audit Planning Report covers the work that we plan to perform to provide you with:

- an audit opinion on whether the financial statements of London Borough of Hillingdon Pension Fund give a true and fair view of the financial position as at 31 March 2023 and of the income and expenditure for the year then ended.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Fund.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuation of pension obligations, the introduction of new accounting standards in recent years as well as the expansion of factors impacting the audit such ISA 540 (revised) and ISA315. Therefore to the extent any of these or any other risks are relevant in the context of Hillingdon Pension Fund audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2022/23 audit strategy

Timeline

The target date for you to publish Pension Fund accounts for the financial year ending 31 March 2023 is 30 September 2023, as set out within the Accounts and Audit (Amendment) Regulations 2022. In line with our previous communications with you, due to the complex set of factors contributing to audit delays across the sector we were not able to give our opinion on your financial statements by 30 September 2023. Refer to Section 06 for the indicative timelines.

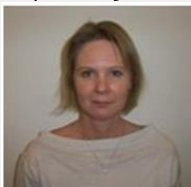
Fees

We remain in discussion with PSAA about our proposed increase to the scale fee which we consider to be appropriate to deliver an audit compliant with audit quality requirements. We include in Section 08, our current view of the fees required to carry out the 2022/23 audit. We will update the Committee on any determinations by PSAA on fees.

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Audit team changes

Key changes to our team.



Partner: Debbie Hanson

Debbie Hanson has taken over from Helen Thompson. Debbie has over 30 years of public sector audit experience and is the partner for a number of pension funds.



Manager: Kalthiemah Abrahams

Kalthiemah Abrahams has taken over from Larisa Midoni. Kalthiemah has over 10 years of public sector experience in South Africa



02

Audit risks





Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

What is the risk?

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

As a result, there is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

What will we do?

- ▶ Identify fraud risks during the planning stages.
- ▶ Inquire of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consider the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determine an appropriate strategy to address those identified risks of fraud.
- ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

Misstatement of investment income and investment values through fraudulent journal entries*

What is the risk?

There could be potential manipulation of investment income and asset values through manipulation of investment journals by finance managers with an incentive to improve the reported performance of the Fund.

What will we do?

- Our approach will focus on testing the appropriateness of manual journal entries recorded in the general ledger related to investments and ensuring that:
- ▶ The amounts are consistent with the fund manager/custodian reports;
 - ▶ Appropriate authorisations are obtained for posting the journals; and
 - ▶ The transactions are in the normal course of business or, if they are outside of the normal course, the business rationale will be requested and assessed for reasonableness.

Our response to significant risks (continued)

Incorrect valuation of unquoted (Level 3) investments

Financial statement impact

We have assessed that the risk of incorrectly valuing investments is high for unquoted level 3 investments held by the Pension Fund.

Total of level 3 investments held by the Fund at 31 March 2023: £178 million.

What is the risk?

The Fund's investments include unquoted pooled investment vehicles, such as private equity and pooled property investments.

The Fund makes judgements using information provided by investment managers to value those investments whose prices are not publically available. The material nature of these investments means that any error in judgement could result in a material valuation error.

Market volatility and uncertainties means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

These investment types made up 15% of the fund's total net assets as per the draft account of 2022/23, and as these investments are more complex to value, we have assessed the valuation of these investments as higher risk, as even a small movement in the assumptions could have a material impact on the financial statements.

What will we do?

We will:

- ▶ Assess the competence of valuation experts through review and analysis of ISAE 3402 internal control reports issued on the fund managers and the custodian;
- ▶ Where the ISAE 3402 reports are not issued at 31 March 2023, we will obtain and review bridging letters;
- ▶ Review the control reports for any issues or qualifications which impact the valuation controls over the funds.
- ▶ Review the basis of valuation for property investments and other unquoted investments, assessing the appropriateness of the valuation methods used;
- ▶ Where available, review the latest audited accounts for the relevant underlying investment funds and compare the net asset values with the valuation of the assets in the accounts of the Fund. We will also ensure there are no matters arising that highlight weaknesses in the Fund's valuation;
- ▶ If the latest audited accounts are issued at a different date compared to the reporting date of the Fund, we will perform roll forward procedures to support the valuation of the investments as of 31 March 2023, such as benchmark indexation for similar assets and analysis of cash movements in the gap period and understand what the Pension Fund has done to assess how the valuations are still materially correct as at 31 March 2023; and
- ▶ Perform analytical procedures by checking the valuation output for reasonableness against our own expectations.

Audit risks

Other areas of audit focus and Inherent risk

What is the risk/area of focus?	What will we do?
<p>IAS 26 disclosure - Actuarial present value of promised retirement benefits</p> <p>The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £1,457 million as at 31 March 2023.</p> <p>The figure is material and subject to complex estimation techniques and judgements by the actuary, Hymans Robertson. The estimate is based on a roll-forward of data from the 2022 triennial valuation, updated where necessary, and has regard to local factors such as expected pay rises along with other assumptions around inflation and discount rate when calculating the estimate.</p> <p>There is a risk that the valuation uses inappropriate assumptions to calculate the estimate as at 31 March 2023.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Assessing the competence of management experts, Hymans Robertson; ▶ Engaging with the NAO's consulting actuary and our EY Pensions team to review whether the IAS26 approach applied by the actuary is reasonable and compliant with IAS26; ▶ Engaging with EY Pensions to undertake procedures to create an auditor's estimate for the pension liability, which we use to gain assurance over the process and assumptions used to estimate the present value of future retirement benefits; ▶ Ensure that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the actuary; and ▶ Perform audit procedures to assess the accuracy of membership numbers provided to the actuary and included in the 31 March 2022 Triennial Report
<p>Classification of investments</p> <p>In prior year, our audit of fair value hierarchies of the Pension Fund's assets identified an error in the classification of investments which resulted in £47.8 million of investments being reclassified from level 2 to level 3.</p> <p>The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.</p> <p>Fair value hierarchy classification requires a higher level of professional judgment and accounting standards' interpretation.</p> <p>There is therefore a risk of inappropriate classification in relation to the valuation hierarchy of investments as at 31 March 2023.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Assessing the significance of the market inputs used the hierarchy valuation; ▶ Confirming the basis of the valuation of each class of investment asset and assessing whether it is appropriate; ▶ Obtaining quoted prices directly from independent sources and comparing these with the Pension Fund's assessment of observable market inputs (bid market price, current yields and closing bid prices) to confirm correct classification.



Audit risks

Other areas of audit focus (continued)

What is the area of focus?

Going concern

There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on its admitted and scheduled bodies and the continuing volatility in capital markets, there is a need for the Fund to ensure that its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Fund is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

What will we do?

We will meet the requirements of the auditing standard on going concern (ISA 570) and consider the adequacy of the Fund's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Fund's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties to ensure the final disclosure is adequate and sufficient.



03

Audit materiality



Materiality

Materiality

For planning purposes, we have set planning materiality for 2022/23 at £11.6 million. This represents 1% of the Pension Fund's net assets value from the draft financial statements. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit Committee confirm their understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at 75% of planning materiality, consistent year on year.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the fund account and net asset statement. This was calculated as 5% of planning materiality, which is consistent year on year.

Other uncorrected misstatements, such as reclassifications and misstatements in the disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.



04

Scope of our audit



Scope of our audit

Objective and Scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code. We issue an audit report that covers:

Financial statement audit:

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland). We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards:

- Addressing the risk of fraud and error; significant disclosures included in the financial statements; entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and auditor independence.

Procedures required by the Code:

- Reviewing, and reporting on as appropriate, other information published with the financial statements.

Scope of our audit

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2022/23, we plan to follow a substantive approach to the audit, as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

ISA315:

ISA (UK) 315 (Revised) Identifying and Assessing the Risks of Material Misstatement, is effective for audits of financial statements for periods beginning on or after 15 December 2021. For the pension fund this will therefore impact on the audit of the financial statements for 2022/23. The new approach required to comply with the ISA will involve more detailed work around identifying relevant IT controls and evaluating the design and implementation of these controls. It also requires auditors to place risks of material misstatement on the 'Spectrum of Risk' as a significant, medium, low or no risk. Based on this assessment, different combinations of assurance (inherent, controls, and substantive) are used to address the risk. The subsequent slides provides more information on ISA315.

Analytics:

We will use our analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to the Audit Committee, the Pensions Committee and management.

Internal audit:

We will meet regularly with the Head of Internal Audit, and review internal audit plans and the results of the internal audit team's work. Where internal audit's work raises issues that could have an impact on our audit of the financial statements we will update the Committee at a future meeting.

