



HILLINGDON  
LONDON



# Audit Committee

## Members of the Committee

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

**Date:** MONDAY, 12 FEBRUARY  
2024

**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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Head of Democratic Services  
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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 22 November 2023 1 - 8
- 5** Counter Fraud Progress Report 2023-2024 Q3 9 - 22
- 6** External Audit Update 23 - 26
- 7** Internal Audit Progress Report 2023-2024 Q3 27 - 40
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## Minutes

### AUDIT COMMITTEE

22 November 2023

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



	<p><b>Committee Members Present:</b> John Chesshire (Chair), Councillors Reeta Chamdal (Vice-Chair), Nick Denys, Henry Higgins, June Nelson, and Tony Burles</p> <p><b>Officers Present:</b> Andy Evans – Corporate Director of Finance, James Lake – Director - Pensions, Treasury and Statutory Accounts, Claire Baker – Head of Internal Audit and Risk Assurance, Tony Zaman – Chief Executive Officer, and Ryan Dell – Democratic Services Officer</p> <p><b>Also Present:</b> Steven Reed, Ernst &amp; Young, and Debbie Hamilton, Ernst &amp; Young</p>
67	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>No apologies were received from Members.</p> <p>Officers noted apologies from the Head of Counter Fraud.</p> <p>(Apologies had been received prior to the meeting from the Internal Audit Manager).</p>
68	<p><b>DECLARATIONS OF INTEREST</b> (<i>Agenda Item 2</i>)</p> <p>None.</p>
69.	<p><b>TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE</b> (<i>Agenda Item 3</i>)</p> <p>It was confirmed that all items would be considered in public.</p>
70.	<p><b>MINUTES OF THE MEETING HELD ON 08 AUGUST APRIL 2023</b> (<i>Agenda Item 4</i>)</p> <p>The Chair noted that on page seven, the minutes read “... <i>the Committee conformed with the standards.</i>” This should have read “... <i>the Internal Audit team conformed with the standards.</i>”</p> <p>The Chair noted that on page eleven, the minutes read “<i>The Onsite Immigration Officer (OSIO) had identified £233,000 in savings.</i>” This should have stated that it was the presence of the Immigration Officer which led to that volume of savings.</p>

	<p>Councillor Nelson advised that she had sent apologies for this meeting but they were not recorded.</p> <p><b>RESOVLED: That the minutes of the meeting held on 08 August 2023 be approved as a correct record, subject to the above amendments</b></p>
71.	<p><b>EY EXTERNAL AUDIT UPDATE AND 2022/23 PENSION FUND AUDIT PLAN</b> (Agenda Item 5)</p> <p>Officers noted the completion of the 2021/2022 statement of accounts audit by EY under delegated authority. The Vice-Chair and officers had a thorough meeting with EY to review the audit results and agreed on the final sign-off, which was now brought to the Committee for formal ratification.</p> <p>Additionally, the completion of the 2021/2022 accounts allowed the production of the draft 2022/2023 accounts, which were published on the council website. However, due to the state of local authority audits nationwide, there was a delay in the audit process, and a government consultation was ongoing regarding how to proceed.</p> <p>Officers highlighted completed audit activities for 2021/2022, such as housing benefit assurance process, teachers' pension, and capital receipts pooling, with no adverse findings to report to the Audit Committee. Officers noted an increase of £60,000 in variation fees for 2021/2022 and the consultation by the Public Sector Audit Appointments body (PSAA) proposing a significant fee rise for 2023/2024 audits.</p> <p>EY then provided context on the challenges in the public audit market, citing delays in completing audits across local governments in England. There was a complex set of circumstances around system leadership, resources and capacity. To address these delays, the former Minister with responsibility for local government appeared at Parliament's Levelling Up Committee in July and issued a cross statement letter which set out a number of areas and over the summer there would be ongoing consultation between stakeholders to address these delays, but no firm guidance had been provided yet from either the Financial Reporting Council (FRC) or the department. The focus was on completing pension fund audits and value-for-money reporting. The third area was around focusing on audits that were just about to be finished but could not previously be finished due to national technical issues. The guidance was awaited before any decisions were made on 2022/2023 audits and whether it would be a sensible position to progress with them bearing in mind that one of the announcements within the ministerial statement was that where audits are not completed by 31 March 2024, they would automatically move to a type of disclaimed opinion rather than the audits continuing without a finite date. Until this guidance was received, it did not seem appropriate to commence the 2022/2023 audit because at the current time if that back stop date remained then it was unlikely that EY would get through the whole audit and Hillingdon would have to pay for the work that was completed but with no result or completion of the process.</p> <p>EY presented the Pension Fund audit plan for 2022/2023, identifying key risks and changes. IAS26 disclosures were a higher area of inherent risk. There was a specific risk around the valuation of more complex level three investments which were harder to value.</p> <p>There had been a minor change in the approach to auditing for two reasons: the first was that there was some testing on triennial membership numbers; the second was</p>



that EY would normally leverage some assurance from work on the Council's net liability, which they had not audited this year.

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

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

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

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

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

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

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

Given that it was currently six-seven weeks into the pension fund audit plan, the Chair asked if things were going as they should be. EY noted that they were making good progress and were aiming to conclude by the end of December with the aim of bringing a draft audit results report to Committee in February 2024.

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

**RESOLVED: That the Audit Committee:**

- 1. Ratified the completion of the 2021/2022 external audit Statement of Accounts, including the Auditor's Annual Report and Value for Money statement, which were approved under delegated authority on 28**

	<p><b>September 2023;</b></p> <p><b>2. Noted the completion of all 2021/2022 certification requirements;</b></p> <p><b>3. Noted the 2022/2023 Pension Fund Audit Plan;</b></p> <p><b>4. Noted the EY verbal update on 2022/2023 Council Audit;</b></p> <p><b>5. Noted progress on 2022/2023 certification of the Housing Benefit Assurance Process and Teacher's Pension; and</b></p> <p><b>6. Noted the proposed Audit Fees</b></p>
72.	<p><b>INTERNAL AUDIT PROGRESS REPORT Q2 2023-2024</b> (<i>Agenda Item 6</i>)</p> <p>The Head of Internal Audit presented the report, noting that since the last Audit Committee meeting, ten assurance reviews had reached the final report stage. These reviews were detailed in the summary table on page six (page 63 of the document). Out of these ten, three were substantial assurance, four were reasonable assurance, and three were limited assurance. The three limited assurance reports pertained to:</p> <ul style="list-style-type: none"> <li>• The trading standards proceeds of crime act report. No significant issues had come out of this. Concerns were raised about oversight and consistency in record-keeping, however a new Head of Service was appointed at the time of the audit and positive actions were already being taken.</li> <li>• The risk management report which highlighted ongoing positive risk management strategies, actively addressing known areas of improvement. This was an independent review by the external provider, Mazars, aligned with the organisation's transformation program focus on risk management.</li> <li>• An audit concerning workforce planning, establishment control, and recruitment. There were a lot of findings related to having an overarching workforce strategy/ workforce plan. This again was a known area and was being addressed and should be addressed by the end of this year.</li> </ul> <p>Officers emphasized the flexibility of the internal audit plan, adapting it as new risks emerged or as other sources of assurance became available. Additional reviews had commenced since the report's publication, including an examination of pool cars and various consultancy reviews, outlined in Appendix C of the report.</p> <p>The follow-up on management actions had been extended, offering more comprehensive information compared to the previous Audit Committee meeting. 43 actions had been verified, and ten reports had been closed as all actions were completed. Where actions were marked as being overdue, new dates were being set. Some delays were due to the action's incorporation into larger projects or changes in responsible officers. Efforts to align with new responsible officers for better understanding were emphasized.</p> <p>Members asked about any risk regarding trading standards records not being completed and stored appropriately. Officers clarified that it was not that they were not stored appropriately, but around consistency. There were two financial investigators and they had separate portfolios and were stored separately. So, this was around making sure that there was some consistency between the two to improve access in</p>

	<p>case of absence.</p> <p>The Chair asked about changes to the plan, and where there were significant changes, did these have to be agreed/ approved again by the Committee, or simply noted. Officers noted that this would usually be for noting, unless for example if there were vastly significant changes such as cutting out a full Quarter from the plan.</p> <p>Members suggested putting a key into the tables of information within the report. Officers agreed to provide a clearer key for better interpretation of the numeric representations.</p> <p>The Chair raised a query about the Cemeteries and IR35 management actions. Officers noted that these were in part due to a change of responsible officer.</p> <p>On 'Planning Enforcement', officers noted that there were two high findings and seven medium recommendations. All of these had now been closed.</p> <p>On the 'Birth Registration Service', this was noted to have a new date of November 2024. Members asked if this was exceptionally long in audit terms. Officers noted that dates were pushed back to ensure they were realistic, especially if they related to a larger transformational project.</p> <p>Members asked for some elaboration on 'Procurement – Contract Compliance Management' having a new date of June 2024. This related to the Oracle project and around changing processes with the move to the Oracle system which was due to come in in April.</p> <p>On Internal Audit Reviews on page 63 of the agenda, officers noted that the reference numbers included a note to which Directorate the reviews related to.</p> <p>Officers confirmed they were now fully staffed for handling current audits and confirmed that the audit plan's flexibility was normal practice.</p> <p>Finally, the Committee expressed appreciation for the progress shown in key performance indicators (KPIs) and encouraged the team to continue their effective work.</p> <p><b>RESOLVED: That the Audit Committee noted the IA progress since the last Committee meeting</b></p>
73.	<p><b>CORPORATE RISK REGISTER Q2 2023-2024</b> (<i>Agenda Item 7</i>)</p> <p>Officers introduced the first draft of a new risk report, part of their ongoing transformation work. They aimed to transition from merely presenting a risk register at a specific point in time to assessing how effectively officers managed risks within their respective areas. This approach intended to identify trends and proactive risk management strategies.</p> <p>Officers explained that a comprehensive corporate risk register was not provided for two primary reasons. Firstly, the Council had shifted to a centralized Excel register, which contained a substantial amount of data, making it challenging to present in a readable format. Secondly, efforts were underway to ensure the corporate risk register aligned with operational-level risk recording and escalation processes, ensuring significant risks from various areas were escalated effectively. This meant that the</p>

	<p>centralized risk register was very much an operational tool, continually being updated and to be a useful tool.</p> <p>The focus was on developing a strategic framework aligning corporate risks with the Council's strategic objectives. While plans to unveil this framework were underway, challenges with formatting and the need for additional time to ensure its usefulness were highlighted. This may be brought to the next Audit Committee.</p> <p>Officers emphasized the inclusion of key performance indicators (KPIs) in the report and invited suggestions for incorporating more useful information. The report highlighted significant changes in Q2, including the migration to a centralized risk register in Excel, re-allocation of risks due to internal service movements, and the ongoing refreshment of register content. The report indicated a substantial change in the corporate risk register, with six risks removed and ten added, some of which were still under evaluation and likely to undergo further modifications. The new system was hoped to be implemented by the next Audit Committee.</p> <p>It was noted that specific high-risk areas such as meeting housing needs and fraud had lots of different aspects to them.</p> <p>The Committee acknowledged that these issues were part of broader systemic challenges rather than isolated to Hillingdon.</p> <p>Members appreciated the report's structure and visual representation, suggesting it would help identify areas that needed more attention or improvement.</p> <p>Overall, the Committee acknowledged the work in progress, highlighting the need to track improvements. Members appreciated the efforts towards enhancing the risk management framework.</p> <p><b>RESOLVED: That the Audit Committee noted the Risk Management Report and progress to improve the risk management arrangements</b></p>
74.	<p><b>COUNTER FRAUD PROGRESS REPORT Q2 2023-2024</b> (<i>Agenda Item 8</i>)</p> <p>There had been a lot of activity across a variety of risks which had led to further savings of £1.7M, bringing the year-to-date total to approximately £3.5M.</p> <p>Housing remained a focal point with 21 properties recovered due to tenancy fraud, totalling 48 properties recovered for the year. A proactive B&amp;B residency check project had led to the investigation and closure of 15 cases, primarily due to non-occupancy, resulting in savings exceeding £134,000. The team had diligently worked through the national fraud initiative data, cancelling numerous single person discounts valued at £70,000.</p> <p>Collaborating closely with the housing department, the management team conducted training for over 90 staff members on interview skills and techniques, aiming to support and enhance the capabilities of frontline staff. Additionally, after a successful recruitment campaign, it was confirmed that all positions within the team were filled, as of 04 December. An updated structure chart was provided in Appendix D of the report, fulfilling the request from the previous Audit Committee meeting.</p> <p>The Counter Fraud team had been nominated for the Public Finance Awards and was shortlisted in the category of outstanding fraud prevention, detection, and recovery for</p>

	<p>their achievements during 2022-2023. The awards ceremony was scheduled for the following week, and the Committee wished the team luck.</p> <p>The Committee congratulated the team for the nomination, highlighting the achievement as well-deserved.</p> <p>Members expressed their appreciation for the well-drafted and informative report, acknowledging the team's sustained performance. Overall, the Committee commended the Counter Fraud team for their work.</p> <p><b>RESOLVED: That the Audit Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Noted the Counter Fraud Progress Report for 2023/24 Quarter 2; and</b></li> <li><b>2. Suggested any comments/ amendments</b></li> </ol>
75.	<p><b>WORK PROGRAMME</b> (<i>Agenda Item 9</i>)</p> <p>Officers asked that Members, if they had not already done so, complete and return the Skills Matrix, which would be used to compile Member training for 2023-2024.</p> <p>Members suggested that it would be beneficial if future pre-meets could be added to Members' calendars.</p> <p><b>RESOLVED: That the Audit Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Confirmed the dates for Audit Committee meetings; and</b></li> <li><b>2. Made suggestions for future agenda items, working practices and/ or reviews</b></li> </ol>
	<p>The meeting, which commenced at 5.10 pm, closed at 6.10 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](mailto:democratic@hillingdon.gov.uk). Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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## 2023/24 QUARTER 3 COUNTER FRAUD PROGRESS REPORT

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Alex Brown, Head of Counter Fraud
<b>Papers with report</b>	2023/24 Quarter 3 Counter Fraud Progress Report
<b>Ward</b>	All

### HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2023/24 Quarter 3 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 3: 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 3