ISA (UK) 315 (Revised July 2020) *Identifying and Assessing the Risks of Material Misstatement*

Summary of key measures

- ▶ The revised auditing standard is effective for audits of financial statements for periods beginning on or after 15 December 2021, and adopts ISA 315 (Revised 2019) as issued by the IAASB.
- ▶ The revised risk assessment standard sees enhancements and clarifications to: (i) Encourage a more robust risk assessment, thereby promoting more focused responses to the identified risks; (ii) Clarify current requirements to promote consistency in the application of procedures for risk identification; and (iii) Modernize the standard to keep up with the evolving environment in which entities operate, in particular in relation to the Trust's use of information technology.
- ▶ The fundamentals of risk assessment have not changed, however, the changes will see additional audit procedures and considerations being made in the following areas to respond to the requirements of the revised standard:
 - ▶ How we identify and assess risks based on our understanding of the entity and other risk assessment procedures;
 - ▶ How we understand the components of the system of internal control, including new evaluations which apply to each component;
 - ▶ The type of controls and process for understanding controls that are relevant to our audit relating to the preparation and posting of journal entries;
 - ▶ **New requirement** Understanding the effect of the Trust's use of IT, including relevant IT general controls, and the identification of IT-related risks; and
 - ▶ Evaluating, as an audit team, whether sufficient evidence has been obtained to support the identification and assessment of risks of material misstatement.

Impact on Hillingdon Pension Fund

- ▶ The revised standard is for auditors and does not put any additional responsibilities or requirements on management or the Audit Committee, however, management and/or the Audit Committee may experience different conversations, requests or simply have more focused discussions with members of the audit team, including about risk, internal controls, audit quality and our audit strategy.
- ▶ For Hillingdon Pension Fund, the revised standard is effective for this audit of the financial statements for the period ended 31 March 2023.
- ▶ We will be required to perform new and additional procedures to understand the Fund's use of IT, the IT processes related to those IT applications relevant to the audit used in the different accounting processes and, where relevant, the IT general controls (ITGCs) that address IT risks in the IT processes and evaluation of their design effectiveness and whether they have been implemented.
The revised standard does not require an evaluation of the operating effectiveness of ITGCs; it continues to be a strategy decision for the auditor as to whether they intend to rely on IT processes.
- ▶ More control observations may be identified and communicated, and the additional evaluations of the components of the system of internal control may help identify deficiencies that are considered to be *significant deficiencies*.
- ▶ The new requirement relating to understanding the effect of the use of IT by an audited entity has the greatest potential for additional audit effort, involvement of team members with specialised knowledge of auditing IT, and an upward impact on audit fees.
- ▶ We have discussed on the next slides the specific impact of this new requirement on the audit of the Fund.
- ▶ The other impacts of the revised standard on our audit strategy are reflected in the relevant sections of this report.

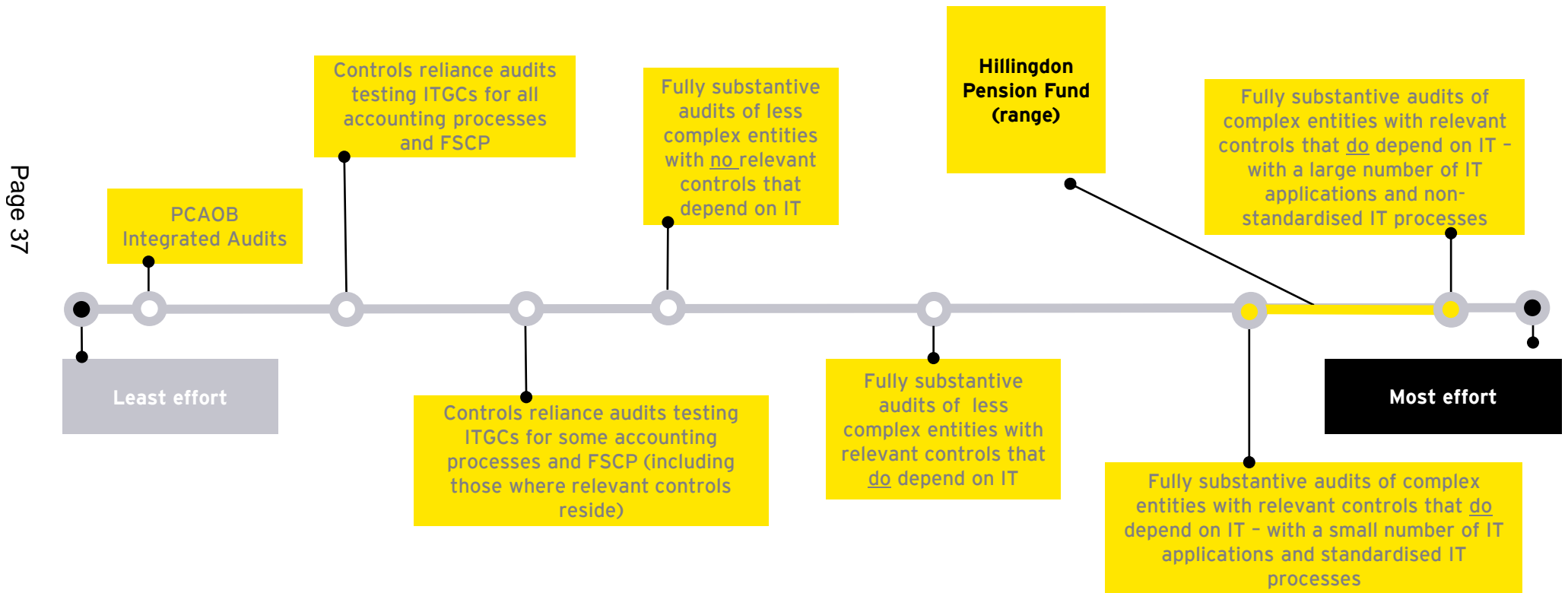
External resources

- ▶ FRC [Feedback statement and impact assessment](#)
- ▶ IAASB [Introduction to ISA 315 \(Revised 2019\) Fact Sheet](#)



Scope of our audit

The graphic below indicates where we anticipate, based on our current understanding, that the audit of Hillingdon Pension Fund falls on the spectrum of effort as it applies to the new requirements of the revised standard relating to understanding the effect of the use of IT. The level of effort is displayed relative to the circumstances applicable to the Fund and why that level of effort may differ to that required on the audits of entities with different circumstances.





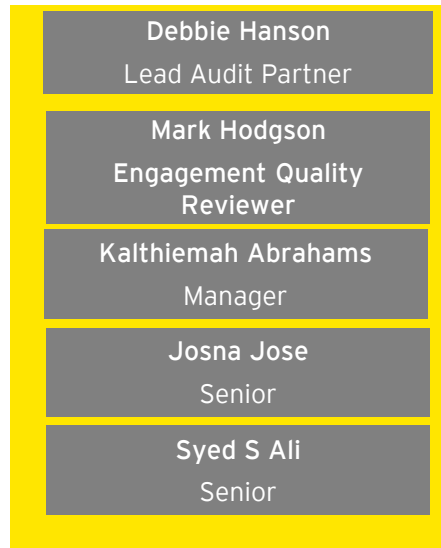
05

Audit team



Audit team

Audit team structure:



EY Actuaries

EY Data
Analytics

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions disclosure	Management specialist: Hymans Robertson EY specialist: EY Pensions team and PWC Actuaries
Investments	Management specialists: Legal & General Investment Management, London CIV Asset Pool, Adams Street Partners, AEW UK, LGT Capital Partners, M&G Investments, Macquarie Infrastructure, Permira Credit Solutions, UBS Global Asset Management (Equities), UBS Global Asset Management (Property)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Pension Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



06

Indicative audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2022/23.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes, including planning procedures	Oct-Nov 2023		
Walkthrough of key systems and processes	Oct-Nov 2023		
Year end audit (substantive procedures and general procedures)	Nov- Dec 2023		
Audit Planning Report presented to the Audit Committee	Nov 2023	Audit Committee - 22 November 2023	Outline Audit Planning Report
Year end audit(conclusion) Audit Completion procedures	Jan - Feb 2024	Audit Committee - 12 February 2024	Audit Results Report Audit Opinion



07

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<div> <div>Page 44</div> <ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. </div>	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we have not identified any threats that would require mitigation safeguards. We therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Pension Fund. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Fund. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of the reporting period from 2 July 2022 to 30 June 2023, referred to throughout the report as FY22: [ey-uk-2023-transparency-report.pdf](https://www.ey.com/uk/en/issues-and-ideas/2023/ey-uk-2023-transparency-report.pdf)



08

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Department of Housing Levelling up Housing and Communities. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code, the financial reporting requirements set out in the Code of Practice on Local Fund Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2022/23	Proposed Final Fee 2021/22 (Note 1)
	£	£
Scale Fee - Code work	16,170	16,170
Additional work and associated fees:		
Significant risks on investments	TBC	10,001
Going concern and PBSE assessments and disclosures	TBC	17,616
IAS 19 Assurance	N/A	6,028
Triennial testing to support IAS 26 disclosure and IAS 19 pension liability roll forward (Note 2)	5,500	0
ISA 315 implementation (Note 3)	4,000 to 6,000	0
Other		19,492
Total fees	TBC	69,307

Notes:

1. For 2021/22, we have proposed scale fee variations of £53 137. This has been submitted to PSAA for determination and is currently being considered by them.
2. We will not be able to leverage the IAS 19 pension roll forward performed as part of the Council audit in the current year. In addition, testing will be required on the membership numbers due to the triennial valuation. These additional fees are not subject to approval by PSAA.
3. Due to the implementation of ISA315, we have to perform additional risk assessment procedures to understand the entities use of IT applications and controls.