31<sup>st</sup> December 2023





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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 3(Q3) period (1<sup>st</sup> October to 31<sup>st</sup> December 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 Q3.
- 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 Q3 has been a productive quarter for the CFT deploying resources into areas of high risk. Reactive and proactive Counter Fraud activity has been the focus across multiple fraud risks with Revenues, Housing and Social Care. The team's efforts across these risk areas have **delivered c£5.6m in savings, making Q3 the most successful ever recorded. This brings the year total to c£9.2m, meaning the CFT has already overachieved its target for 2023/24 of £5m.**
- 2.2 Following on from the CFT's shortlisting for Outstanding Fraud Prevention, Detection and Recovery award the team attended the awards evening on 28<sup>th</sup> November in London. Though facing a strong shortlist of fraud teams, **Hillingdon Councils Counter Fraud Team won the award for best in class**, alongside the prestigious **Grand Prix award** which was selected from all of the category winners. The judging panel drawn from industry experts commented that the Counter Fraud Team had "A very strong nomination that showed results over and above target. The team took a holistic approach to audit, creating an organisation-wide counter fraud culture led from the top down." The panel were also impressed by the creation of a fraud risk register, which provides real-time reviews on emerging risks and allows them to deploy resources in an agile way, and the embedded mandatory verification processes across social housing, right to buy and succession applications.
- 2.4 The risk of tenancy fraud has remained a focus of CFT activity during Q3. The team are **currently investigating 135 cases for suspected tenancy fraud** including subletting, non-occupation and wrongful succession. During Q2 the CFT have **successfully recovered 32 Council properties** which have been returned to Housing Services for relet for those in genuine need. **In total 80 properties have been recovered in the year to date.**

- 2.5 During Q3 the CFT has worked closely with colleagues across Social Care in particular Adults, to identify fraud risks. The CFT management team have also **delivered fraud awareness sessions** to staff in this area discussing fraud risks, fraud indicators and how to report fraud. This engagement has led to an increase in referrals relating to commissioned care and direct payments. The HCF acknowledges there is more work to be done in this area and will be prioritised moving into the new financial year.
- 2.6 Throughout the financial year the CFT has conducted internal projects and proactive monitoring as part of **its revenue's maximisation work**. In Q3 several cases of undeclared businesses or businesses that had significant changes were not reflected in the ratings list. **This investigative work led to billings of c£3.6m being issued.**

### 3. COUNTER FRAUD ACTIVITY IN QUARTER 3

#### 3.1 Housing Fraud

- 3.1.1 **Q3 has been the most successful quarter on record for property recovery**, with a total of **32 properties being returned to Housing**. This is a notional saving of c£1.7m and brings the number of properties recovered this financial year to an outstanding 80 in total. The 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. In this financial year, in Q3 the CFT has achieved above this KPI with **58% of tenancy fraud referrals resulting in property recovery**. This has been due to newly designed data match sets which in turn has proactively generated high quality referrals, leading to 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	Q3*	Total for 23/24*	£k/value**
Abandonment	0	0	0	0	£0
Deceased	7	7	15	29	£1,624k
NFI Fraud Hub	5	1	3	9	£504k
Non-Occupation	9	11	11	31	£1,736k
Other	2	0	3	5	£280k
Sub-Let	1	0	0	1	£56k
Wrongful Succession	3	2	0	5	£280k
<b>Total Properties Recovered</b>	<b>27</b>	<b>21</b>	<b>32</b>	<b>80</b>	<b>£4,480k</b>

\* As at end of Q3 (31<sup>ST</sup> December 2023).

\*\* Tenancy Fraud Forum valuation.

- 3.1.3 The CFT currently have **135 investigations surrounding suspected cases of tenancy fraud** including non-occupation, subletting, wrongful succession, and false homeless applications. From these investigations **30 cases are currently with our legal team**, and 3 of these investigations are being considered for criminal prosecution.
- 3.1.4 In Q3 the CFT has continued with its proactive residency checks on all emergency accommodation units. The project has recorded a further **7 emergency accommodation units being closed due to non-occupation, resulting in savings of c£58k**. This brings the total number of B&Bs closed this financial year to 26. A further **8 cases have been referred to Housing for review** due to concerns of suspected non-occupation.

- 3.1.5 Q3 has seen the commencement of the **Annual Temporary Accommodation housing project** in which the CFT conduct unannounced visits to each property to confirm occupancy and verify the details of the current resident(s). This also ensures that any changes of circumstances are reflected correctly across internal systems, and the data that we hold is accurate. In total **394 properties have been identified**, of which 293 have been visited. Currently, the project has highlighted **5 cases of potential non-occupation and sub-let**. The project is in its early stages and further updates will be provided in the Q4 report.
- 3.1.6 The CFT have continued to review various types of **in-house data using the Council's internal systems**, to highlight any fraud, loss or error across the services. In Q3 the CFT have **recovered 12 properties, resulting in savings of c£672k**. The current economic climate has caused an increased demand for social housing making this an important area of work to help provide the best outcomes for residents by ensuring council housing stock is fully utilised.
- 3.1.7 Verification checks on all Right to Buy (RTB) applications submitted to the Council have continued in Q3 and the CFT are currently investigating **7 cases for suspicion of sub-letting and non-occupation**, with 2 cases referred to our Legal department to instigate criminal proceedings based on fraud act offences.
- 3.1.8 In Q2 the CFT completed **266** 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 26 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	Q3*	Total for 23/24*
Total number of cases reviewed	258	153	266	677
% Identified by CFT for rejection	25%	17%	21%	21%
Total number of applications closed	12	7	7	26

\* As at end of Q3 (31<sup>st</sup> December 2023).

- 3.1.9 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. Again, in Q3 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 1,621 inspections, with 1,609 (99%) visited within the 10-day KPI target**.

**Table 3 ~ Revenues Inspections Performance 2023/24**

Revenues Inspections	Q1	Q2	Q3*	Total for 23/24*
Total number of inspections completed	1,792	1855	1621	5268
Percentage within 10 day target	99%	98%	99%	99%

\*As at end of Q3 (31<sup>st</sup> December 2023).

- 3.2.2 During Q2 the CFT has identified a further **17 previously unlisted properties** made up of 'Beds in Sheds'. As a result, an additional **c£18k of loss prevention savings** has been identified following the issue of revised Council Tax bills to the liable parties.
- 3.2.3 During Q3 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 a further 3 business premises which have been altered and improved**. These properties have been submitted to the VOA for a decision and will be reported in Q4.
- 3.2.4 **Six** 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£318k** with further results expected during Q4.
- 3.2.5 Additional proactive monitoring work being carried out by the CFT has identified significant new business premises in the borough which has provided additional business rates **billing in Q3 to the value of c£3.3m**.

### 3.3 Social Care

- 3.3.1 Q3 proved to be another successful quarter with sustained **financial outcomes in the area of Social Care, with over c£116,000 of savings identified**. This positive direction of travel can be accredited to the continued commitment to widening the CFT's Fraud Awareness Programme and providing key points of contacts for service areas to utilise the team's fraud and error expertise to better protect the public purse.
- 3.3.2 During Q3, the CFT undertook its **second investigation into Special Guardianship Orders (SGO's)**. The investigation commenced following concerns raised by the Kinship Team that highlighted overpayments that had been made to a special guardian. An SGO is a formal arrangement through a legal order that appointments one or more individuals to be a child's special guardian. The order is intended in circumstances where a child's parents are unable to look after the child for either a short or long period of time. This investigation identified that the SGO had been overpaid, and that the special guardian was **no longer entitled to financial support, this resulted in c£22k in savings**.
- 3.3.3 In Q3, the CFT completed 153 financial assessment verification requests in instances where service users were applying for funding towards their care costs. These checks identify any anomalies such as hidden assets, income or capital prior to any funds being administered. From the requests received, **c£75,000 in savings** have been achieved, with a further **17 cases undergoing additional checks**.
- 3.3.4 Q3 marks the conclusion of the teams Section 17 proactive project, with counter fraud officers deployed to detect any illegal sub-letting and non-occupation of Social Care accommodation. Utilising the teams visiting capabilities, **unannounced visits to all 27 service users were carried with c£18k of loss prevention savings identified**. These savings resulted in the closure of 2 accommodation units following Social Care discharging duty and **1 sensitive case remaining under investigation due to suspected non-occupation**.
- 3.3.5 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** over the page, 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	Q3*	2023/24
Total number of cases reviewed	4	2	5	11
Total number verified as accurate	1	0	1	2
Total number of cases closed	0	0	1	1
Total number of cases undergoing further checks	3	1	3	6
<b>Loss Prevention Savings</b>	0	0	0	0

\* As at end of Q3 (31<sup>st</sup> December 2023).

### 3.4 Blue Badge

- 3.4.1 With the arrival of International Fraud Awareness Week in Q3, the Counter Fraud Team used this globally recognised event to highlight the Council's zero-tolerance approach to tackling Blue Badge misuse across the borough. Working in collaboration with Parking Services, officers were deployed in known hot spot areas in Uxbridge and Hayes Town Centre. This intelligence lead deployment saw a **total of 87 badges inspected, with 13 seized due to misuse and a further 2 expired badge**. In addition, an investigation into the suspect use of a stolen badge has commenced with the outcome expected to be reported in Q4.
- 3.4.2 Following the team's participation in the 2023 National Blue Badge Day of Action, the Counter Fraud Team have continued to see the positive deterrent effect this day of action has had with the team securing another successful prosecution in Q3. The offender was charged and found guilty at Uxbridge Magistrates Court after an investigation into the suspected misuse following the Blue Badge being reported as stolen. **The offender received a fine and ordered to pay full prosecution costs as well as a victim surcharge totalling £1,954.**

### 3.5 Onsite Immigration Official

- 3.5.1 During Q3, the teams OSIO has identified **2 cases within Childrens Social Care where there had been a change in the service user's immigration status and 1 case of loss and error**. In return, accommodation costs in relation to 1 service user ceased and 2 service users were supported with making a claim for benefit. Each claim for benefit has allowed for the cost of providing accommodation to be funded by the welfare system and in return reduced the financial impact on the Council. This preventative work has **resulted in c£38k in loss prevention savings** and with 3 cases remaining under review, further savings are expected to be reported in Q4.

### 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. **Three council properties** have been recovered and returned to use as a result of information provided by the LCFH during Q3.



- 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. Data has now been uploaded and is in the process of being matched for a pan London data match regarding internal fraud with results now expected in Q4.

### 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 benefits department have processed high risk matches which has **identified £79,426.60 in housing benefit and council tax reduction overpayments.**
- 3.7.3 The CFT have continued to allocate resource to reviewing and investigating matches, particularly in the areas of Council Tax Single Person Discount which has generated savings of **£2,571 in additional billing** during Q3. Data for this match is due to be refreshed in Q4 providing additional matches for review in the new financial year.

### 3.8 Other Counter Fraud Activities

- 3.8.1 During Q3 the CFT carried out three successful fraud awareness training sessions with teams from Adult Social Care including the Brokerage Team and Provider Support Team which has improved communication between the teams and led to an increase of referrals to the CFT.
- 3.8.2 As part of Fraud Awareness Week in November members of the CFT's management team led a breakout session at the LBFIG Annual General Meeting to discuss Social Care fraud risk across London. The breakout session was intended to understand risks and current preventative activity undertaken at London Boroughs. General feedback received from this session was that Hillingdon is at the forefront of preventative work in this area.
- 3.8.3 During Fraud Awareness Week the CFT also continued with staff development initiatives with in-house training being provided to the team covering investigative interviewing and drafting prosecution reports.
- 3.8.4 The CFT carried out a public awareness campaign to coincide with Fraud Awareness Week in collaboration with the Communications Team with daily social media posts to highlight current issues.
- 3.8.5 The CFT have completed a successful trial with an external provider for evidence processing software solution which will be evaluated during Q4 with support from Procurement.

## 4. COUNTER FRAUD PERFORMANCE IN Q3

- 4.1 Attached at **Appendix A** is **Table 5** which sets out the Q3 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 Q3 within each of the main areas of counter fraud activity. The CFT's financial performance should be considered against a target of £5m for 2023/24.
- 4.2 The CFT has achieved a consistent level of performance across KPI's throughout the quarter. The details of this are that **9 out of 9 KPI's are above targeted performance.** The management team are pleased that all KPI's have been met and will be working closely with the team to ensure this level of performance is sustained.

## 5. FORWARD LOOK

- 5.1 The CFT as part of its strategic approach has continued to invest in staff training during Q4, with a member of the management team commencing Fraud Risk Assessment training with the Public Sector Fraud Authority and a Counter Fraud Investigator commencing full professional accreditation training. Additional interview training has also been arranged alongside colleagues in Public Protection and Planning.
- 5.2 Following the success of the Internal Revenues Maximisation projects earlier in the year a further day of action is planned for Q4 and planning is underway for further projects in the new financial year.
- 5.3 A new agreement with ACRO The Criminal Records Office is due to be implemented in Q4 which will allow CFT access to additional data to assist in court processes and deciding on the disposal of criminal cases.
- 5.4 Data matching work will continue in Q4 with the National Fraud Initiative expected to provide refreshed data for Single Person Discount claims and new data in relation to internal fraud issues.
- 5.5 The management team will be reviewing and updating the current fraud risk register in Q4 to better understand the fraud landscape ahead. This approach will then inform a new operational work plan focused on high risk areas in 2024/25 and will be presented to the Audit Committee in April.
- 5.6 During January and February the Council will embark on a corporate wide Zero Based Budgeting (ZBB) exercise. Senior Managers along with budget managers will take the time to review their services in detail to create alternative and improved options for operational delivery. The ZBB will inform the CFT's transformation project for the upcoming financial year and also highlight any opportunities within other service areas for CFT activity.
- 5.7 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  
31<sup>st</sup> December 2023



**APPENDIX A: Table 5 - CFT KPIs and Actual Performance**

CFT KPIs	Target	Q1	Q2	Q3*	23/24*	22/23
1. Percentage of fraud referrals risk assessed within 3 working days	<b>95%</b>	99%	100%	<b>99%</b>	<b>99%</b>	99%
2. Verification work timescales for completion:						
a. Housing Allocations completion within the target date set by Housing	<b>95%</b>	99%	100%	<b>100%</b>	<b>99%</b>	99%
b. Right to Buy case completion within 28 working days	<b>95%</b>	100%	100%	<b>100%</b>	<b>100%</b>	100%
c. Financial Assessments completion within 7 working days	<b>95%</b>	100%	100%	<b>100%</b>	<b>100%</b>	100%
d. Section 17 reviews completion within 7 working days	<b>95%</b>	100%	100%	<b>100%</b>	<b>100%</b>	100%
3. Investigation plan completion within 5 working days of case allocation	<b>95%</b>	99%	100%	<b>95%</b>	<b>98%</b>	99%
4. Tenancy fraud referrals received resulting in property recovery	<b>30%</b>	42%	36%	<b>58%</b>	<b>45%</b>	40%
5. Investigations resulting in loss prevention/financial saving outcome	<b>40%</b>	42%	41%	<b>58%</b>	<b>46%</b>	39%
6. Revenue inspections completed within 10 working days of referral date	<b>95%</b>	99%	98%	<b>99%</b>	<b>99%</b>	99%

\* As at end of Q3 (31<sup>st</sup> December 2023).

**APPENDIX B: Table 6 - CFT Quarter 3 2023/24 Financial Performance**

Work Area	Description	Quarter 1	Quarter 2	Quarter 3*	Quarter 4	2023/24*
<b>Housing</b>	Right to Buy discounts	£0	£0	£0	£0	£0
	Property Recovery (notional savings)	£1,512,000	£1,176,000	£1,792,000	£0	£4,480,000
	Other savings/loss prevention	£38,283	£134,596	£67,298	£0	£240,177
<b>Social Care</b>	Section 17 and UASC**	£13,586	£0	£18,676	£0	£32,262
	Financial Assessments	£11,959	£115,511	£75,747	£0	£203,218
	SGO	£79,150	£0	£22,139	£0	£101,289
	Direct Payments	£0	£0	£108	£0	£108
<b>Revenues</b>	Single Person Discount	£14,148	£75,001	£2,571	£0	£91,721
	Council Tax Reduction & arrears	£12,070	£9,775.60	£893	£0	£22,739
	Unlisted Buildings	£18,740	£28,106	£18,380	£0	£65,227
	Housing Benefit Overpayments	£985	£24,511	£1,850	£0	£27,347
	NNDR	£44,661	£141,667	£3,629,335	£0	£3,815,664
<b>Blue Badge</b>	Simple Caution & Financial Penalty	£2,518	£1,742	£1,030	£0	£5,290
<b>Immigration Officer</b>	Housing Homelessness Applications**	£8,412	£0	£0	£0	£8,412
	Social Care Savings	£68,881	£28,477	£38,201	£0	£135,559
<b>Totals</b>	Loss Prevention Savings	£207,226	£278,584	£222,170	£0	£707,980
	Notional Savings	£1,550,947	£1,320,929	£4,878,786	£0	£7,750,662
	Cashable Savings	£56,292	£134,133	£566,245	£0	£756,670
	Costs awarded and penalties	£2,958	£2,182	£1,690	£0	£6,830
	<b>Total</b>	£1,817,423	£1,735,828	£5,668,891	£0	£9,222,142

\* As at end of Q3 (31<sup>st</sup> December 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.

## EXTERNAL AUDIT UPDATE

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	James Lake, Director of Pensions, Treasury & Statutory Accounts
<b>Papers with report</b>	None
<b>Ward</b>	All

### HEADLINES

This report provides an update on various external audit activities.

### RECOMMENDATIONS: That the Audit Committee:

1. **Note EY verbal update on 2022/23 Council Audit & Value for Money assessment;**
2. **Note EY verbal update on 2022/23 Pension Fund Audit;**
3. **Note update 2023/24 Council Audit; and**
4. **Note other audit updates**

### Information

#### 2022/23 External Audit Update

Audit Committee will be aware of the national issue relating to the backlog of public sector audits. Recently, the PSAA reported that only 5 out of 467 Local Government bodies had received a 2022/23 audit opinion by 30 September 2023, taking the total outstanding opinions to approximately 918.

At the 22 November 2023 Audit Committee, EY provided a verbal update based on their understanding at the time and highlighted that although proposals to address the backlog were referenced in a ministerial statement over the summer, no formal guidance had been received from the Department for Levelling Up, Housing & Communities (DLUHC) nor the Financial Reporting Council (FRC).

On 6 December 2023 EY wrote to the Council providing a further update on EY's approach and how they are prioritising their delivery to best prepare for implementation of the expected proposals.

They noted that challenges facing the existing framework for local authority audit were well-documented and have been highlighted by auditors, the Redmond Review, the National Audit Office, the Public Sector Audit Appointments Ltd (PSAA), the Local Government Association and Parliament and that the problem continues to grow.

Since the cross-system ministerial statement EY has invested significantly in engaging with DLUHC and the FRC, as well as other stakeholders to support the reset and recover the local

audit market. Whilst EY could not pre-empt the final ministerial guidance, their letter expected that the proposals would still seek to:

- Use legislation to set statutory deadlines (backstop dates) for account preparers and auditors to clear the backlog, acknowledging this will result in qualifications and disclaimers of opinions in the short term. This is currently expected to be 31 March 2024.
- Continue to require auditors to report on Value for Money, alongside existing statutory powers.
- Find a sustainable solution for the future, which may require:
- Changes to the CIPFA code for preparation of accounts;
- An audit approach that seeks to rebuild assurances on account balances over a period of time rather than in the first year following a qualification (disclaimer or scope limitation);
- Developing an escalated reporting framework for audit firms and local bodies to resolve issues ahead of statutory deadlines; and
- Continued investment in the capacity in the audit market.

Whilst EY wait for formal guidance their approach will be to:

- Maximise the completion of historic audits.
- Continue with 2022/23 Pension Fund audits.
- Continue with 2022/23 Value for Money reporting.
- Plan for 2023/24 audits.

Currently for 2022/23, other than the main Council audit, all other audit and assurance processes are underway.

- Teacher Pension – Completed
- Pension Fund – In progress
- Value for Money – In progress
- Housing Benefit Assurance Process – In progress
- Housing Capital Receipts – In progress

It is expected that no audit will take place of the Council's main 2022/23 Statement of Accounts and instead there is an acknowledgment this will result in qualification and disclaimer of opinion where an auditor cannot express an opinion, because they do not have the evidence to support any opinion.

The consequence reputational damage of such a qualification is not fully understood but in the context of government guidance, the well-publicised need for a system reset, the likely inclusion of nearly every public sector body, Hillingdon will not be seen as an outlier. Hillingdon will be able to report positively that it has received audit options on every other audit element.

Committee should note that planning work for the 2023/24 audit is underway with the interim audit scheduled to begin in February 2024. Draft accounts are planned to be published in line with statutory deadlines (currently 30 June 2024) and the main audit scheduled to start in July.

In line with the above expectations, EY has begun work on the 2023/24 interim audit and are in the process of data collection and system process interviews have been arranged.

Committee should note that in a January 2024, DLUHC suggested a compulsory deadline to have all outstanding accounted audited by the 30 September 2024. EY is working through the Ministerial letter to assess the impact. Once completed EY will again write to all their clients, but they do not expect it to alter their approach noted above.

### **2022/23 Value for Money**

EY has been working through the Value for Money Assessment and will provide a verbal update to Committee on their progress.

### **2022/23 Pension Fund Audit**

The audit of the 2022/23 Pension Fund is materially complete. EY will provide Committee a verbal progress update and give an indication of a completion date.

### **Other 2022/23 certifications**

The 2022/23 certification exercise relating to the Teachers Pension has been completed with no material issues being reported by EY.

Audits have begun on the Capital Receipts Pooling and Housing Benefit Assurance Process. Completion is expected by the next Audit Committee.

## **FINANCIAL IMPLICATIONS**

Public Sector Audit Appointments agreed fee for the Council 2023/24 audit is £403,723 and for the Pension Fund £81,688.

2022/23 Teachers Pension fee is estimated by EY at £15,500.

2022/23 Housing Benefit Assurance Process base fee is estimated at £21,500 + £3885-£4725 for each additional workbook tested.

2022/23 Capital Receipts Pooling fee is estimated at £9,500.

## **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.

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## INTERNAL AUDIT PROGRESS REPORT

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Claire Baker, Head of Internal Audit & Risk Assurance
<b>Papers with report</b>	Internal Audit Progress Report: January 2024
<b>Ward</b>	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 work plan and facilitates holding management to account for managing risk and control weaknesses identified during the course of IA activity.

### RECOMMENDATION:

**That the Audit Committee 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

31 January 2024



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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. Since the last Audit Committee meeting, **nine** reviews were completed to final report stage, including **one SUBSTANTIAL** assurance, **two REASONABLE** assurance, **two ADVISORY** review, and **four LIMITED** assurance reports relating to the Climate Action Plan, Facilities Management, Homeless Housing Applications and Goshawk Gardens & Chapel Lane:

Facilities Management	<p>Facilities Management (FM) helps provide a safe and efficient working environment for all those who use the Council's properties. As part of this review Internal Audit examined the wider governance arrangements in relation to FM across the organisation. This highlighted a number of findings in relation to the overarching strategic direction and governance arrangements to ensure the Council is maximising the value of the FM Service. For example, there was no Asset Management Strategy in place which hindered the FM Service's ability to produce a robust programme of planned works aligned to the strategic objectives and financial forecast.</p> <p>Other governance issues identified within the service include the lack of a directory for building compliance certification as well as the asset register not being updated when corporate buildings are repaired or surveyed. However, the Planned Works Manager had already started the process of enhancing governance within the FM service at the time of this review.</p>
Homeless Housing Applications	<p>To avoid duplicating the wider housing transformation project this review focused on the operational management of homeless housing applications.</p> <p>Testing identified weaknesses with the completion of documentation, including insufficient evidence of any segregation of duties with regards to approving decisions. We found no evidence to suggest the applications tested were not eligible for the support they received, however the gaps in the controls may have allowed other fraudulent applications.</p> <p>Demand pressures and ongoing changes within the service also contributed to our findings in relation to the wider governance arrangements within the Service. However, these are being addressed as part of the wider housing transformation project.</p> <p>Internal Audit was also able to see evidence of proactive preventative action being taken to reduce demand on the service. Key performance indicators in relation to these preventative measures are in place to help ensure appropriate action is taken.</p>
Goshawk Gardens & Chapel Lane	<p>Goshawk Gardens and Chapel Lane are Council owned supported living accommodation, offering residents with learning disabilities the opportunity to maximise their independence and learn new skills in a staffed, supported setting.</p> <p>This review considered the financial governance, quality assurance, and risk management arrangements in place at each site. Clients utilise their own funds to undertake activities, however one high finding was raised in relation to improving the</p>

	centralised records maintained to monitor spend, payment cards and petty cash, as key evidence was not available at the time of this review. Three medium findings were also raised in relation to compliance with mandatory training, recording the dates of risk assessments, and providing guidance to staff around the processes for managing clients' budgets and expenditure.
Climate Action Plan	This review was conducted to provide assurance whether the Council has sufficient oversight and scrutiny to meet it's 2030 strategic climate objectives and Climate Action Plan. Overall, Internal Audit confirmed individual projects had been initiated to support the Council to achieve their plan. However, further work is required in relation to the governance arrangements, to ensure there is ongoing assurance these projects will lead to the expected outcomes. Two different proposals for a formal governance structure had been developed at the time of this review and were both assessed to be reasonable. However, the final structure had not been formally agreed as ownership of the function changed during the audit leading to uncertainty over the final proposed structure. A follow up review has been agreed once the governance arrangements are implemented to provide assurance they are embedded effectively in practice.

**Five** further 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, an ad-hoc consultancy review into the Music Service Invoicing and Credit Notes, and the verification work in relation to the Housing Benefit Subsidy Grant claim. For details of the grant claims and ad hoc consultancy reviews please see *Appendix B*.

### Changes to the Internal Audit Workplan

Since the November Audit Committee meeting two changes have been made to the plan:

The Budget Setting audit added to the plan in November has now been delayed until the beginning of 2024/25 due to the Zero-Based Budgeting (ZBB) exercise initiated in January 2024. This review will engage with Directors and Heads of Service following the ZBB exercise to obtain their feedback and confirm whether they are confident in achieving their agreed budget for 2024/25.

A review of Pool Cars was added to the plan at the request of the Head of Business Administration following concerns in relation to pool car usage. This review has been completed and the report is currently out in draft.

## 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 29/63 (46%) management actions due to have been implemented were marked as verified or complete. Twenty-two were marked as not complete and new implementation dates have been set when these actions will be followed up again.

At the time of this report 12 were marked as unknown as we have not received any confirmation from the responsible officer. 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 focus on finalising the remaining reviews from the 2023/24 Internal Audit workplan and prepare the Annual Internal Audit Report.

If the 2024/25 proposed workplan presented separately to the Audit Committee is approved, we will also start scoping the quarter one audits with the relevant services to prevent any delay at the beginning of the year.