Appendix B




Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Outline audit planning report - November 2023
Significant findings from the audit	<ul style="list-style-type: none"> Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	Audit results report - February 2024 (TBC)




Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report - February 2024 (TBC)
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report - February 2024 (TBC)
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit results report - February 2024 (TBC)
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit results report - February 2024 (TBC)

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report - February 2024 (TBC)
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees 	<p>Outline audit planning report - November 2023</p> <p>Audit results report - February 2024 (TBC)</p>

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - February 2024 (TBC)
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report - February 2024 (TBC)
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report - February 2024 (TBC)
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report - February 2024 (TBC)
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - February 2024 (TBC)
Auditors report	Any circumstances identified that affect the form and content of our auditor's report	Audit results report - February 2024 (TBC)
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit results report - February 2024 (TBC)

Additional audit information

Other required procedures during the course of the audit

Our objective is to form an opinion on the Pension fund financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and Maintaining auditor independence.

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
Other procedures	▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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ED None

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INTERNAL AUDIT PROGRESS REPORT

Committee name	Audit Committee
Officer reporting	Claire Baker, Head of Internal Audit
Papers with report	Internal Audit Progress Report: November 2023
Ward	All

HEADLINES

The attached Progress Report presents the Audit Committee with a summary of the Internal Audit (IA) work covered since the last Committee meeting. 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 since the last Committee meeting**

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

None.

INTERNAL AUDIT PROGRESS REPORT

2023/24

10 November 2023



CONTENTS

The key contacts in connection with this document are:

Claire Baker
Head of Internal Audit
cbaker@hillingdon.gov.uk

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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 completed since the August Audit Committee meeting. 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

Internal Audit have continued to make reasonable progress with the 2023/24 Audits. During this quarter, **ten** assurance reviews were completed to final report stage, including **three** awarded a **SUBSTANTIAL** assurance opinion and **four** **REASONABLE** assurance. There were also **three** **LIMITED** assurance reports relating to Trading Standards POCA, Risk Management, and Workforce Planning, Establishment Control and Recruitment:

Trading Standards POCA	<p>The Trading Standards team are responsible for enforcing a wide range of legislation governing the supply and marketing of goods and services. We identified one high, two medium and five low findings, which were addressed following the appointment of a new Head of Service.</p> <p>The high finding was linked to uncertainty regarding how recovered funds were monitored, which had resulted in a Home Office return not being submitted. The two medium findings related to inconsistencies completing and storing electronic and physical records between the financial investigators. No concerns were raised with the accuracy or security of the information, however this potentially impacts on the effectiveness of any management review and prevents collaboration between investigators.</p>
Risk Management	<p>This audit was included in the IA Plan as it was already recognised as an area of improvement and an action plan was in place to develop a greater oversight of risks. This audit was completed by Mazars to support the design of the future risk management arrangements.</p> <p>One high and five medium findings were raised in the report, which all related to areas of improvement already incorporated into the risk management transformation project. These included improving the level of information recorded in risk registers, monitoring the actions to mitigate the risks to ensure they are implemented effectively, and ensuring risks are escalated consistently from services to the corporate risk register.</p>
Workforce Planning, Establishment Control and Recruitment	<p>This review considered three critical components of the Council's Human Resources: Workforce Planning, Establishment Control, and Recruitment. Although we identified two high and two medium findings, the service was already taking action to address the issues at the time of the review.</p> <p>The two high findings relate to the lack of an approved HR Strategy and workforce planning procedure to capture future workforce needs. Both of these actions are due to be completed for the start of the 2024/25 financial year.</p>

Two further assurance reviews are at a draft report stage and should be finalised before the Audit Committee. For details of the reviews and assurance levels achieved please see *Appendix A*.

During this quarter, IA has also completed three grant claim memos for the Supporting Families Grant and an ad-hoc consultancy review into a Care Provider. Work is also ongoing in relation to the Housing Benefit Subsidy Grant claim. This is a significant volume of verification testing which is scheduled to be completed by the end of the year. For details of the grant claims and ad hoc consultancy reviews please see *Appendix B*.

Finally, as discussed at the last Audit Committee meeting, the final three actions arising from the independent External Quality Assessment on the Internal Audit team have been completed. Although the original assessment scored the service as only Partially Conforming with the Public Sector Internal Audit Standards due to the pressures they faced last year, now the actions have all been completed we are confident we would be scored as Generally Conforms (the highest rating) if we were to be reassessed.

Changes to the Internal Audit Workplan

The IA team have continued to engage with services across the council to adapt our work to address emerging risk areas and provide the best value for money. Due to the significant transformation programme ongoing across the council, individual reviews have been tailored where appropriate to provide assurance over future action plans rather than testing compliance where service areas are already undergoing an internal review.

Four reviews have been removed from the work plan: Telecare, Legal, Savings Programme, and Safety Value Plan (Stage 2). These were no longer considered priority areas due to alternative internal and external reviews, budget monitoring and budget setting reviews were added to the plan instead, and delays agreeing the Safety Value Plan made it more appropriate to reschedule the stage two review of the governance arrangements into the 2024/25 IA workplan.

Three reviews have also been added to the work plan: Budget Monitoring and Budget Setting due to the ongoing financial pressures across the council, and Fleet Damage at the request of the Director of Procurement & Commissioning due to an increase in the number of claims received.

3. FOLLOW UP OF MANAGEMENT ACTIONS

The table in *Appendix C* outlines the agreed management actions followed up since the last Audit Committee meeting. Actions are marked as verified once IA have received evidence to demonstrate the action has been fully implemented. Once all actions from an individual report are verified the report is marked closed and will be removed from the tracker.

In total 49/81 (60%) management actions due to have been implemented were marked as verified or complete. 14 were marked as not complete and new implementation dates are being agreed when these actions will be followed up again.

At the time of this report 18 were marked as unknown as we have not received any confirmation from the responsible officer. Due to the ongoing transformation work across the council many of these actions are no longer appropriate or the responsible owner no longer works for the council. Meetings have been arranged with the relevant services for these actions and they will be followed up before the Audit Committee.

4. FORWARD LOOK

Over the next quarter the IA team will start planning for the 2024/25 Internal Audit workplan to ensure there is no break over the year end period. This will include engaging with

individual Directors and senior management teams to identify emerging risks and potential areas when IA can provide support. A draft plan will be presented to 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 Q2. 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 November 2023	Assurance Level	Actions & Risk Rating			
				H	M	L	O
22.P36	Capital Programmes	Final report issued 30 June 2023	REASONABLE	0	1	1	0
22.P38	Domestic Violence Homelessness Process	Final report issued 26 April 2023	REASONABLE	0	2	2	0
22.A47	High Cost panel and Risk profile	Final report issued 02 June 2023	SUBSTANTIAL	0	0	3	0
22.P52	Trading Standards POCA	Final report issued 13 September 2023	LIMITED	1	2	5	0
22.F56	IR35	Final report issued 06 July 2023	LIMITED	1	2	1	0
22.C59	Care Leavers Allowances	Final report issued 11 July 2023	LIMITED	1	1	1	0
22.C61	Thematic Review: Pupil Premium Funding in Schools	Final report issued 05 July 2023	REASONABLE	0	4	2	0
22.F63	Robotic Process Automation	Final report issued 14 July 2023	REASONABLE	0	1	0	0
22.A64	Mental Health Pathway	Final report issued 02 June 2023	SUBSTANTIAL	0	0	2	0
23.P02	Capital Programme	Final report issued 09 August 2023	REASONABLE	1	2	1	1
23.A01	Brokerage Outputs	Final report issued 13 September 2023	REASONABLE	0	0	5	0
23.S01	IT Application Review - ContrOCC	Final report issued 26 September 2023	REASONABLE	0	2	0	0
23.F01	Risk Management	Final report issued 01 September 2023	LIMITED	1	5	0	0
23.C02	Safety Valve Plan	Draft report issued 01 November 2023	N/A: ADVISORY	-	-	-	-
23.P01	Private Sector Housing	Fieldwork	TBC once final report issued				
23.C01	No Recourse to Public Funds	Fieldwork	TBC once final report issued				
23.S02	Workforce Planning, Establishment & Recruitment	Final report issued 09 November 2023	LIMITED	2	2	0	0
23.S06	Mortuary	Final report issued 15 August 2023	SUBSTANTIAL	0	0	1	0
23.P04	DFG & Adaptations	Final report issued 21 September 2023	SUBSTANTIAL	0	0	1	0
23.P03	Parking Income	Fieldwork	TBC once final report issued				
23.A04	Contract Management	Report Drafting	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 November 2023	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.A02	Payments to Early Years Providers	Final report issued 07 November 2023	SUBSTANTIAL	0	0	1	0
23.F03	Effectiveness of the Pension Committee	Final report issued 19 October 2023	REASONABLE	0	2	0	1
23.P05	Climate Action	Fieldwork	<i>TBC once final report issued</i>				
23.A03	Goshawk Gardens & Chapel Lane	Report Drafting	<i>TBC once final report issued</i>				
23.F02	Payment Card Data Security Standard (PCI DSS)	Fieldwork	<i>TBC once final report issued</i>				
23.P06	Facilities Management	Draft report issued 01 November 2023	<i>TBC once final report issued</i>				
23.C03	SEND Data Quality	Fieldwork	<i>TBC once final report issued</i>				
23.P07	Social Housing applications	Fieldwork	<i>TBC once final report issued</i>				
23.A06	Neglect (Adults)	Planning	<i>TBC once final report issued</i>				
23.P11	Building Control Action Plan	Scope Issued	<i>TBC once final report issued</i>				
23.F07	Fleet Damage	Fieldwork	<i>TBC once final report issued</i>				
23.P08	Homeless Housing applications	Fieldwork	<i>TBC once final report issued</i>				
23.C04	Neglect (Childrens)	Fieldwork	<i>TBC once final report issued</i>				
23.S04	Organisation Culture	Fieldwork	<i>TBC once final report issued</i>				
23.C06	Thematic Schools Audit (SEND Funding)	Fieldwork	<i>TBC once final report issued</i>				
23.F04	Oracle Programme	Scope Issued	<i>TBC once final report issued</i>				
23.F05	Fraud Risk Assessment - Procurement	Scope Issued	<i>TBC once final report issued</i>				
23.F08	Budget Monitoring	Fieldwork	<i>TBC once final report issued</i>				
23.P10	Maintenance and Replacement Service Contracts	<i>Planned for December 2023</i>	<i>TBC once final report issued</i>				
23.S03	Contact Centre	Fieldwork	<i>TBC once final report issued</i>				
23.P12	Building Safety Standards	<i>Planned for December 2023</i>	<i>TBC once final report issued</i>				
23.S08	Performance Information	Planning	<i>TBC once final report issued</i>				

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 November 2023	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.P09	Uninspected B&Bs	Fieldwork	TBC once final report issued				
23.S09	Personal Appraisals	Planned for December 2023	TBC once final report issued				
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.F09	Budget Setting	Planning	TBC once final report issued				
23.A05	Partnership Working (Health)	Planned for February 2024	TBC once final report issued				
23.A09	Supported Living: Void Management	Planned for February 2024	TBC once final report issued				
Total Number of IA Management Actions Raised				7	26	26	2

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

IA Ref.	IA Review Area	Current Status at end of Q2 2023/24
23.G1.1	Supporting Families Grant – Quarter 1	Complete
23.G1.2	Supporting Families Grant – Quarter 2	Complete
23.G1.3	Supporting Families Grant – Quarter 3	<i>Planned for January 2024</i>
23.G1.4	Supporting Families Grant – Quarter 4	<i>Planned for April 2024</i>
23.G2	BNG Grant Allocation	Complete
23.G3	Housing Benefit Subsidy	Fieldwork Ongoing
23.X1	Purchase Cards Data Analytics	Complete
23.X2	Section 106 Funding	Complete
23.X3	Care Provider	Complete
23.X4	Music Service Invoicing & Credit Notes	Fieldwork Ongoing

APPENDIX C: IA FOLLOW UP OF MANAGEMENT ACTIONS

Ref	Review	No. Actions		Verified		Completed		Overdue		Unknown		Not Due		Comments
		H	M	H	M	H	M	H	M	H	M	H	M	
17.A34	Community Safety including Domestic Abuse	-	1	-	1	-	-	-	-	-	-	-	-	CLOSED
17.A28	Corporate Payments	-	1	-	-	-	-	-	-	-	-	-	1	Due April 2024
19.A01	Schools Payroll Arrangements	-	8	-	4	-	-	-	4	-	-	-	-	New Date: April 2024
19.A13	Pupil Premium Funding in Schools	-	9	-	6	-	3	-	-	-	-	-	-	
20.A15	Purchasing and Payments in Schools	1	-	1	-	-	-	-	-	-	-	-	-	CLOSED
20.A28	Governance & Financial Management in Schools	1	-	1	-	-	-	-	-	-	-	-	-	CLOSED
20.A31	Exclusions or Education Cases for Vulnerable Young People	-	4	-	3	-	1	-	-	-	-	-	-	
20.A11	Music Service - Invoicing and Debt Collection	2	1	2	1	-	-	-	-	-	-	-	-	CLOSED
20.A06	Estates - Lease Management	1	1	-	-	-	-	1	1	-	-	-	-	New Date: March 24
20.A16	Treasury Management	-	1	-	1	-	-	-	-	-	-	-	-	CLOSED
20.A12	Educational Care Plans and Local Offer	-	1	-	-	-	-	-	-	-	1	-	-	
20.A02	Tree Inspections	3	1	3	1	-	-	-	-	-	-	-	-	CLOSED
20.A03	Cemeteries: Bereavement Service and Ground Maintenance	2	4	-	-	-	-	-	-	2	4	-	-	
21.A14	Birth Registration Service	-	3	-	-	-	-	-	3	-	-	-	-	New Date: November 24
21.A16	Procurement – Contract Compliance Management	1	1	-	-	-	-	1	1	-	-	-	-	New Date: June 24
21.A20	Safeguarding in Schools	1	-	1	-	-	-	-	-	-	-	-	-	CLOSED
21.A26	Planning Enforcement	2	7	2	7	-	-	-	-	-	-	-	-	CLOSED
21.A29	Music Service - Overseas Trip	-	4	-	4	-	-	-	-	-	-	-	-	CLOSED
21.A03	ICT Service Desk	-	2	-	1	-	-	-	1	-	-	-	-	New Date: June 24
21.A06	Transport Contract Management	-	1	-	-	-	-	-	-	-	1	-	-	
21.A07	Fostering Service	-	3	-	-	-	-	-	-	-	3	-	-	
22.A36	Capital Projects	-	1	-	-	-	-	-	-	-	-	-	1	Due November 2023
22.A38	Domestic Violence homelessness process	-	2	-	2	-	-	-	-	-	-	-	-	CLOSED

IA = Internal Audit	H = High Risk	M = Medium Risk	L = Low Risk	O = Observation
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Ref	Review	No. Actions		Verified		Completed		Overdue		Unknown		Not Due		Comments
		H	M	H	M	H	M	H	M	H	M	H	M	
22.A39	Stronger families HUB	1	1	-	-	1	1	-	-	-	-	-	-	
22.A40	Information Security	-	4	-	-	-	-	-	-	-	-	-	4	Due November 2023
22.A42	Fraud prevention controls in tendering & contacts	-	4	-	-	-	-	-	-	-	-	-	4	Due April 2024
22.A43	Registrars cash handling	-	1	-	-	-	-	-	-	-	1	-	-	
22.A46	Colham road	-	2	-	1	-	-	-	1	-	-	-	-	
22.A45	Adult social care referrals and assessment	-	2	-	1	-	-	-	1	-	-	-	-	
22.A48	Quality of practice	-	3	-	-	-	-	-	-	-	3	-	-	
22.A50	Purchase cards	-	4	-	-	-	-	-	-	-	-	-	4	Due December 2023
22.A56	IR35	1	2	-	-	-	-	-	-	1	2	-	-	
22.A58	Merrimans Respite Care Unit	-	1	-	-	-	-	-	-	-	-	-	1	Due November 2023
23.P02	Capital Programme	1	2	-	-	-	-	-	-	-	-	1	2	Due January 2024
23.F01	Risk Management	1	5	-	-	-	-	-	-	-	-	1	5	Due December 2023
23.F03	Effectiveness of the Pension Committee	-	2	-	-	-	-	-	-	-	-	-	2	Due June 2024
	SUBTOTAL	18	89	10	33	1	5	2	12	3	15	2	24	
	TOTAL	107		43		6		14		18		26		

IA = Internal Audit	H = High Risk	M = Medium Risk	L = Low Risk	O = Observation
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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%	77%
KPI 2	Draft Reports to be issued three weeks after the end of fieldwork meeting with the key contact	80%	75%
KPI 3	Final Reports to be issued one week after the final approval received from the Audit Sponsor.	80%	100%
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%	78%
KPI 7	Final approval of the management responses to be received two weeks after the updated report is issued	80%	86%
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%	100%
KPI 10	Client Satisfaction Rating from Feedback Questionnaires	85%	90%

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

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 REPORT Q2 2023/24

Committee name	Audit Committee
Officer reporting	Claire Baker, Head of Internal Audit
Papers with report	RM1. Q2 Risk Management Report
Ward	All

HEADLINES

This report presents to the Audit Committee a summary of the Council's Risk Register as at the end of Quarter 2 2023/24. The report provides assurance to the Audit Committee that risks are being managed within the relevant services and mitigating actions are being implemented.

The report also includes a summary of the Council's red rated risks, also known as the Corporate Risk Register. The full Corporate Risk Register was presented for review at the Corporate Management Team meeting on the 20 September 2023 and at the Corporate Risk Management Group (CRMG) on 03 October 2023.