IA would like to take this opportunity to formally thank all staff throughout the Council with whom IA had contact during Q3. 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 January 2024	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	Final report issued 22 November 2023	N/A: ADVISORY	-	-	-	-
23.P01	Private Sector Housing	Draft report issued 18 January 2024	TBC once final report issued				
23.C01	No Recourse to Public Funds	Final report issued 29 January 2024	N/A: ADVISORY	-	-	-	-
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	Final report issued 11 January 2024	REASONABLE	0	3	3	0
23.A04	Contract Management	Final report issued 24 January 2024	REASONABLE	0	3	0	0

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 January 2024	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.A02	Payments to Early Years Providers	Final report issued 07 November 2023	<b>SUBSTANTIAL</b>	0	0	1	0
23.F03	Effectiveness of the Pension Committee	Final report issued 19 October 2023	<b>REASONABLE</b>	0	2	0	1
23.P05	Climate Action	Final report issued 29 January 2024	<b>LIMITED</b>	1	1	2	1
23.A03	Goshawk Gardens & Chapel Lane	Final report issued 24 January 2024	<b>LIMITED</b>	1	3	2	0
23.F02	Payment Card Data Security Standard (PCI DSS)	Draft report issued 16 January 2024	<i>TBC once final report issued</i>				
23.P06	Facilities Management	Final report issued 08 December 2023	<b>LIMITED</b>	0	3	2	1
23.C03	SEND Data Quality	Draft report issued 22 January 2024	<i>TBC once final report issued</i>				
23.P07	Social Housing applications	Fieldwork	<i>TBC once final report issued</i>				
23.A06	Neglect (Adults)	Fieldwork	<i>TBC once final report issued</i>				
23.P11	Building Control Action Plan	Fieldwork	<i>TBC once final report issued</i>				
23.F07	Fleet Damage	Report drafting	<i>TBC once final report issued</i>				
23.P08	Homeless Housing applications	Final report issued 11 January 2024	<b>LIMITED</b>	1	1	4	0
23.C04	Neglect (Childrens)	Report drafting	<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)	Report drafting	<i>TBC once final report issued</i>				
23.F04	Oracle Programme	Report drafting	<i>TBC once final report issued</i>				
23.F05	Fraud Risk Assessment - Procurement	Draft report issued 26 January 2024	<i>TBC once final report issued</i>				
23.F08	Budget Monitoring	Report drafting	<i>TBC once final report issued</i>				
23.P10	Maintenance and Replacement Contracts	Planning	<i>TBC once final report issued</i>				
23.S03	Contact Centre	Final report issued 25 January 2024	<b>SUBSTANTIAL</b>	0	0	3	0
23.P12	Building Safety Standards	Planning	<i>TBC once final report issued</i>				
23.S08	Performance Information	Fieldwork	<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 January 2024	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.P09	Uninspected B&Bs	Fieldwork	TBC once final report issued				
23.S13	Pool Cars	Draft report issued 22 January 2024	TBC once final report issued				
23.S09	Personal Appraisals	Planning	TBC once final report issued				
23.A08	ARCH Social Work Outputs	Fieldwork	TBC once final report issued				
23.S05	Overtime Payments	Planning	TBC once final report issued				
23.A05	Partnership Working (Health)	Fieldwork	TBC once final report issued				
23.A09	Supported Living: Void Management	Planning	TBC once final report issued				
Total Number of IA Management Actions Raised				10	40	42	4

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

IA Ref.	IA Review Area	Current Status at end of Q3 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	Complete
23.G2	BNG Grant Allocation	Complete
23.G3	Housing Benefit Subsidy	Complete
23.G4	Mayors Charity Account	Report drafting
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	Complete

## APPENDIX C: IA FOLLOW UP OF MANAGEMENT ACTIONS

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Ref	Review	Number of Actions		Current Status:										Comments
				Verified		Completed		Overdue		Unknown		Not Due		
		H	M	H	M	H	M	H	M	H	M	H	M	
17.A28	Corporate Payments	-	1	-	-	-	-	-	-	-	-	-	1	Due April 2024
19.A01	Schools Payroll Arrangements	-	8	-	4	-	-	-	-	-	-	-	4	Due April 2024
19.A13	Pupil Premium Funding in Schools	-	9	-	9	-	-	-	-	-	-	-	-	CLOSED
20.A31	Exclusions or Education Cases for Vulnerable Young People	-	4	-	3	-	1	-	-	-	-	-	-	
20.A06	Estates - Lease Management	1	1	-	-	-	-	-	-	-	-	1	1	Due March 2024
20.A12	Educational Care Plans and Local Offer	-	1	-	-	-	-	-	-	-	1	-	-	Change of Officer
20.A03	Cemeteries: Bereavement Service and Ground Maintenance	2	4	-	-	-	-	2	4	-	-	-	-	New Date: June 2024
21.A14	Birth Registration Service	-	3	-	-	-	-	-	-	-	-	-	3	Due November 2024
21.A16	Procurement – Contract Compliance Management	1	1	-	-	-	-	-	-	-	-	1	1	Due June 2024
21.A03	ICT Service Desk	-	2	-	1	-	-	-	-	-	-	-	1	Due June 2024
21.A06	Transport Contract Management	-	1	-	-	-	1	-	-	-	-	-	-	
21.A07	Fostering Service	-	3	-	-	-	-	-	3	-	-	-	-	
22.A36	Capital Projects	-	1	-	1	-	-	-	-	-	-	-	-	CLOSED
22.A39	Stronger families HUB	1	1	-	-	1	1	-	-	-	-	-	-	
22.A40	Information Security	-	4	-	4	-	-	-	-	-	-	-	-	CLOSED
22.A42	Fraud prevention controls in tendering & contacts	-	4	-	-	-	-	-	-	-	-	-	4	Due April 2024
22.A43	Registrars cash handling	-	1	-	-	-	-	-	1	-	-	-	-	Change of Officer
22.A46	Colham road	-	2	-	1	-	-	-	1	-	-	-	-	
22.A45	Adult social care referrals and assessment	-	2	-	1	-	-	-	1	-	-	-	-	
22.A48	Quality of practice	-	3	-	1	-	-	-	-	-	2	-	-	
22.A50	Purchase cards	-	4	-	-	-	-	-	4	-	-	-	-	New Date: April 2024
22.A56	IR35	1	2	-	-	-	-	-	-	1	2	-	-	
22.A58	Merrimans Respite Care Unit	-	1	-	-	-	-	-	-	-	-	-	1	

Ref	Review	Number of Actions		Current Status:										Comments
				Verified		Completed		Overdue		Unknown		Not Due		
		H	M	H	M	H	M	H	M	H	M	H	M	
23.P02	Capital Programme	1	2	-	-	-	-	-	-	-	-	1	2	Due January 2024
23.F01	Risk Management	1	5	-	-	-	-	1	5	-	-	-	-	New Date: March 2024
23.F03	Effectiveness of the Pension Committee	-	2	-	-	-	-	-	-	-	-	-	2	Due June 2024
22.P52	Trading Standards POCA	1	2	-	-	-	-	-	-	-	-	1	2	Due April 2024
22.C59	Care Leavers Allowances	1	1	-	-	-	-	-	-	1	1	-	-	
22.C61	Thematic Review: Pupil Premium	-	4	-	-	-	-	-	-	-	4	-	-	
22.F63	Robotic Process Automation	-	1	-	-	-	-	-	-	-	-	-	1	Due April 2024
23.S01	IT Application - ContrOCC	-	2	-	-	-	-	-	-	-	-	-	2	Due April 2024
23.S02	Workforce Planning, Establishment & Recruitment	2	2									2	2	Due June 2024
	SUBTOTAL	12	84	0	25	1	3	3	19	2	10	6	27	
	TOTAL	96		25		4		22		12		33		

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%	82%
KPI 2	Draft Reports to be issued three weeks after the end of fieldwork meeting with the key contact	80%	83%
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%	64%
KPI 5	Annual IA Plan delivered to final report stage by 31st March	80%	54%
KPI 6	Initial documentation requests outlined at the planning meeting to be received by the audit fieldwork start date.	80%	80%
KPI 7	Final approval of the management responses to be received two weeks after the updated report is issued	80%	77%
KPI 8	HIGH and MEDIUM risk IA Management Actions completed within the agreed timescale	80%	46%
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
<b>SUBSTANTIAL</b>	There is a <b>good level of assurance</b> 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 <b>positive assurance</b> that objectives will be achieved.
<b>REASONABLE</b>	There is a <b>reasonable level of assurance</b> 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 <b>some risk</b> that objectives will not be achieved.
<b>LIMITED</b>	There is a <b>limited level of assurance</b> 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 <b>significant risk</b> that objectives will not be achieved.
<b>NO</b>	There is <b>no assurance</b> 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 <b>high risk</b> that objectives will not be achieved.

FINDING RATING	DEFINITION
<b>HIGH</b>	The finding relates to a <b>significant threat</b> 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. <b>The risk requires senior management attention as soon as possible</b> as it may result in the breakdown of part/whole of the service.
<b>MEDIUM</b>	The finding relates to a <b>potentially significant threat</b> 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. <b>The risk requires management attention</b> and should be addressed within six months to ensure full compliance with expected controls.
<b>LOW</b>	The finding relates to a <b>minor threat</b> 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. <b>The risk may be tolerable in the medium term</b> but management should take action within the next year to improve the control framework to ensure full compliance with expected controls.
<b>OBSERVATION</b>	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 <b>should be shared with others</b> , potential concerns raised during the audit that are <b>outside the scope of the review</b> and will be considered separately, and any areas of improvement that had already been addressed by management at the time of the review.

## INTERNAL AUDIT CHARTER & 2024/25 DRAFT PLAN

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Claire Baker, Head of Internal Audit
<b>Papers with report</b>	Internal Audit Charter Internal Audit 2024/25 Draft Annual Plan
<b>Ward</b>	All

### HEADLINES

The attached draft Internal Audit Annual Plan presents the Audit Committee with the proposed Internal Audit (IA) approach and activity for the 2024/25 financial year.

The annual plan takes into consideration the key risks facing the Council and any alternative sources of assurance available in relation to these risks. The plan has also been presented to the Corporate Management Team to ensure it reflects any emerging potential risks or future changes.

The plan has been developed to maximise the available resources within the IA team over the year, however it will be kept under review throughout the year as new risks emerge, alternative sources of assurance are identified or IA resources change.

Also attached is the Internal Audit Charter, which is a requirement under the Public Sector Internal Audit Standards and defines the purpose, authority, and responsibilities of the Internal Audit team. It is reviewed annually however no changes were required for 2024/25.

### RECOMMENDATIONS:

**That the Audit Committee:**

- 1. Approves the Internal Audit Annual Plan for 2024/25; and**
- 2. Notes the purpose and responsibilities of Internal Audit as outlined in the Charter.**

### 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 CHARTER

## 1. Purpose of this Charter

- 1.1 The Local Government Accounts and Audit Regulations 2021 require every local authority to undertake an effective IA to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) or guidance.
- 1.2 In accordance with the PSIAS and Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit (IA) Charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework.
- 1.3 The Hillingdon Council IA Charter defines the purpose, authority and responsibility of the IA Service within the Council. The Charter establishes the Head of IA's (HIA's) position within the Council including the nature of the HIA's functional reporting relationships. The Charter authorises access to records, personnel and physical properties relevant to the performance of engagement and defines the scope of IA activities.
- 1.4 The HIA is responsible for applying this IA Charter and ensuring it is maintained in line with the PSIAS. This IA Charter shall be reviewed and presented to the Board (which for the purpose of the PSIAS is the Audit Committee) for approval. The Charter will be reviewed every three years, or sooner if significant changes have been made by the Corporate Management Team (CMT) to ensure that it remains relevant to the needs of the Council.

## 2. Internal Audit Objectives and Mission

- 2.1. IA is defined in the PSIAS as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".
- 2.2. Internal audit acts primarily to provide the Audit Committee and Senior Management with the information necessary for them to fulfil their own responsibilities and duties. IA is not responsible for control systems and managing risks, responsibility for effective internal control and management of risks rests with the management of the Council.

## 3. Scope of Internal Audit

- 3.1. The scope of internal audit activities includes all activities conducted by the Council. The IA Plan identifies those activities that have been identified as the subject of specific internal audit engagements.



- 3.2. The HIA will provide an Annual HIA Opinion Statement for the Council through the Audit Committee. The HIA opinion statement will cover the three core areas below and be in line with the UK PSIAS:
- Risk Management - Risk Management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
  - Corporate Governance - Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.
  - System of Internal Controls - The system of internal control is a process for assuring achievement of the Council's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and nonfinancial systems.
- 3.3. To enable full discharge of its duties, the HIA and the IA service has authority to:
- Have right of direct access to the Chair of the Audit Committee, the Chief Executive, External Audit, the Leader of the Council and all other Members;
  - Have unrestricted access to all Council functions, records, property and personnel required to plan and undertake audit assignments necessary to fulfil its scope; and
  - Obtain assistance, where necessary, from Council officers and contractors involved in the subject of audit engagements.
- 3.4. The IA activity will remain free from interference by any element in the Council, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not engage in any activity that may impair their judgement or objectivity.
- 3.5. IA will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.
- 3.6. When the auditors receive confidential information, it shall be kept confidential at all times, except as required by law or as provided for in regulatory, ethical or other professional declarations.

### **Wider Remit of Business Assurance**

- 3.7. Consulting and Advisory Services - IA also has the responsibility to provide consulting and advisory services to management relating to risk management, control and governance as appropriate for the Council. Before any consultancy work is agreed, the HIA will ensure that IA has the appropriate skills, resources and approval to undertake the review. The HIA will also ensure that appropriate safeguards are in place to preserve objectivity in areas subject to future IA activity.

- 3.8. Third Parties - IA may carry out assurance work for third parties (i.e. organisations outside of the Council). Assurances provided to third parties are provided in line with the assurance provided to the Council, as described within this document.
- 3.9. Anti-Fraud & Anti-Corruption - IA's role in any fraud or corruption related work will be in accordance with the Council's Counter Fraud Strategy. However, Internal Auditors will have sufficient knowledge to evaluate the risk of fraud and the controls in place to manage these risks during their audit work. Audit procedures alone cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect fraud is occurring, this will be referred to management in line with the Counter Fraud Strategy.
- 3.10. Major Projects - The IA service will be informed of major projects which may impact on the control environment. Where a project team seeks advice or further support from the IA service, we will treat the request as one for consultancy support and make appropriate arrangements to ensure future objectivity is not impaired.
- 3.11. Risk Management - IA will be guided by the IIAs position paper on The Role of Internal Auditing in Enterprise-Wide Risk Management and therefore will not undertake any roles defined as inappropriate by that guidance. Inappropriate roles include setting the Council's risk appetite, imposing a risk management process and taking on full accountability for risk management. Safeguards put in place, include :
- Any Internal Audit review of risk management will be undertaken by an external provider to enhance independence and objectivity in this area
  - The Corporate Director of Finance, as Chief Finance Officer, being responsible for preparing and promoting the Authority's risk management policy statement throughout the authority; and
  - The Audit Committee will monitor and review, but not direct, the authority's risk management arrangements, including regularly reviewing the corporate risk register and seeking assurances that action is being taken on risk related issues.

## 4. Responsibilities

### Professional Standards

- 4.1. The HIA and IA team have responsibility to undertake their work at all times in accordance with the PSIAS, the IIA's Code of Ethics, and the broader International Professional Practices Framework (IPPF) which applies across the global practice of IA. Those members of the IA team who have membership of professional bodies will comply with the relevant requirements of that organisation.
- 4.2. Deriving from those regulations, and those authorising this Charter, the IA service has free unrestricted ability to plan and undertake IA assignments necessary to fulfil its scope.

### **Risk Based IA Strategy and Plan**

- 4.3. In order to deliver the annual IA opinion statement it is vital to have a comprehensive risk-based IA plan to determine the priorities of the IA activity, consistent with the wider IA Strategy and organisation objectives.
- 4.4. The overarching IA plan is presented to the Council's Corporate Management Team (CMT) and Audit Committee for approval. Any significant deviation from the approved IA plan will be communicated to senior management and the Audit Committee through quarterly IA progress reports.
- 4.5. IA will also consider the scope of the work of other assurance providers when developing the IA Plan, to avoid any duplication and ensure optimal audit coverage. Where any reliance is placed upon the work of others, IA is still responsible for ensuring there is adequate evidence to support conclusions and opinions reached by the internal audit activity.