Since the last Audit Committee meeting on the 08 August 2023 there has been a significant review of the risks included in the Council's Risk Register. This included a number of changes to the red rated risks, which are outlined in the report.

RECOMMENDATIONS:

That the Audit Committee:

- 1. Note the Risk Management Report and progress to improve the risk management arrangements.**

SUPPORTING INFORMATION

None.

BACKGROUND PAPERS

None.



RISK MANAGEMENT REPORT

Q2 2022/23

30 September 2023



HILLINGDON
LONDON

CONTENTS

The key contacts in connection with this document are:

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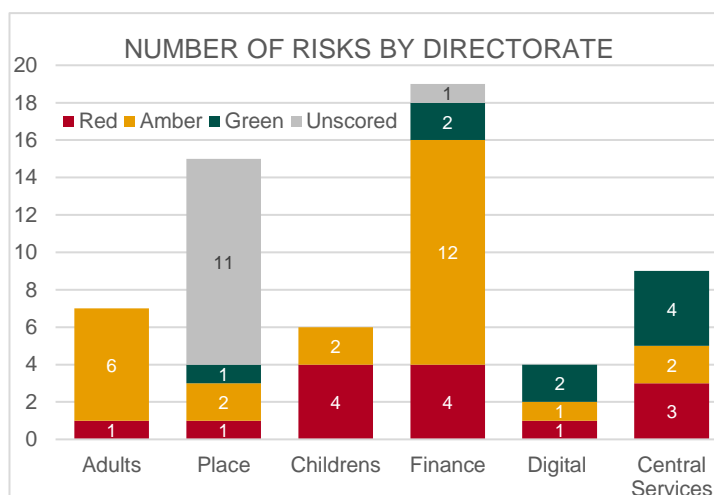
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1. INTRODUCTION

- 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 to 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.
- 1.2 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 there are clear roles, responsibilities and methodologies for identifying, recording and managing risks.
- 1.3 This report summarises the Council's Risk Register as at the end of quarter two and outlines the work undertaken during the quarter to improve risk management arrangements. It is intended to support the Audit Committee to monitor and review (but not direct) the authority's risk management arrangements, as per the Committee's terms of reference.

2. DIRECTORATE RISK REGISTER UPDATE

- 2.1 As part of the risk management transformation project, work is ongoing to review the risk management arrangements across the organisation. As noted at the last Audit Committee meeting, this includes replacing the previous MS Word versions of the Directorate Risk Registers with a central MS Excel Risk Register.
- 2.2 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, and approval has now been received to procure risk management software. This is currently expected to be implemented before the end of 2023/24.
- 2.3 Following the appointment of a Chief Digital & Information Officer a new Digital Directorate Risk Register has been added to the central register. Several services were also reallocated between directorates. In these situations the corresponding risks were closed in the outgoing directorate risk register and risks added to new directorate risk register when reviewed. This ensured the new directorate independently reassessed the risks rather than transferring potentially outdated information into the new register.
- 2.4 The risk management project has been supported by the Internal Audit review of risk management arrangements finalised on the 1 September. The findings from the review have been used to support the ongoing action plan, including improving the monitoring information available for CMT and the Audit Committee:
- 2.5 The Finance Directorate continue to have the highest number of risks recorded on their directorate risk register. Many of these risks relate to increased costs and demand impacting different services within the directorate.
- 2.6 The eleven unscored risks within Place relate to one service incorporating service level risks into the directorate register at the month end. These risks will be reviewed and scored during the next quarter.



2.7 Due to ongoing work to raise the importance of risk management it is likely other services will also add their risks into the directorate risk registers. Therefore, we expect the number of risks across all directorates to potentially increase over the next quarter. The new electronic system will allow for greater correlation between service and directorate risk registers and improve the level of scrutiny on individual service risk registers.

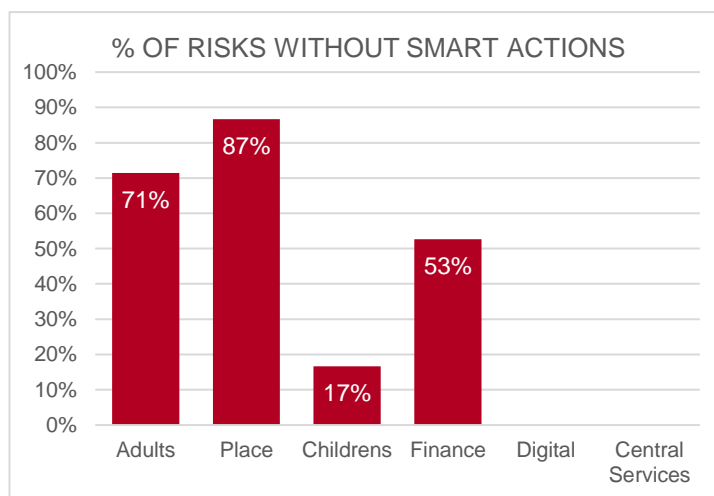
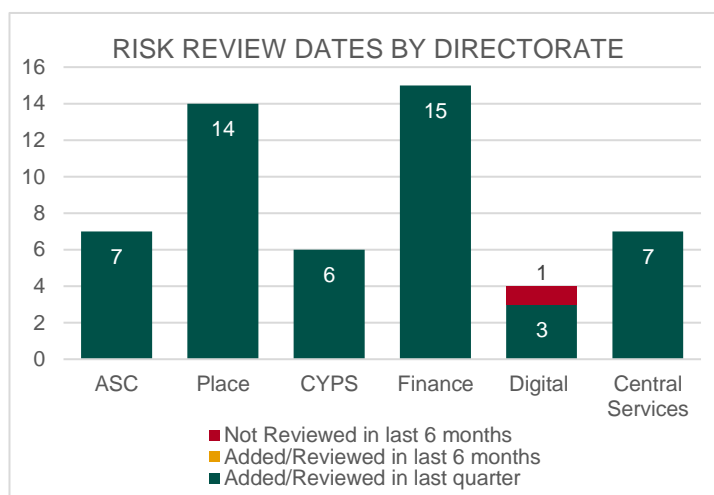
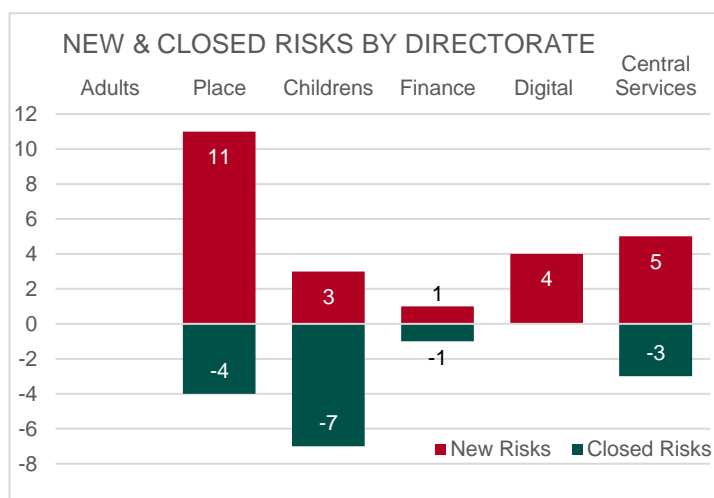
2.8 As noted above there have been a number of new and closed risks over the quarter as services have been reallocated between directorates. The high number of new risks within the Place directorate relate to one service incorporating their service level risks at the end of the quarter.

2.9 The Children's Services Directorate senior management team also undertook a full review of their directorate risk register during the quarter. This allowed them to close a number of long-standing risks and re-focus their register on the current key risks facing their services.

2.10 Following the implementation of the new central Directorate Risk Register significant work has been undertaken by the directorates to review the risk information included. Only one risk has not been reviewed within the last quarter. This related to the GOSS system implementation and was due to the responsible officer leaving the Council and the service moving to a new directorate. This will be addressed during the next quarter.

2.11 Although work has been completed to update the risks on the risk registers, there are still a number of risks without measurable actions to mitigate against them. This includes risks where actions are listed but they do not have named action owners or timescales for completion. Actions may still be implemented in practice, however if they are not appropriately recorded on the risk register it is harder to evidence this and ensure they are implemented effectively.

2.12 Going forwards the analysis within this report will allow the Committee to identify any services failing to review their risks regularly. Once the registers are more established the analysis can be extended to include the number of risks improving or deteriorating, and the number of risks by risk category.