### **Management of Engagements**

- 4.6. For each individual IA engagement, a detailed Terms of Reference (ToR) will be prepared and discussed with the relevant managers. The ToR will establish the engagement's objective, key risks, scope, timing and resource allocations for the review. Each IA engagement will be sponsored by a member of CMT.
- 4.7. Managers are required to ensure that key staff are available to IA during the agreed period of a review and for ensuring that information requested is accurate, timely and reliable.
- 4.8. IA will promptly communicate its findings and conclusions to management, proposing recommendations to address any identified weaknesses. The HIA will inform the Council (via the Audit Committee) of any material weaknesses.
- 4.9. The HIA will have systems in place to ensure that internal auditors obtain and record sufficient evidence to support their conclusions and engagement results. This includes management supervision to ensure objectives are achieved, quality assured and staff developed.
- 4.10. A summary report will be issued to appropriate parties following the conclusion of each IA engagement, including the review sponsor and relevant key contact(s). The report includes an executive summary highlighting the risk management, internal control and governance strengths and weaknesses identified during the review. A management action plan is appended to reports (where applicable), which provides management with the opportunity to respond to the recommendation(s) raised and set out what action they propose to address the risk(s) identified.

### **Reporting**

- 4.11. The Head of Internal Audit & Risk Assurance has overall responsibility for the day-to-day management of the IA service. The HIA reports administratively to the Corporate Director of Finance (and S151 Officer).
- 4.12. Organisationally, the HIA reports to the Audit Committee. The HIA also has direct right of access to the Chief Executive, Chair of Audit Committee and Leader of the Council as and when required.

- 4.13. In agreement with those charged with governance, the HIA will determine the way in which findings will be reported. Findings will be discussed with key officers at the conclusion of each piece of work, however Corporate Directors will be immediately informed of any significant weaknesses identified.
- 4.14. Standards will be set for reporting and will include arrangements for the review and approval of reports by the HIA before issue. Reports will be balanced, clear, concise and constructive and will be issued within laid-down timescales. All IA assurance reports issued include an assurance opinion and recommendations based on the IA Assurance Levels and Recommendation Risk Rating definitions outlined in the IA Manual.
- 4.15. The IA service will maintain effective relationships with management within the Council, including consultation in the IA planning process and with respect to individual reviews.
- 4.16. The HIA will share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.
- 4.17. A quarterly IA progress report is submitted to CMT and the Audit Committee summarising IA performance and work carried out in the period. These reports will provide an update on the progress made against the delivery of the IA Plan and provide details of IA work completed to date, the assurance opinions given, and the number and type of recommendations made.
- 4.18. At the end of the audit year an annual IA report is presented to CMT and the Audit Committee. This provides the statutory HIA opinion statement on the Council's internal control, risk management and corporate governance arrangements. The individual assurance ratings help determine the overall audit opinion at the end of the financial year, although other factors such as implementation of IA recommendations will have a bearing too. The annual IA report contributes to the assurances underpinning the Council's Annual Governance Statement (AGS).

### **Follow-up**

- 4.19. IA follows-up all 'High' and 'Medium' risk-rated recommendations to establish if management has taken appropriate action to address any weaknesses identified. Escalation procedures are in place for any recommendations that have passed their implementation date. These procedures will ensure that the impact of not taking action have been understood and accepted at a sufficiently senior management level.
- 4.20. A summary of progress towards implementing IA recommendations will be included in the quarterly IA progress reports to CMT and the Audit Committee. This includes highlighting the number of recommendations that have not been actioned in the agreed timescales and the extension that has been agreed.
- 4.21. This approach provides greater accountability to senior managers to manage their actions, and provides greater transparency and assurance to CMT, the Audit Committee and other key stakeholders over the timely implementation of recommendations.

### **Staff Training and Development**

- 4.22. IA will be appropriately staffed in terms of numbers, professional qualifications and experience, having regard to the IA objectives and to the standards set out in the PSIAS. The staffing of IA will be kept under review by the HIA and the Audit Committee.
- 4.23. The HIA holds a professional qualification (CMAA, CCAB, or equivalent) and be suitably experienced. All IA staff will be properly trained to fulfil their roles and responsibilities and they will each maintain their professional competence through an appropriate on-going professional development programme. When necessary, in-house IA resources will be supplemented by external resources.

### **Management Responsibilities**

- 4.24. In order to be effective, the IA service requires the full co-operation of senior management. IA is not responsible for control systems and managing risks, responsibility for effective internal control and management of risks rests with the management of the Council.
- 4.25. Senior management will keep the IA service abreast of significant proposed changes in processes, systems, newly identified significant risks and all suspected or detected fraud or corruption. Senior management will also ensure that the IA service has access to sufficient information and resources in order to deliver the IA plan as directed by the Audit Committee.

## **5. Quality Assurance**

### **Professional Standards**

- 5.1. The IA activity will govern itself by adherence to IIA's mandatory guidance and PSIAS, including the Definition of Internal Auditing, the Code of Ethics and the IPPF.
- 5.2. IA will apply the four Attribute Standards and the eight Performance Standards set out in the PSIAS. Any instances of non-conformance with the Code of Ethics or the PSIAS that impact the scope or operation of IA activity will be reported to CMT and the Audit Committee. IA staff will apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.
- 5.3. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activities performance to ensure that engagements are performed with proficiency and due professional care. In addition, IA will adhere to the Council's relevant policies and procedures and the internal audit activity's standard operating procedures manual.
- 5.4. The HIA will maintain and regularly review a register of the internal auditors' declarations of business and personal interests. If there are occasions where internal auditors undertake non-IA activities including the development, design or implementation of systems, then that individual will not subsequently perform an IA review of those systems.

### **Staff Training and Development**

- 5.5. All IA staff will be properly trained to fulfil their roles and responsibilities and they will each maintain their professional competence through an appropriate on-

going professional development programme. When necessary, in-house IA resources will be supplemented by external resources.

### **Quality Assurance Improvement Programme (QAIP)**

- 5.6. The internal audit function will develop and maintain a QAIP designed to gain assurance that the work of IA is compliant with the PSIAS and achieves its objectives. The QAIP will include client feedback questionnaires issued at the completion of each audit, internal performance monitoring arrangements and key performance indicators.
- 5.7. As required by PSIAS an external assessment of the service will also be performed at least every five years. The programme will include an evaluation of the internal audit activity's conformance with The Standards and an evaluation of whether the internal auditors apply The IIA's Code of Ethics. The plan will assess the efficiency and effectiveness of internal audit and identify opportunities for improvement.
- 5.8. The results of the QAIP and progress against any improvement plans will be reported to CMT and the Audit Committee through quarterly IA progress reports, as well as within the Annual IA Report.

### **Reporting Internal Audit Performance**

- 5.9. A summary of actual IA performance against targeted performance will be reported to CMT and the Audit Committee as part of the quarterly IA progress reports. These results will allow all stakeholders to measure the performance and robustness of the IA team and also provide an indicator on how effectively the Council is at managing its risks.
- 5.10. Key performance Indicators (KPIs) will be agreed with the CMT and Audit Committee. Any IA KPIs set will need management co-operation to enable them to be achieved, IA can influence the results, but they cannot completely control them. It is therefore important that interpretation of the IA KPIs is not taken in isolation, as other factors should be taken into account.

### **Individual Internal Audit Staff Performance**

- 5.11. As well as the KPIs for quarterly reporting to CMT and the Audit Committee, a further set of performance measures will be used to monitor and assess the performance of individual IA staff. These operational KPIs form the basis of the performance targets for IA staff and are aligned to the detailed IA procedures. The IA standards aim to ensure that all IA staff follow a consistent process for each piece of IA work and that the planned IA programme is completed within agreed timescales and to the required quality standards.





# DRAFT INTERNAL AUDIT ANNUAL PLAN

## 2024/25

January 2024



**HILLINGDON**  
LONDON

Contents

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## 1. INTRODUCTION

### 1.1 The Role of Internal Audit

- 1.1.1 The Local Government Accounts and Audit Regulations 2021 require every local authority to undertake effective Internal Audit (IA) to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) or guidance.
- 1.1.2 IA provides an objective opinion to the Council on whether the control environment, corporate governance arrangements and risk management framework are operating effectively, which is essential in helping the Council achieve its corporate objectives and realise its vision for the borough of Hillingdon.
- 1.1.3 In 2024/25 the IA service at Hillingdon will apply a risk-based approach to determine the priorities of the IA activity, in accordance with PSIAS. This means that IA gives greater assurance to the Council because it is based on the key risks to the organisation's objectives. As a result, we will not just be commenting on whether the controls operate, but whether they are the right controls to achieve the overall aims of the service.

### 1.2 The Purpose of the Internal Audit Plan

- 1.2.1 The IA Plan is a crucial component of the annual assurance opinion statement provided by the Council's Head of Internal Audit & Risk Assurance (HIA), to those charged with governance. In order to deliver this assurance, it is vital for the organisation to have a comprehensive IA Plan which gives sufficient risk-based coverage and support to management.
- 1.2.2 To help meet this need, the risk-based IA Plan for 2024/25 has been linked to the organisational objectives and strategic priorities, whilst also taking account of the Council's wider assurance framework. In addition, the IA Plan for 2024/25 has been developed in accordance with the IA Charter and IA Strategy 2022-25.
- 1.2.3 Responsibility for the Council's internal control arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud.

## 2. THE INTERNAL AUDIT PLANNING PROCESS

### 2.1 The Approach to IA Planning in 2024/25

- 2.1.1 The IA Plan for the year is determined by the number of days available, and therefore prioritises reviews to ensure the key risks facing the Council are given sufficient IA attention. In developing the risk-based annual IA Plan the IA has considered a variety of planning sources including:
- **Risk Registers** – A review of the Council's Directorate Risk Registers to establish the key risks facing each service and the Council overall. Where reviews align to the corporate risks this is noted in the detailed plan below.
  - **Senior Management** – Senior managers from across the Council have been engaged in the development of the plan, including members of Corporate Management Team (CMT), to identify any emerging risks or changes facing their services.

- **Audit Committee** – Any comments from members of the Audit Committee will be reflected in the IA plan after the draft is presented at the Audit Committee meeting on the 12 February 2024.
- **Council Strategy** – The IA Plan was reviewed against the Council Strategy for 2022-2026, to ensure the plan is aligned to the Council's key priorities for the period.
- **External Audit** – Ernst and Young (EY) have been invited to discuss any matters of concern and the plan has been shared with them to identify any areas where they may consider IA work to inform their own risk assessment.
- **Counter Fraud** – Whilst the Council's Counter Fraud Team (CFT) lead on fraud and corruption risks, the PSIAS require IA to evaluate the possibility of fraud and corruption as part of our coverage. Regular meetings between IA and the CFT are in place and provide critical risk intelligence to help focus IA resources.
- **Wider IA Knowledge** – The IA Plan also reflects the cumulative knowledge of the IA team in relation to emerging risks facing the Council, including the wider strategic issues and regulatory changes emerging elsewhere, effecting local government.
- **IA Universe** - The IA maintains a Council IA Universe to identify any service areas that have not been subject to an IA review in the last four years, any new functions that have been created, and significant process changes that have occurred within the last 12 months.

### 3. THE 2024/25 INTERNAL AUDIT PLAN OVERVIEW

#### 3.1 Key Elements of the IA Plan

3.1.1 The Internal Audit Plan for 2024/25 is outlined over the next few pages. This includes the following key elements:

- **Planned Assurance Reviews** - Risk-based reviews that provide assurance to CMT and the Audit Committee that key risks to the achievement of objectives are being effectively mitigated, and control arrangements are operating as expected.
- **Planned Consultancy Reviews** - In line with the PSIAS, the IA coverage will include some consultancy work, in particular supporting transformation projects.
- **Core Financial Systems** – The allocation of IA days for coverage of the core financial systems, complementing and not duplicating the work of External Audit.
- **Grant Claims** – Several grant certifications and sign offs are required by IA during the year on behalf of the Council, including the Housing Benefits Subsidy and Supporting Families claims.
- **Ad-hoc Consultancy** – As well as planned consultancy reviews there is a further allocation of days for unprogrammed consultancy to allow the team to respond to urgent requests for advice.
- **Follow up** – Throughout 2024/25 the IA team will continue to follow up on recommendations raised in prior year reports to ensure they are implemented and embedded effectively.

#### 3.2 Variations to the Plan

3.2.1 IA will keep the programme under continuous review during the year to ensure the coverage has the flexibility to respond to the dynamic environment in which the

Council operates. This approach helps make sure IA resources are directed in a more flexible and targeted manner to maximise the benefit to our stakeholders.

- 3.2.2 Where changes to the planned audits are required during the year, these will be agreed with the relevant Director and CMT, and reported to the Audit Committee. Any areas that are delayed or cannot be incorporated into the IA Plan will be recorded by IA and considered for inclusion in the future year plan.

### 3.3 Staffing and Resources

- 3.3.1 The calculated total available IA time for 2024/25 will be 930 IA Days. This is an increase against the prior year plan as the team is now fully resourced, but also reflects that members of the team are also undertaking other work, professional qualifications and apprenticeships.

## 4. THE DETAILED 2024/25 INTERNAL AUDIT PLAN

REF.	AUDIT TITLE	CRR	DESCRIPTION	TIMING
<b>Cross Directorate Reviews</b>				
X1	Directorate Governance		To provide assurance over the key governance arrangements in place across each directorate. This review will consider what performance monitoring information is available, how the information is reviewed against other sources of assurance, and how any key issues or information is escalated or disseminated to services.	Q1
X2	Cabinet Engagement		This review will test compliance and awareness of the Scheme of Delegation and assess how Cabinet Members are engaged in key operational matters where appropriate.	Q2
X3	Transformation Programme	F014	To review the Governance arrangements in place in relation to the transformation projects ongoing across the Council. Including how projects are identified, prioritised and monitored to ensure they are maximising the benefits for the Council.	Q3
X4	Corporate Policies and Procedures		To assess how corporate policies and procedures are monitored to ensure they remain up to date, accessible to all necessary stakeholders, and any changes are appropriately reviewed and approved.	Q3
<b>Directorate: Adult Social Care</b>				
A1	Commissioned & Direct Payments	F011	This joint review with the Council's Counter Fraud Service will assess the fraud controls in place in relation to commissioned care and direct payments for adult social care. This will include reviewing the supplier payment portal and how money is reconciled to the planned care and the actual care provided.	Q1
A2	Transport provider		This compliance based review will assess the Councils contract management and monitoring arrangements in relation to the Adult Social Care transport provider.	Q3
A3	Telecare (Intelligent Lilli)		The Council uses the Telecare to support more people to live at home or in extra care housing schemes. This review was delayed from the 2023/24 IA workplan due to changes with the service. It will examine the implementation of the Telecare strategy and the associated financial and operational management arrangements.	Q2
<b>Directorate: Central Services</b>				
S1	Organisation Culture (Part Two)		A review of organisation culture was started in 2023/24 to assess employees' perception of the working culture of the Council. This section of the review was delayed to allow time for the annual staff survey to be undertaken and the survey results will feed into this review.	Q1
S2	Mandatory training		To review the mandatory training requirements for Council employees and volunteers, and assess the controls in place to ensure ongoing compliance with the mandatory training requirements.	Q2

S3	Recruitment & Pre-employment checks	C001	To provide assurance over the recruitment process and whether appropriate pre-employment checks are undertaken on all new starters before they join the Council. This will also take into consideration any potential fraud risks.	Q1
S4	Gifts, Hospitality & Conflicts of Interest		To provide assurance over the gifts and hospitality and the conflicts of interest process. Including assessing how the registers are updated, reviewed, and monitored across the directorates.	Q3
S5	Decent Homes Standards	P015	Assessing the arrangements in place to monitor the Council's compliance with the Decent Homes Standards and reviewing any action plan in place to ensure any required improvements are made to meet the standards.	Q2
S6	Utilisation of Housing Stock	S012	This audit will assess the housing asset management, allocation, and recovery processes for the housing stock. Including how the demands on the available housing stock are prioritised to maximise the effectiveness of the available resources.	Q4
S7	Voids processes	S012	This review will assess the end to end processes in relation to voids, including how they are identified, repaired and re-allocated quickly to maximise the value to the Council. It will also include a review of long term voids and the actions taken to minimise the void period.	Q1
S8	Emergency Planning		To provide assurance whether appropriate actions are being taken to prepare the Council to handle future emergencies, including internal business continuity arrangements. This includes assessing the actions taken following the London Safer Cities Exercise.	Q4
S9	Dangerous Structures		This review will assess the compliance and effectiveness of the dangerous structures service. Including the business continuity and resilience arrangements for the team.	Q2
S10	Security		This review was added to the plan following a number of concerns raised during 2023/24. It will primarily focus on security arrangements within the Civic Centre.	Q4
S11	Temporary Accommodation	S012	These two reviews will assess the procurement and ongoing management arrangements for temporary accommodation and private sector housing. To provide assurance controls are in place to maximise the value for money for the Council.	Q3
S12	Private Sector Housing Procurement	S012		Q3
S13	Rent arrears	CS011	This review was delayed from the 2023/24 workplan. It will include data analytics to assess the root causes for current rent arrears and assess how services share information across the Council to help prevent future arrears.	Q2
S14	Registrars		To provide assurance over the Registrars Service following the new system and processes currently being implemented.	Q3
<b>Directorate: Children &amp; Young People, Education &amp; SEND</b>				
C1	Safety Valve Plan (Part 2)	C003	This review was postponed from 2023/24 due to the delay finalising a new safety valve agreement. This review will assess the governance arrangements in place to monitor compliance with the new agreement and how any potential risks are identified and addressed.	Q3
C2	Schools Finances	F005	A significant proportion of the IA work plan has been allocated to this review, which will include data analytics into maintained school finances followed by in depth reviews of the financial monitoring and governance arrangements within individual schools, focusing on any areas highlighted through the data analytics.	Q2
<b>Directorate: Corporate Finance</b>				
F1	Post Oracle Implementation		This review will focus on the implementation and learning from the Oracle project once the system is rolled out in April 2024. It will consider how the expected benefits from the system are monitored and evaluated, and any further actions required to fully embed the system.	Q2
F2	Key Financial Controls		Following the implementation of the Oracle system this review will cover compliance testing on some key financial controls to assess whether the new processes and system is working effectively in practice.	Q3

F3	Contract Management Oversight	F015	Rather than testing contract management arrangements for individual contracts, this review will assess the overarching monitoring arrangements across the Council. Including how directorates and services monitor their key contracts, and what guidance is provided to contract managers to ensure there is consistent standards across the services.	Q4
F4	Debtors	F014	To provide assurance the Council has appropriate processes in place to recover any outstanding debt. This review will include analysing the different sources of debt and testing a sample of longer term debt to assess whether appropriate action has been taken to recover the balances.	Q2
F5	Social Care Charges		To test compliance with the Council's policies and procedures in relation to social care charges, taking into consideration the potential impact of the national changes to the social care cap and any action plan in place to manage these changes.	Q3
F6	Budget Setting	F014	This review will seek feedback from services across the Council following the Zero Based Budgeting process, and confirm whether services have any further concerns in relation to achieving their 2024/25 budget and what actions have been put in place to monitor and mitigate these concerns.	Q1

### Directorate: Digital & Intelligence

D1	Data Quality (Liquid Logic)		This audit will review the accuracy of the data within the Liquid Logic system and the effectiveness of any validation controls in place to ensure appropriate data is available when required.	Q2
D2	Cyber Security (1)	D001	There are two cyber security audits within this IA plan, the first will focus on Member & employee awareness in relation to the importance of cyber security and related risks. Including how awareness is monitored and tested.	Q1
D3	Cyber Security (2)	D001	The second cyber security audit will follow the external Cyber360 assessment and review the action plan and monitoring arrangements to address any actions raised through the assessment.	Q3
D4	Device Usage		This review will include engaging with staff from across the organisation to assess their usage of Council devices and applications, and whether they are confident using the available resources or if there are other ways to maximising their effectiveness.	Q3
D5	Hillingdon First Card		To assess the effectiveness of the Hillingdon First Card, including reviewing the current usage, benchmarking against similar schemes from other local authorities, and assessing the controls in place to manage the allocation of the cards to residents.	Q2
D6	Digital Inclusion		This audit will review how the Council monitors the level of access to digital information and services, and what support is provided to vulnerable individuals to help them to get connected so they can access other services to support themselves further.	Q4

### Directorate: Place

P1	Community Safety		This review was requested by the service during our follow up process. There have been many changes in the service and previous recommended actions have been superseded by new processes. This review will assess the new processes within the service to confirm they address any potential key risk areas.	Q3
P2	Waste Services		This review will focus on key risk areas within the Waste service. This includes reviewing the controls in place to monitor compliance against policies and procedures, and contract management arrangements with third parties.	Q2
P3	Leasehold Management & Service Charges		Leaseholders in Council owned buildings have a responsibility to pay a share of the cost of managing and maintaining the building, for example providing lighting in the lobby or maintaining shared gardens and lifts. This review will provide assurance over the leasehold management and service charge processes.	Q1
P4	Asset Management		To review the corporate asset management arrangements in place across the Council. Including how asset additions and disposals are identified and recorded, and how the Council maximises the effectiveness of the available assets.	Q1

### Other Internal Audit Work

24.G	Grant Claims	-	Several grant certifications and sign offs are required by IA during the year on behalf of the Council, including the Housing Benefits Subsidy and Supporting Families claims.	Q1 - Q4
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24.Z	Ad Hoc Consultancy	-	These days will be used for urgent requests for advice and support to improve systems and processes, mitigate risk and enable the achievement of objectives.	Q1 - Q4
-	Recommendation Follow up	-	All High and Medium recommendations raised by Internal Audit will be followed up as they become due to ensure they have been implemented effectively.	Q1 - Q4

## AVAILABLE CHARGEABLE TIME

Based on the current workforce the calculated total available IA chargeable time for 2024/25 is 930 IA days.

Type of IA Work	2024/25 Planned	2023/24 Days	2022/23 Days	2021/22 Days	2020/21 Days
<b>Assurance &amp; Advisory Audits</b>	740	703	942	942	713
<b>Grant Claims</b>	92	65	43	43	43
<b>Ad-Hoc Consultancy</b>	50	15	66	66	60
<b>Recommendation Follow-Up</b>	36	40	40	40	25
<b>Facilitation</b>	12	20	9	9	9
	<b>930 Days</b>	<b>843 Days</b>	<b>1,100 Days*</b>	<b>1,100 Days*</b>	<b>850 Days</b>

\* Planned dates from the IA Plan but due to the reduction in capacity during the period the actual IA days are estimated to be lower.

## ALIGNING TO THE STRATEGIC OBJECTIVES

As part of the Internal Audit planning process the proposed reviews have been aligned to the Councils Strategic Objectives for 2022-2026. This summary is intended to provide assurance the plan will support the Council to achieve these core objectives.

<b>(1) Safe and Strong Communities</b>	Digital Inclusion, Community Safety, Decent Homes Standards, Utilisation of Housing Stock, Voids Processes, Temporary Accommodation
<b>(2) A Thriving Economy</b>	Digital Inclusion, Hillingdon First Card, Emergency Planning
<b>(3) A Digital-enabled, modern well-run council</b>	Cabinet Engagement, Directorate Governance, Transformation Governance, Budget Monitoring,
<b>(4) Thriving, healthy households</b>	Telecare, Safety Valve Plan, Schools Finances,
<b>(5) A green and sustainable borough</b>	Waste Services, Decent Homes Standards, Voids Processes

## 5. INTERNAL AUDIT SKILLS AND RESOURCES

- 5.1 In line with the PSIA Standards, the Head of Internal Audit appointed in January 2023 is professionally qualified and suitably experienced, whilst the IA team collectively possess the knowledge, skills and other competencies required to perform their responsibilities.
- 5.2 The capacity within the in-house IA team increased significantly over the last twelve months. We have appointed a new Principal Auditor, two Internal Auditors and two Internal Audit Apprentices. Seven of the nine current members of the team are also registered to undertake professional qualifications throughout 2024/25.
- 5.3 Taking into consideration the study time required for apprenticeships and other duties undertaken by the team, the calculated total available IA chargeable time for 2024/25 is 930 IA Days. This is currently calculated without any additional external IA resource however the resource is available to supplement the in-house provision if required.
- 5.4 We are confident that there will be sufficient IA resources available to meet the skills and resource requirements needed to deliver the 2024/25 risk-based IA Plan. If there is any change in the available resources the IA Plan will be revised to ensure reviews are prioritised appropriately, and additional external resources will be commissioned where required.
- 5.4 We continue to invest in the training and development of all our staff, including identifying opportunities for further development in associated areas of assurance.

## APPENDIX A - INTERNAL AUDIT DEFINITIONS

ASSURANCE LEVEL	DEFINITION
<b>SUBSTANTIAL</b>	There is a <b>good level of assurance</b> 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 <b>positive assurance</b> that objectives will be achieved.
<b>REASONABLE</b>	There is a <b>reasonable level of assurance</b> 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 <b>some risk</b> that objectives will not be achieved.
<b>LIMITED</b>	There is a <b>limited level of assurance</b> 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 <b>significant risk</b> that objectives will not be achieved.
<b>NO</b>	There is <b>no assurance</b> 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 <b>high risk</b> that objectives will not be achieved.

FINDING RATING	DEFINITION
<b>HIGH</b>	The recommendation relates to a <b>significant threat</b> 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. <b>The risk requires senior management attention as soon as possible</b> as it may result in the breakdown of part/whole of the service.
<b>MEDIUM</b>	The recommendation relates to a <b>potentially significant threat</b> 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. <b>The risk requires management attention</b> and should be addressed within six months to ensure full compliance with expected controls.
<b>LOW</b>	The recommendation relates to a <b>minor threat</b> 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. <b>The risk may be tolerable in the medium term</b> but management should take action within the next year to improve the control framework to ensure full compliance with expected controls.
<b>OBSERVATION</b>	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 <b>should be shared with others</b> , 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.

**Control Environment:** The systems of governance, risk management and internal control. Key elements include establishing and monitoring the authority's objectives, facilitating policy and decision-making, ensuring compliance with established policies and procedures, financial management, and performance management.

**Risk Appetite:** The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.

**Residual Risk:** The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.



## APPENDIX B - INTERNAL AUDIT KEY PERFORMANCE INDICATORS

The Key Performance Indicators (KPIs) for IA quarterly reporting to CMT and the Audit Committee in 2024/25 are set out below:

KPI	Category	Performance Measure	2024/25 Target
KPI 1	Timeliness: IA	Planning to be initiated at least six weeks before the fieldwork start date to allow the relevant service to prepare documents and ensure staff availability.	80%
KPI 2	Timeliness: IA	Draft Reports to be issued three weeks after the end of fieldwork meeting with the key contact	80%
KPI 3	Timeliness: IA	Final Reports to be issued one week after the final approval received from the Audit Sponsor.	80%
KPI 4	Timeliness: IA	Annual IA Plan delivered to draft report stage by 31st March	90%
KPI 5	Timeliness: IA	Annual IA Plan delivered to final report stage by 31st March	80%
KPI 6	Timeliness: Management	Initial documentation requests outlined at the planning meeting to be received by the audit fieldwork start date.	80%
KPI 7	Timeliness: Management	Final approval of the management responses to be received two weeks after the updated report is issued	80%
KPI 8	Timeliness: Management	HIGH and MEDIUM risk IA recommendations completed within the original agreed timescale	80%
KPI 9	Quality	HIGH and MEDIUM risk IA recommendations where positive management action is proposed	95%
KPI 10	Quality	Client Satisfaction Rating from Feedback Questionnaires	85%

### 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

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## Q3 RISK MANAGEMENT REPORT 2023/24

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Claire Baker, Head of Internal Audit & Risk Assurance
<b>Papers with report</b>	RM.1 Q3 Risk Management Report
<b>Ward</b>	All

### HEADLINES

This report presents to the Audit Committee a summary of the Council's Risk Register as at the end of Quarter 3 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 as at the end of Q3.

Since the last Audit Committee meeting there has continued to be significant work undertaken to develop the Council's Risk Management arrangements, including introducing a new risk management system and Strategic Risk Register presented separately to the Committee.

### RECOMMENDATION:

**That the Audit Committee note the Risk Management Report and progress to improve the risk management arrangements.**

### SUPPORTING INFORMATION

None.

### BACKGROUND PAPERS

None.