3. CORPORATE RISK REGISTER UPDATE

- 3.1 The Council's Corporate Risk Register (CRR) is an essential part of the Council's Risk Management arrangements. The CRR documents any operational risks from the Directorate Risk Registers which are graded 'red' due to their potential likelihood and impact.
- 3.2 The CRR was presented to the Corporate Management Team (CMT) on the 20 September and Corporate Risk Management Group on the 3 October. They are responsible for monitoring the identified risks to ensure they are being managed within the relevant directorate and service, and mitigating actions are being implemented.
- 3.3 As part of the ongoing work to improve Risk Management arrangements the Corporate Risk Register has been realigned with the Directorate Risk Registers to ensure all red-rated risks are correctly escalated onto the Corporate Risk Register. This initially increased the number of risks on the Corporate risk Register significantly. However ongoing work to review the Directorate Risk Registers has also resulted in six long standing risks being removed from the Corporate Risk Register:
- Heathrow Airport Expansion (reduced to Directorate Level)
 - Asylum / Unaccompanied Minors / Trafficked Children & Young People (reduced to Directorate Level)
 - Dedicated Schools Grant (reduced to Directorate Risk Level)
 - Inflation (removed)
 - Early Years and School Places (replaced)
 - Ability to Deliver a Balanced Budget in the Medium Term (replaced)
- 3.4 A summary of the risks on the Corporate Risk Register is included in *Appendix A*.

4. FORWARD PLAN

- 4.1 Although significant work was undertaken by the directorates to review and update the risk registers during the quarter there are still some areas of development. The Head of Internal Audit and Risk Assurance will be presenting a training session to the Senior Managers Meeting on the 19 October to help support further improvements.
- 4.2 Progress towards purchasing an electronic risk management system is also continuing. The business case has been approved and further action will be taken to ensure the system is purchased before the next Audit Committee meeting. As part of this process risk management workshops will be undertaken with each Directorate to ensure risks are reviewed before they are input onto the new system.
- 4.3 In preparation to the move to the new system work is also ongoing to allocate responsibility for risks across individual services. For example, the Counter Fraud Team are currently working to allocate fraud risks to the relevant services rather than maintaining a separate central fraud risk register. This will help to improve accountability for managing risks within the services responsible for implementing the preventative controls.
- 4.4 Finally, following a presentation to informal Cabinet on the 20 September the Head of Internal Audit is currently developing a Strategic Risk Assurance report which will align the risks from the Corporate Risk Register to the Strategic Objectives within the Council's 2022-2026 Strategy. This will be reported to the next Audit Committee.

APPENDIX A: SUMMARY OF CORPORATE RISKS AS AT Q2 2023/24

No.	Ref	Summary Risk Description	Owner	Review Date	Rating	DOT
1	A004	Community DOL	Bukky Junaid	06/09/2023	C2	New
2	P008	Capital Programmes	Michael Naughton	25/08/2023	C2	New
3	CS009	The General Data Protection Regulations	Dan Kennedy	29/09/2023	D1	Static
4	CS011	Rent arrears	Rod Smith	06/09/2023	A3	New
5	CS012	Meeting Housing Needs	Mark Billings	29/09/2023	A1	Static
6	C001	Workforce Sufficiency	Julie Kelly	23/09/2023	C2	New
7	C002	Childrens Care placements	Tehseen Kauser & Alex Coman	23/09/2023	C2	New
8	C003	High Needs SEN placements	Abi Preston	23/09/2023	B2	New
9	C0005	School Places	Abi Preston	23/09/2023	C1	New
10	F005	Maintained Schools Funding	Chris Mayo	20/09/2023	D1	New
11	F011	Increased levels of fraud	Alex Brown	16/08/2023	B1	New
12	F014	Ability to Deliver a Balanced Budget in the Short and Medium Term	Andy Evans	29/09/2023	D1	New
13	F015	Financial Resilience of Contracts	Andy Evans	28/09/2023	C2	Static
14	D001	Cyber Security	Matthew Wallbridge	24/08/2023	C1	Static

DoT = Direction of Travel (Change to the risk score since the last Audit Committee update)

LIKELIHOOD	Very High (A)		(4)		(5)
	High (B)			(8)	(11)
	Significant (C)			(1) (2) (6) (7) (13)	(9) (14)
	Medium (D)				(3) (10) (12)
	Low (E)				
	Very Low (F)				
		Small (4)	Medium (3)	Large (2)	Very Large (1)
		IMPACT			

APPENDIX B: RISK SCORING METHODOLOGY

LIKELIHOOD			RISK SCORE			
Greater than 90%	This Week	Very High (A)	A4 (6)	A3 (12)	A2 (18)	A1 (24)
70% to 90%	Next Week / This Month	High (B)	B4 (5)	B3 (10)	B2 (15)	B1 (20)
50% to 70%	This Year	Significant (C)	C4 (4)	C3 (8)	C2 (12)	C1 (16)
30% to 50%	Next Year	Medium (D)	D4 (3)	D3 (6)	D2 (9)	D1 (12)
10% to 30%	Next 5 Years	Low (E)	E4 (2)	E3 (4)	E2 (6)	E1 (8)
Less than 10%	Next 10 Years	Very Low (F)	F4 (1)	F3 (2)	F2 (3)	F1 (4)
			IMPACT			
			Small (4)	Medium (3)	Large (2)	Very Large (1)
Financial:			Up to £250k	£250k - £1million	£1million - £5million	Over £5million
Service Provision:			Slightly reduced	Service suspended short term	Service suspended long term / statutory duties not delivered	
Health & Safety:			First Aider required	Broken Bones/Illness	Loss of life / Major illness	Major loss of life / large scale major illness
Workforce:			Negative morale	Some hostility / minor non cooperation	Industrial action	Mass staff leaving
Reputation:			Minor Letters	Adverse local media	Adverse national publicity	Remembered for years
Government Relations:			Poor assessment		Service taken over temporarily	Service taken over permanently

2023/24 QUARTER 2 COUNTER FRAUD PROGRESS REPORT

Committee name	Audit Committee
Officer reporting	Alex Brown, Head of Counter Fraud
Papers with report	2023/24 Quarter 2 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 2 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 2; 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.

COUNTER FRAUD

Report to Audit Committee: 2023/24 Quarter 2

30th September 2023



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Alex Brown	1. INTRODUCTION	3
Head of Counter Fraud	2. EXECUTIVE SUMMARY	3
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e: abrown@hillingdon.gov.uk	4. COUNTER FRAUD PERFORMANCE IN Q2	8
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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 Quarter 2(Q2) period (1st July to 30th September 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 Q2.
- 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 continued to prioritise its activity in Q2 on a risk based approach, deploying resources into areas of high risk. This has led to the majority of the CFT's work taking place across Housing, Social Care and Revenues. The team's efforts across these risk areas have **delivered c£1.7m in savings, bringing the year total to c£3.5m.**
- 2.2 The area of Housing, in particular tenancy fraud has remained a focus for the CFT throughout Q2. The team are **currently investigating 125 cases for suspected tenancy fraud** including subletting, non-occupation and wrongful succession. During Q2 the CFT have **successfully recovered 21 Council properties** which have been returned to Housing Services for relet for those in genuine need. **In total 48 properties have been recovered in the year to date.**
- 2.3 Throughout Q2 the CFT has been visiting all those that have approached as homeless and received emergency accommodation. The purpose of these residency checks is to highlight any false homeless applications or non-occupation of the accommodation provided. This work during Q2 has led to **15 accommodation closures resulting in c£134,000 of savings.**
- 2.4 Early in Q2 the HCF nominated the Counter Fraud Team for a **Public Finance Award in the category for Outstanding Fraud prevention, detection & recovery.** The nomination was based on the team's multi-discipline approach that led to c£12.3m of savings in 2022/23. Entries were deliberated by a panel of experts and the **CFT have been shortlisted for the prestigious award** alongside 6 other fraud teams. The awards are due to be presented late November 2023.

- 2.5 Following the agreement in Q1 of a new structure, **In Q2 the CFT have conducted a recruitment drive to fill all outstanding roles.** All positions have been filled with the exception of the Counter Fraud Analyst role where an offer has been made to a candidate. The new substantive structure chart can be found in **Appendix D**. The management team will focus their efforts on training all new starters and embedding staff into their new roles during Q3. With the team now fully resourced the CFT has an improved operational capability to combat the risk of fraud against the Council.

3. COUNTER FRAUD ACTIVITY IN QUARTER 2

3.1 Housing Fraud

- 3.1.1 The CFT has sustained its performance from previous quarters, **recovering 21 social housing properties, with a notional saving of c£1.1m in Q2.** This brings the total number of properties recovered this financial year to 48, the highest figure that the CFT have reported at this stage of the financial year. These positive results stem from a variety of proactive projects and data matching exercises that the CFT have undertaken and shows that tenancy fraud is continuing to be of high risk to the Council.
- 3.1.2 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. Again, this financial year, in Q2 the CFT has achieved above this KPI with **36% 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	Q2*	Total for 23/24*	£k/value**
Abandonment	0	0	0	£0
Deceased	7	7	14	£784k
NFI Fraud Hub	5	1	6	£336k
Non-Occupation	9	11	20	£1,120k
Other	2	0	2	£112k
Sub-Let	1	0	1	£56k
Wrongful Succession	3	2	5	£280k
Total Properties Recovered	27	21	48	£2,688k

* As at end of Q2 (30th September 2023).