# RISK MANAGEMENT REPORT

**Q3 2023/24**

**30 December 2023**



**HILLINGDON**  
LONDON

# CONTENTS

The key contacts in connection with this document are:

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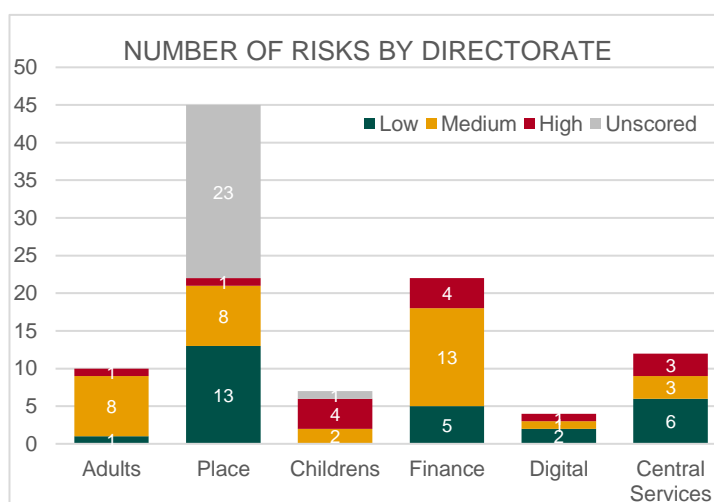
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## 1. INTRODUCTION

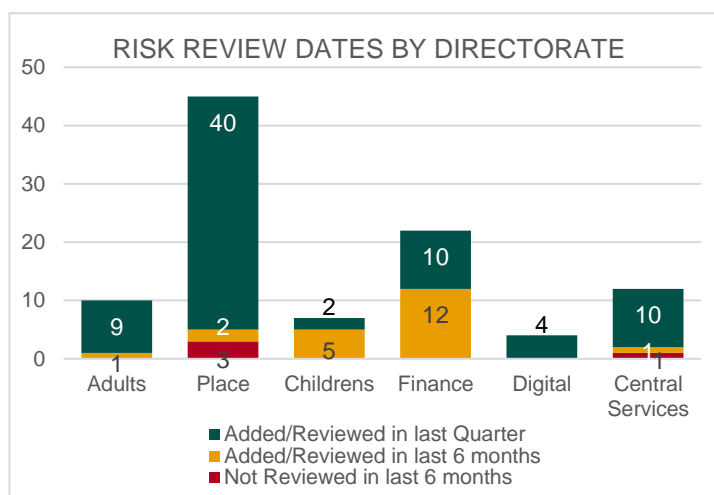
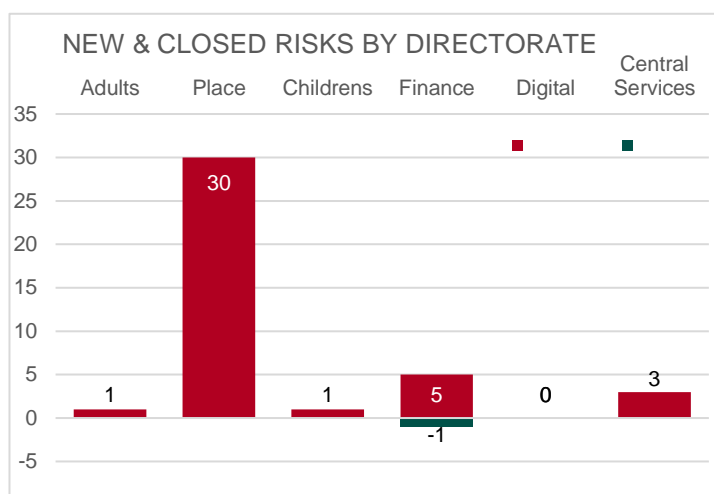
- 1.1 Hillingdon Council has a statutory responsibility to ensure arrangements are in place for managing risks. Risk management is about managing opportunities and threats to objectives to help create an environment of “no surprises”. It is a crucial element of good management and a key part of corporate 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 three 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 highlighted at the last Audit Committee, work is ongoing to review the risk management arrangements across the organisation. The implementation of the new Risk Management Software is progressing, and it is expected the new system will be operational by the end of the year. It will take time to be embedded across the services however the first reports from the system should be available for the next Audit Committee meeting.
- 2.2 In the short-term directorates are continuing to use the updated risk register template in Excel. Following the last Audit Committee meeting further training was provided to the Senior Management Team to raise awareness of risk management arrangements and ensure risks are recorded consistently. It was emphasised that services and directorates are responsible for managing their own risk registers, and therefore the Internal Audit team have focused on establishing their advisory role during quarter three.
- 2.3 At the end of the previous quarter the Finance Directorate had the highest number of risks recorded on their directorate risk register. However, following the training session provided to the Senior Management Team the Place Directorate have added a significant number of risks into their directorate risk register.
- 2.4 The Place Directorate made the decision to collate their service level risks within the central directorate risk register as this allows greater oversight of all risks across the directorate and highlights any cross over between services. This is consistent with the way the new Risk Management System will work as the directorate level risk registers will feed from the individual service risk registers. It does not mean there has been an increase in the actual risks facing the services within the directorate.



- 2.5 There are 23 unscored risks in the Place Directorate and one in the Children's Directorate. These were raised at the Corporate Risk Management Group on the 8 January 2024 and will be reviewed and scored during the next quarter.
- 2.6 As noted above there has been a significant number of new risks added to the Place Directorate risk register during quarter three. The directorate is still working through the register to ensure these are all risk scored consistently and appropriate actions allocated to mitigate the risks. Any significant risks identified will be escalated to the corporate risk register in line with the Risk Management Policy.
- 2.7 At the end of the previous quarter there was only one risk marked as overdue for review, however this high review rate was influenced by the implementation of the new central Directorate Risk Register which automatically forced directorates to review their risk information. Although there has been a slight increase in the number of risks overdue for review at the end of quarter three, performance is better than expected given the increased reliance placed on individual risk owners. The overdue risks have been highlighted through the Corporate Risk Management Group and will be monitored to ensure they are reviewed before the end of quarter four.
- 2.8 As part of the implementation of the new Risk Management System the Head of Internal Audit is looking to ensure further information on the risk management performance across the directorates is available and we will continue to provide this analysis to the Committee.



### 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 live CRR was shared with the Corporate Management Team (CMT) on the 30 November and 30 January, and with the Corporate Risk Management Group on the 8 January. 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 During quarter three there were no changes to the red rated risks included in the Corporate Risk Register, and six of the fourteen risks had not been reviewed within the quarter. The risks overdue for review were raised through the Corporate Risk Management Group, and there were reasonable explanations for the delays in three of the six cases.
- 3.4 Shortly after the quarter end the Schools Places risk was downgraded and removed from the CRR and two risks relating to the Decarbonisation and the Decent Homes Improvement programme were added. These changes have been reflected in the detailed Strategic Risk

Report presented separately to the Audit Committee and will be highlighted in the quarter four risk management report.

- 3.5 A summary of the risks on the Corporate Risk Register as at the end of quarter three is included in *Appendix A*.

## 4. FORWARD PLAN

- 4.1 Quarter four will focus on implementing the new electronic risk management system to ensure the system is embedded effectively and the first reports will be presented to the next Audit Committee meeting. As part of this process risk management workshops will be undertaken with each Directorate to ensure all risks are reviewed before they are input onto the new system.
- 4.2 The Head of Internal Audit will also continue to develop the Strategic Risk Report to align the risks from the CRR to the Strategic Objectives within the Council's 2022-2026 Strategy. The first draft has been shared separately with the Audit Committee however this will be developed further following feedback from the Committee and ongoing wider work around performance information.



## APPENDIX A: SUMMARY OF CORPORATE RISKS AS AT Q3 2023/24

No.	Ref	Summary Risk Description	Owner	Review Date	Rating	DOT
1	A004	Community DOL	Bukky Junaid	08/01/2024	C2	Static
2	P008	Capital Programmes	Michael Naughton	25/08/2023	C2	Static
3	CS009	The General Data Protection Regulations	Dan Kennedy	29/09/2023	D1	Static
4	CS011	Rent arrears	Rod Smith	15/12/2023	A3	Static
5	CS012	Meeting Housing Needs	Mark Billings	15/12/2023	A1	Static
6	C001	Workforce Sufficiency	Julie Kelly	23/09/2023	C2	Static
7	C002	Childrens Care placements	Tehseen Kauser & Alex Coman	04/01/2024	C2	Static
8	C003	High Needs SEN placements	Abi Preston	23/09/2023	B2	Static
9	C0005	School Places	Abi Preston	23/09/2023	C1	Static
10	F005	Maintained Schools Funding	Chris Mayo	13/12/2023	D1	Static
11	F011	Increased levels of fraud	Alex Brown	16/08/2023	B1	Static
12	F014	Ability to Deliver a Balanced Budget in the Short and Medium Term	Andy Evans	17/10/2023	D1	Static
13	F015	Financial Resilience of Contracts	Andy Evans	15/11/2023	C2	Static
14	D001	Cyber Security	Matthew Wallbridge	12/12/2023	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)	<b>A4</b> (6)	<b>A3</b> (12)	<b>A2</b> (18)	<b>A1</b> (24)
70% to 90%	Next Week / This Month	High (B)	<b>B4</b> (5)	<b>B3</b> (10)	<b>B2</b> (15)	<b>B1</b> (20)
50% to 70%	This Year	Significant (C)	<b>C4</b> (4)	<b>C3</b> (8)	<b>C2</b> (12)	<b>C1</b> (16)
30% to 50%	Next Year	Medium (D)	<b>D4</b> (3)	<b>D3</b> (6)	<b>D2</b> (9)	<b>D1</b> (12)
10% to 30%	Next 5 Years	Low (E)	<b>E4</b> (2)	<b>E3</b> (4)	<b>E2</b> (6)	<b>E1</b> (8)
Less than 10%	Next 10 Years	Very Low (F)	<b>F4</b> (1)	<b>F3</b> (2)	<b>F2</b> (3)	<b>F1</b> (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

## STRATEGIC RISK REPORT

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Claire Baker, Head of Internal Audit
<b>Papers with report</b>	RM.2 Strategic Risk Report
<b>Ward</b>	All

### HEADLINES

This is the first draft of the Strategic Risk Report developed for the Audit Committee.

It is intended to provide a clearer alignment between the strategic objectives of the Council, documented in the Council's Strategy, and the overarching strategic risks that could impact on those objectives. Providing assurance to the Committee that these key risks to the Council's objectives are being managed appropriately.

It also summarises the sources of assurance available to the Committee to enable Members to monitor the risks identified, the current controls in place to help mitigate the risks identified, any links to significant operational risks identified by management through the Council's risk register, and any proposed actions to either improve the mitigating controls or the sources of assurance available to monitor the risk.

This report is part of the ongoing risk management transformation work to improve the risk management arrangements across the Council.

### RECOMMENDATION:

**That the Audit Committee note the Strategic Risk Report and provide feedback on the content and level of assurance received.**









### SUPPORTING INFORMATION

None.

### BACKGROUND PAPERS

None.

# STRATEGIC RISK REGISTER

Strategic Objective	Strategic Risk	Current Risk Rating	Control Rating	Assurance Rating
	Meeting Housing Needs	Red	Amber	TBC
	Ability to Deliver a Balanced Budget in the Short and Medium Term	Red	Amber	TBC
	Digital Transformation & Cyber Security	Amber	Red	TBC
	Resilience of Contractors	Amber	Red	TBC
	Meeting Care Placements and SEND Support	Red	Amber	TBC
	Adult Social Care Demand	Amber	Amber	TBC
	No Strategic Risks Recorded	N/A	N/A	Green
	No Strategic Risks Recorded	N/A	N/A	Green

Strategic Objective:		Safe and strong communities - Hillingdon is a safe place with resilient, strong communities with access to good quality, affordable housing.					
Strategic Risk:		Meeting Housing Needs: The risk of increased demand for housing and increased housing regulations					
Cllr Lead:	Cllr. E. Lavery	Initial Rating:	Red	Corporate Risk Register Links	Rating	Control Rating:	Amber
Exec Lead:	Dan Kennedy	Current Rating:	Red	CS012 - Meeting Housing Needs	A1	Assurance Rating:	TBC
Date Added:	01/11/2023	Target Rating:	Amber			Number of Actions:	1
Last Review:	January 2024	Change:	Static	P015 - Decent Homes/Thermal Efficiencies	B1	Next Review Date:	April 2024
Risk Description		Primary Controls		Sources of Assurance		Key Performance Indicators	
<p>The buoyant housing market and increased housing regulations has led to a decreased supply of affordable housing, whilst Welfare Reforms and inflation has led to an increase in homelessness and housing demand. The lack of affordable housing puts significant pressure on the Council's finances and ability to meet its statutory responsibilities in this area, however inadequate housing can lead to a detrimental impact on the health, wellbeing, and educational attainment of residents. The risk is also increased due to Heathrow Airport located within the borough leading to significant numbers of individuals seeking asylum within the area.</p>		<ul style="list-style-type: none"><li>• The Council has implemented a programme of new developments and buying back former 'Right to Buy' (RTB) and vacant properties.</li><li>• As part of the Council's transformation programme we are implementing, additional measures to help reduce demand on services. This includes providing more intensive advice and signposting at an earlier stage.</li><li>• Decent homes improvement programmes are in place and a significant fire safety works programme is nearing completion.</li></ul>		<p>Level 1: Housing Action plan</p> <p>Level 2: Housing Steering Group Reports, Housing Board, KPIs</p> <p>Level 3: Internal Audit reviews into social housing and homeless applications process</p>		PLA06 - Households in Temporary Accommodation	TBC
						PLA12 - % of homes that meet Decent Homes Standards	TBC
						PLA13 - % of stock rated C and above (EPC)	TBC
						PLA07 - Number of households in nightly charged B&B	TBC
Actions:							
Transformation programme in place to review the Housing Service and ensure the council is fit for the future. This is monitored through a Housing Steering Group chaired by the Chief Executive.						Dan Kennedy: April 2024	