** Tenancy Fraud Forum valuation.

- 3.1.3 The CFT currently have **125 investigations surrounding suspected cases of tenancy fraud** including non-occupation, subletting, wrongful succession, and false homeless applications. From these investigations **21 cases are currently with our legal team**, and 2 possession orders have been obtained following legal proceedings, which are awaiting enforcement action.
- 3.1.4 In Q1 the CFT reported the ongoing pressures in the current economic climate that are causing high demand for housing and the need for **Bed and Breakfast (B&B) emergency accommodation.** Since the cost of living crisis began there has been an increase in fraud within this area of housing. In Q2 the CFT coordinated a project which involved colleagues from Housing and the CFT residency checking accommodation units. Working collaboratively, the teams were able to visit 439 properties in 4 weeks, ensuring the services provided by the council were for those in genuine need.
- 3.1.5 The project has been successful, with a total of **15 emergency accommodation units being closed due to non-occupation, resulting in savings of c£134k.** A further **14 cases have been opened** highlighting concerns of suspected non-occupation.

- 3.1.6 This brings the total number of B&Bs closed this financial year to 20. Whilst the risk remains high in this area of housing, the CFT will be continuing its proactive project by visiting B&B accommodation on a rolling programme for the rest of 2023/24. To ensure the CFT has the resources to meet the current heightened risk, two Counter Fraud Officers have been hired on a 6 month secondment to undertake this work.
- 3.1.7 The CFT review various types of in-house data using the Council's internal systems, to highlight any fraud, loss or error across the services. In Q2 the CFT created a report from our council tax system to data match all council owned properties against an exemption whereby Council Tax have been notified of a death or a person living elsewhere to receive care. The purpose of this data match was to ensure that Housing were aware of unoccupied properties. From the report the CFT has recovered 3 properties in Q2 and have opened a further 6 cases due to non-occupation and deceased.
- 3.1.8 Verification checks on all Right to Buy (RTB) applications submitted to the Council have continued in Q2 and the CFT are currently investigating **5 cases for suspicion of sub-letting and non-occupation**, with 1 case referred to our Legal department to instigate criminal proceedings based on fraud act offences.
- 3.1.9 In Q2 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.
- 3.1.10 In Q2 the CFT completed **153** verification checks on applicants who have registered for social housing. Outlined in **Table 2** below, the team successfully **closed a further 7 housing register applications**, totalling 19 for this financial year. Applications are closed due to several factors 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	Q2*	Total for 23/24*
Total number of cases reviewed	258	153	411
% Identified by CFT for rejection	25%	17%	24%
Total number of applications closed	12	7	19

* As at end of Q2 (30th September 2023).

- 3.1.11 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 Q2 the team has successfully achieved **100% 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 1,855 inspections, with 1,804 (98%) visited within the 10-day KPI target**.

Table 3 ~ Revenues Inspections Performance 2023/24

Revenues Inspections	Q1	Q2*	Total for 23/24
Total number of inspections completed	1,792	1855	3647
Percentage within 10 day target	99%	98%	99%

*As at end of Q2 (30th September 2023).

- 3.2.2 During Q2 the CFT has identified a further **12 previously unlisted properties** made up of 'Beds in Sheds'. As a result, an additional **c£28k of loss prevention savings** has been identified following the issue of revised Council Tax bills to the liable parties.
- 3.2.3 During Q2 the CFT have continued the programme of internal Revenues Maximisation and carried out another 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 16 business premises which have been altered and improved**. These properties have been submitted to the VOA for a decision and will be reported in Q3.
- 3.2.4 Two properties identified by the previous internal Revenues Maximisation day of action have been completed by the Valuation Office Agency (VOA) creating **additional business rates billing of c£88k** with further results expected during Q3.
- 3.2.5 In addition to the internal work being carried out, the CFT continues its work with suppliers to maximise revenue. Contracts are now in place for external Revenues Maximisation work to continue with **bills in Q2 issued to businesses to the value of c£45k**.

3.3 Social Care

- 3.3.1 Due to the economic climate continuing to pose an increased risk of fraud within Social Care, the CFT have seen its **second most successful quarter, with c£115,000 of loss preventions savings identified for Q2**. The teams in depth understanding of key fraud risks within the financial assessment (FA) process has highlighted savings through the preventative controls in place that have been designed to mitigate this increased risk.
- 3.3.2 One way in which the CFT is limiting the opportunity for instances of fraud to take place is through the teams embedded financial assessment verification process. With the verification process designed to identify anomalies, such as hidden capital or assets prior to financial support being administered, **over 208 verification requests have been received in Q2, 26 of which are undergoing further checks**.
- 3.3.3 As a direct result of the team's proactive approach in this area, Q2 has seen the positive conclusion of an ongoing FA investigation which saw the fraud span across multiple fraud risks within Social Care, Housing, Council Tax and Benefits. Investigators uncovered a FA applicant who had failed to disclose to the Council that they were no longer occupying their Council property and continued to receive housing benefit payments and a reduction on their council tax. **This preventive measure resulted in combined savings of over c£74k**.
- 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	Q2*	2023/24
Total number of cases reviewed	4	2	6
Total number verified as accurate	1	0	1
Total number of cases closed	0	0	0
Total number of cases under further checks	3	1	4
Loss Prevention Savings	0	0	0

* As at end of Q2 (30th September 2023).

- 3.3.5 Q2 marked the commencement of the team's proactive Section 17 project, with counter fraud officers deployed to detect the illegal sub-letting and non-occupation of Social Care accommodation. With placements provided both inside and outside of the borough, counter fraud officers have begun conducting unannounced visits to all 27 service users, with outcomes expected to be reported in Q3.

3.4 Blue Badge

- 3.4.1 With the team strategically placed to respond to and investigate allegations of Blue Badge misuse, Q2 saw the teams' investigative capabilities bring one offender before the courts and another issued with a Simple Caution. Following a referral from the Councils Public Protection and Enforcement Service a criminal investigation was commenced into the suspected misuse of a Blue Badge in Ruislip High Street. The badge was subsequently seized with further enquiries identifying that the badge had been reported as stolen. **The evidence of the case was heard at Uxbridge Magistrates Court on 11th July 2023 which resulted in the offender receiving a fine and ordered to pay full prosecution costs as well as a victim surcharge totalling £2,358.00.**

3.5 Onsite Immigration Official

- 3.5.1 During the course of Q2 the teams OSIO has continued to proactively undertake loss prevention activity in the area of Childrens Social Care. Working collaboratively with the Childrens Resources Finance Team, this proactive approach has resulted in **£28k in loss prevention savings**. In total, 2 cases were identified where a change in the service user's immigration status enabled the service users to be supported with making a claim for benefit. In return, these claims allowed for the cost of providing accommodation to each service users to be funded by the welfare system. A further 3 cases remain under review, with savings expected to be reported in Q3.

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. **One council property** has been recovered and returned to use as a result of information provided by the LCFH during Q2.
- 3.6.3 The CFT have continued to work jointly with other London Boroughs through The London Boroughs' Fraud Investigators' Group (LBFIG) in developing innovative bespoke data matching reports to identify cross border fraud in identified high risk areas. Significant progress has been made in the previously reported work towards a pan London data match regarding internal fraud with results now expected in Q3.

3.7 National Fraud Initiative

- 3.7.1 During Q2 matches for the main NFI exercise for 2022/2023 have continued to be reviewed by the CFT in conjunction with the service areas.
- 3.7.2 The council's pensions administrator has completed their investigation regarding 17 cases where the council were previously unaware that pensioners had passed away which has **identified £2,714.62 in pension overpayments**.

- 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 **£69,599.09 in additional billing** during Q2 with a further **28 currently under review**. Further results from this match are expected throughout the year.

3.8 Other Counter Fraud Activities

- 3.8.1 During Q2 the CFT carried out cross department shadowing and training with CFT officers and lettings Officers from Housing. Each team took time out from their day to day work to learn what the other teams does to upskill officers and make improvements to the Housing verification processes.
- 3.8.2 As part of the CFT's commitment to supporting the wider organisation, the management team have trained over 90 Housing staff in Q2 in interview skills and techniques. This training has been a success with Housing Officers now adopting principles used by the CFT for investigative interviews into their day to day work. The management team plan to run further training sessions in Q4 on notetaking and witness statement writing to further support the upskilling of officers.
- 3.8.3 Following a successful trial the team have become one of the first local authorities to enter into an agreement with the private sector IT company behind the NFI gaining access to additional data from the private sector including insurance information to enhance fraud investigations.
- 3.8.4 The CFT have also commenced a trial agreement with an external provider for an industry leading software solution to improve the handling and effectiveness of electronic evidence received during investigations which will be evaluated during Q3.
- 3.8.5 Recruitment to the new team structure is now complete with a Counter Fraud Manager, Counter Fraud Investigator and Counter Fraud Officer being appointed and settling into their new roles. Demonstrating the CFT commitment to staff progression each of these appointments was made via promotion within the team and additional external appointments of a Counter Fraud Investigator apprentice and one Counter Fraud Analyst has also been completed with the latter expected to join the team during Q3. One Counter Fraud Investigator Apprentice role has been left vacant as no suitable candidate could be appointed before the commencement of the apprenticeship. This role still exists within the CFT structure; however it is currently being used to fund an in-year counter fraud trainee on a casual basis, who has been appointed following a successful work experience placement over the summer.
- 3.8.6 The CFT are working proactively with Trading Standards officers to identify and pursue criminal cases which have a Proceeds of Crime (POCA) element to them and require an Accredited Financial Investigator (AFI) to take them forward. Two members of the CFT are awaiting statutory training to allow the CFT to undertake its own Proceeds of Crime investigations.