Strategic Objective:		A digital-enabled, modern, well-run council - We are a well-run, sustainable council with sound financial management, achieving positive outcomes for residents.						
Strategic Risk:		Ability to Deliver a Balanced Budget in the Short and Medium Term						
Cllr Lead:	Cllr. M. Goddard	Initial Rating:	Red	Corporate Risk Register Links		Rating	Control Rating:	Amber
Exec Lead:	Andy Evans	Current Rating:	Red	F014 - Delivering a Balanced Budget		D1	Assurance Rating:	TBC
Date Added:	01/11/2023	Target Rating:	Amber	F011 - Increased levels of fraud		B1	Number of Actions:	4
				CS011 - Rent arrears		A3		
Last Review:	January 2024	Change:	Static	F005 - Maintained Schools Funding		D1	Next Review Date:	April 2024
Risk Description		Primary Controls		Sources of Assurance		Key Performance Indicators		
<p>This risk arises from the significant reductions in funding from Central Government whilst at the same time increasing the burden on Local Authorities. This is against a backdrop of increasing expectations from Residents and the impact of Covid-19, high inflation rates and the war in Ukraine. This increases the potential that the Council will be unable to meet its statutory obligation to set and operate within a balanced budget, and moving forward more increased transformation savings targets will need to be achieved.</p>		<ul style="list-style-type: none"><li>Governance arrangements for the Council's Business Transformation Programme have been agreed by the Leader of the Council. Business Transformation projects are now captured in one place to help ensure they are all closely aligned to the MTFF.</li><li>Budget holders engaged in budget setting process and ongoing budget monitoring.</li></ul>		Level 1: MTFF		General Fund revenue budget		
				Level 2: Monthly budget monitoring reports				
				Level 3: Internal Audit of the budget monitoring arrangements		Dedicated Schools Grant (DSG)		
						Savings Programme		
Actions:								
<ol style="list-style-type: none"><li>Budget Strategy sessions scheduled to translate ongoing service and transformation activity into quantified savings programme</li><li>Proactive lobbying of Government around future funding levels, both directly and through London Councils, Society of London Treasurers and other routes</li><li>Approval of balanced 2024/25 budget by Cabinet and Council</li><li>This will be reviewed alongside finalisation of the 2024/25 budget at Council in February 2024.</li></ol>							Andy Evans, February 2024	

Strategic Objective:		A digital-enabled, modern, well-run council - We are a well-run, sustainable council with sound financial management, achieving positive outcomes for residents.						
Strategic Risk:		Digital Transformation & Cyber Security						
Cllr Lead:	Cllr. D. Mills	Initial Rating:	Amber	Corporate Risk Register Links	Rating	Control Rating:	Red	
Exec Lead:	Matthew Wallbridge	Current Rating:	Amber	D001 - Cyber Security	C1	Assurance Rating:	TBC	
Date Added:	01/11/2023	Target Rating:	Amber	CS009 - The General Data Protection Regulations	D1	Number of Actions:	2	
Last Review:	January 2024	Change:	Static			Next Review Date:	April 2024	
Risk Description		Primary Controls		Sources of Assurance		Key Performance Indicators		
ICT systems becoming unfit to meet the Council's needs, due to insufficient momentum, collaboration or funding to implement the digital transformation programme. This impacts on service delivery, staff morale and governance arrangements due to poor data quality. Outdated ICT architecture and poor security also increases the risk of ransomware, malware, viruses and external cyber-threats. These can lead to data breaches and potential reputational, operational, and financial damage if attacks to our network are successful and the Council's ICT systems are adversely affected for a significant time-period.		• Newly established Digital and Intelligence Directorate to lead the digital transformation programme.		Level 1:  Level 2: Hillingdon Information Assurance Group (HIAG) programme of work Level 3: Cyber360 assessment scheduled for 2024/25		CS02: Number of contacts that are self-service/digital		TBC
Actions:								
Developing the Digital and Intelligence leadership team to deliver the strategy and accelerate change Review the Digital and Intelligence directorate roadmap for change, including identifying key priority projects for 2024/25.						Matthew Wallbridge, March 2024		

Strategic Objective:		A digital-enabled, modern, well-run council - We are a well-run, sustainable council with sound financial management, achieving positive outcomes for residents.					
Strategic Risk:		Resilience of Contractors					
Cllr Lead:	Cllr. I. Edwards	Initial Rating:	Amber	Corporate Risk Register Links	Rating	Control Rating:	Red
Exec Lead:	Tony Zaman	Current Rating:	Amber	F015 - Financial Resilience of Contracts	C2	Assurance Rating:	TBC
Date Added:	01/11/2023	Target Rating:	Amber	P008 - Capital Programmes	C2	Number of Actions:	0
Last Review:	January 2024	Change:	Static			Next Review Date:	April 2024
Risk Description		Primary Controls		Sources of Assurance		Key Performance Indicators	
The risk that key suppliers/contractors are suddenly unable to provide an expected service and there are insufficient business continuity arrangements in place to deliver alternative arrangements. This results in a serious disruption to the service, impacting on residents, and potentially significant unplanned costs whilst alternative providers are sourced.		Contract management arrangements within each service to monitor suppliers and identify any who may potentially be at risk of failure through the monitoring of their ongoing performance.		Level 1: contract management arrangements at a service level		ASC09: Social care providers in the Care Governance Process and formal provider of concern category at quarters end	TBC
				Level 2:			
				Level 3: Internal Audits into contract management			
Actions:							
Ongoing procurement transformation programme, including strengthening the training for contract managers to raise any concerns in relation to potential concerns with contractors.						Andy Evans, March 2025	



Strategic Objective:		Thriving, healthy households - Children, young people, their families and vulnerable adults and older people live healthy, active and independent lives.					
Strategic Risk:		Meeting Care Placements and SEND Support					
Cllr Lead:	Cllr. S. O'Brien	Initial Rating:	Red	Corporate Risk Register Links	Rating	Control Rating:	Amber
Exec Lead:	Julie Kelly	Current Rating:	Red	C001 - Recruit and retain staff	C2	Assurance Rating:	TBC
Date Added:	24/01/2024	Target Rating:	Amber	C002 – Care placements	C2	Number of Actions:	3
Last Review:	January 2024	Change:	NEW	C003 - High Needs SEN placements	D1	Next Review Date:	April 2024
Risk Description		Primary Controls		Sources of Assurance		Key Performance Indicators	
<p>Market conditions and the outsourcing of placements has reduced the availability for children and inflated the price. Although there is a smaller number of children requiring care, there is an increased complexity of needs and a reduction in post Covid numbers of foster carers equipped to meet the needs of children with complex needs. The change to regulatory requirements for 16-17 year olds is also likely to reduce further availability for this group.</p>		<ul style="list-style-type: none"><li>Participation in the regional development of plans aimed at better meeting the demand.</li><li>Review of the existing placements to ensure age-appropriate placements and maximising inhouse provision.</li><li>Joined Pan London Vehicle that leads the development of a London Secure Home</li><li>SEND Sufficiency plan developed, including improved projections and forecasting of need and improved rigour to use more local mainstream provision where appropriate so only the most complex have high cost INMSS placements.</li><li>Substantial increase of placements through building more SRPs, DUs, assessment base and improving local SEND provision</li></ul>		<p>Level 1:</p> <p>Level 2: Monitoring placement requests through HARP and Complex HARP and High-Cost panel.</p> <p>Level 3:</p>			
Actions:							
<p>1. DSG Recovery Programme including banding and OAP Review and placement analysis across all provisions.</p> <p>2. Brokerage transformation project with ASC and transformation projects to review the Fostering offer and identify additional residential beds</p> <p>3. Two new properties to be registered with Ofsted and become operational in Q1 of 24-25, and support provided to semi-independent providers to register with Ofsted to ensure ongoing sufficiency for 16-17 years old</p>						Julie Kelly, March 2025	

Strategic Objective:		Thriving, healthy households - Children, young people, their families and vulnerable adults and older people live healthy, active and independent lives.					
Strategic Risk:		Adult Social Care Demand					
Cllr Lead:	Cllr. J. Palmer	Initial Rating:	Amber	Corporate Risk Register Links	Rating	Control Rating:	Amber
Exec Lead:	Sandra Taylor	Current Rating:	Amber	A001 - Community DOL	C2	Assurance Rating:	Amber
Date Added:	01/11/2023	Target Rating:	Amber			Number of Actions:	3
Last Review:	January 2024	Change:	Static			Next Review Date:	April 2024
Risk Description		Primary Controls		Sources of Assurance		Key Performance Indicators	
<p>This risk arises from the increasing demand across Adult Social Care services due to changing demographics in the population, the transition of children into adult social care, and the raised expectations from residents for high quality social care services. This is all within the context of the major changes to the legislative framework including the Care Act, Better Care Fund and Deprivation of Liberty Safeguards. This increase in demand is impacting on the Council's ability to provide the statutory services within the available resources and funding available.</p>		<ul style="list-style-type: none"><li>• Work to develop a new social care 'front door' with the introduction of AI to answer calls for social care and put in first level triage has proved successful.</li><li>• A full upgrade of the client system will take place on 9th January,2024 to improve data and monitoring of the demand.</li><li>• Targeted early intervention through reablement and the introduction of 'Intelligent Lilli' to give better insights into care needs address demand through the front door for adults. Additionally, the development of reablement for people with mental health needs is being worked up.</li><li>• Work with NHS partners is ongoing to address acuity following issues that have escalated following the pandemic.</li><li>• Intensive work on the BCF and reviewing and aligning system funding and priorities to ensure that these address the needs of residents in the community.</li></ul>		Level 1: BCF and community based review of spending with GT		ASC01: Number of contacts from new clients per 100,000 population	TBC
				Level 2:Output data from reablement & intelligent Lilli and ASCOF measure of still at home 91 days later			
				Level 3: Completion of the upgrades to the client system			
Actions:							
1. Progress the transformation of the front door, but increasing the capability and presence of third sector providers to support residents before they enter social care						1. Ongoing through 2024	
2. Submit a fully complete BCF Assurance document within the required timelines [June 2024]						2. June 2024	
3. Implement and monitor the outputs of Intelligent lilli pilot.						3. March 2024	

## SKILLS MATRIX

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Ryan Dell, Democratic Services
<b>Papers with report</b>	Appendix A: Audit Committee Member Skills Matrix Appendix B: Skills Descriptors Appendix C: Draft Member training plan
<b>Ward</b>	All

## HEADLINES

This report is to enable the Audit Committee to review the skills matrix for Members to inform the Training and Development Programme for Audit Committee Members.

## RECOMMENDATIONS

**That the Audit Committee:**

- 1. Suggests any amendments/ make comments on the Skills Matrix;**
- 2. Suggests any amendments/ make comments on the draft training plan; and**
- 3. Subject to any agreed amendments, approves the Skills Matrix.**

## SUPPORTING INFORMATION

It is important to provide appropriate and relevant training to all Audit Committee Members to ensure that they have the relevant skills and knowledge to carry out their role within the terms of reference of the Committee. A Skills Matrix and skills descriptors are attached to this report.

Following Members' self-assessment, a draft training plan has been compiled and is also attached.

## BACKGROUND PAPERS

None.

London Borough of Hillingdon - Skills Matrix for Audit Committee Members 2023-2024			
Audit Committee Member Name: _____			
Skill/Knowledge/Experience:		Level of Experience	Comments
Area:	Indicator:		
Audit Committees	An understanding of the purpose of an Audit Committee (AC) and the specific remit and responsibility of the AC at LBH.		
Internal Audit	An understanding of the role and responsibilities of Internal Audit in a local authority, including reporting requirements for assurance and consultancy work, as well as statutory powers.		
External Audit	An understanding of the role and responsibilities of External Audit in a local authority, including appointment, reporting requirements, grant claims, value for money and statutory powers.		
Risk Management	An understanding of the purpose of Risk Management (RM), the RM cycle and the LBH RM policy/framework.		
Corporate Governance	An understanding of what Corporate Governance (CG) is and the AC's role in ensuring good CG. Also, an understanding of LBH's CG framework and the purpose of the Annual Governance Statement.		
Anti-Fraud & Anti-Corruption	An understanding of anti-fraud and anti-corruption frameworks and the role and responsibilities of the Business Assurance Counter Fraud Team at LBH.		
Financial Reporting	An understanding of financial strategy and the financial reporting requirements of LBH.		
Please enter details of any other additional relevant areas of expertise not listed above:			

Skills Descriptors	
Skill Level	Description
No Experience	No knowledge or previous experience/ training.
Basic Understanding	A basic awareness of the skill gained from working experience (usually over 1 year) or appropriate training and development. Or where knowledge possessed is not current (more than 3 years out of date).
Well Informed	Practical training and experience (a minimum of 2 years, gained during the last 10 years) in the specified skill or application of knowledge
Specialist Knowledge	Formal training, appropriate qualification (degree or professional qualification) and/or considerable practical experience (3 years or more, gained in the last 10 years) in the specified skill.

## Audit Committee Member Training Plan

	Training Session (16:00-17:00)	Topic		Officer
2023-2024	<del>22 November 2023</del>	<del>NO TRAINING</del>		-
	12 February 2024	External Audit	An understanding of the role and responsibilities of External Audit in a local authority, including appointment, reporting requirements, grant claims, value for money and statutory powers.	EY
	30 April 2024	Financial Reporting	An understanding of financial strategy and the financial reporting requirements of LBH.	TBC
2024-2025	08 August 2024	Accounts		James Lake
	21 November 2024	Corporate Governance	An understanding of what Corporate Governance (CG) is and the AC's role in ensuring good CG. Also, an understanding of LBH's CG framework and the purpose of the Annual Governance Statement.	Claire Baker
	12 February 2025	Risk Management	An understanding of the purpose of Risk Management (RM), the RM cycle and the LBH RM policy/ framework.	Stephanie Rao
	30 April 2025	<u>Role of the Audit Cttee</u> Internal Audit  Audit Committees	An understanding of the role and responsibilities of Internal Audit in a local authority, including reporting requirements for assurance and consultancy work, as well as statutory powers.  An understanding of the purpose of an Audit Committee (AC) and the specific remit and responsibility of the AC at LBH.	Claire Baker
2025-2026	TBC	Anti-Fraud and Anti-Corruption	An understanding of anti-fraud and anti-corruption frameworks and the role and responsibilities of the Business Assurance Counter Fraud Team at LBH.	Alex Brown

## WORK PROGRAMME 2023/24

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Ryan Dell, Democratic Services
<b>Papers with report</b>	None
<b>Ward</b>	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 30 April 2024 will start at 17:10.

<b>Meetings</b>	<b>Room</b>
30 April 2024	CR5
08 August 2024	CR5
21 November 2024	CR5
12 February 2025	CR5
30 April 2025	CR5

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	Head of Internal Audit
	Internal Audit Plan 2024/25	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