4. COUNTER FRAUD PERFORMANCE IN Q2

- 4.1 Attached at **Appendix A** is **Table 5** which sets out the Q2 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 Q2 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 In Q3 the CFT will undertake a proactive project in conjunction with Housing Officers to residency check tenants currently occupying short life temporary accommodation. The project will likely highlight instances of non-occupation or subletting for investigation. Outcomes will be reported in future progress reports.
- 5.2 As part of the CFT's transformation work to make improvements to the service, the management team will begin to explore opportunities to generate income back into the public purse from those that have committed fraud. This includes unlawful profit orders and penalty notices. This work stream will begin in Q3 along side Legal Services.
- 5.3 In recent months the CFT have noticed a slight increase in cases regarding commissioned care providers and direct payments. The management team in Q3 will start to review processes within the service areas to understand the control environment. Following this the HCF expects the CFT to take a proactive approach to these risks through data matching and subsequent investigative activity.
- 5.4 During Q3 LBFIFG are holding their yearly AGM. A significant amount of fraud professionals from across London will be in attendance to network and receive industry updates. Two of the CFT's management team are leading and facilitating a breakout session to discuss Social Care fraud risk across London. The breakout session is aimed at understanding risks, themes, activity and provide a learning platform for all.
- 5.5 In November the CFT will embark on a week of fraud awareness internally and externally to promote International Fraud Awareness Week. The team will be carrying out fraud awareness sessions to services, delivering training and promoting the Council's fraud response across social media platforms.
- 5.6 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 September 2023

APPENDIX A: Table 5 - CFT KPIs and Actual Performance

CFT KPIs	Target	Q1	Q2*	23/24*	22/23
1. Percentage of fraud referrals risk assessed within 3 working days	95%	99%	100%	99%	99%
2. Verification work timescales for completion:					
a. Housing Allocations completion within the target date set by Housing	95%	99%	99%	99%	99%
b. Right to Buy case completion within 28 working days	95%	100%	100%	100%	100%
c. Financial Assessments completion within 7 working days	95%	100%	100%	100%	100%
d. Section 17 reviews completion within 7 working days	95%	100%	100%	100%	100%
3. Investigation plan completion within 5 working days of case allocation	95%	99%	100%	99%	99%
4. Tenancy fraud referrals received resulting in property recovery	30%	42%	36%	37%	40%
5. Investigations resulting in loss prevention/financial saving outcome	40%	42%	41%	41%	39%
6. Revenue inspections completed within 10 working days of referral date	95%	99%	98%	99%	99%

* As at end of Q2 (30th September 2023).

APPENDIX B: Table 6 - CFT Quarter 2 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	£1,176,000	£0	£0	£2,688,000
	Other savings/loss prevention	£38,283	£134,596	£0	£0	£168,245
Social Care	Section 17 and UASC**	£13,586.50	£0	£0	£0	£13,586.50
	Financial Assessments	£13,320.80	£115,511.40	£0	£0	£127,470.70
	SGO	£79,150.60	£0	£0	£0	£79,150.60
	Direct Payments	£0	£0	£0	£0	£0
Revenues	Single Person Discount	£14,148	£75,001.70	£0	£0	£89,149.70
	Council Tax Reduction & arrears	£12,070.60	£9,775.60	£0	£0	£21,846.10
	Unlisted Buildings	£18,740.77	£28,106.40	£0	£0	£46,847.13
	Housing Benefit Overpayments	£985.50	£24,511.50	£0	£0	£25,497.0
	NNDR	£44,661	£141,667.7	£0	£0	£186,328.60
Blue Badge	Simple Caution & Financial Penalty	£2,518	£1,742	£0	£0	£4,260
Immigration Officer	Housing Homelessness Applications**	£8,412.30	£0	£0	£0	£8,412.30
	Social Care Savings	£60,469	£28,477	£0	£0	£88,946.30
Totals	Loss Prevention Savings	£207,226.80	£278,584.60	£0	£0	£485,811.40
	Notional Savings	£1,550,947.30	£1,320,929	£0	£0	£2,871,876.30
	Cashable Savings	£56,292.50	£134,133.70	£0	£0	£190,426.30
	Costs awarded and penalties	£2,518	£1,742	£0	£0	£4,260
	Total	£1,816,985	£1,735,389	£0	£0	£3,552,374

* As at end of Q2 (30th September 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.

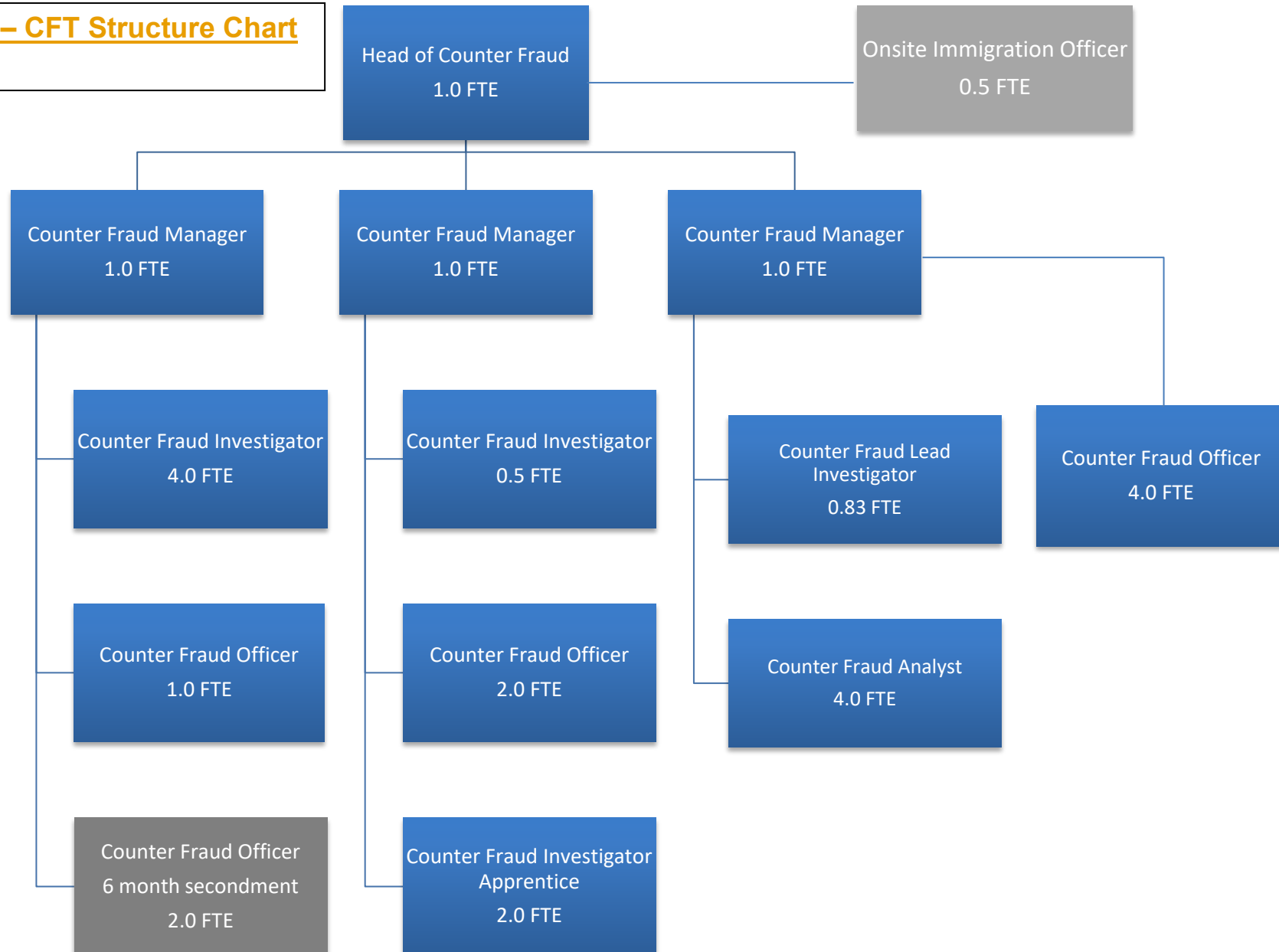
Revenue Maximisation: The use of internally held data and the utilisation of external data partners to identify previously unlisted commercial and domestic properties, along with identifying commercial properties that have undertaken modifications or improvements that would result in the revaluation 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.

APPENDIX D – CFT Structure Chart

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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 12 February 2024 will start at 17:10.

Meetings	Room
12 February 2024	CR5
30 April 2024	CR5

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
	Skills Matrix	Democratic Services
	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