



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: TUESDAY, 30 APRIL 2024

Time: 5.10 PM

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

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

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Putting our residents first

Lloyd White
Head of Democratic Services
London Borough of Hillingdon,
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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 12 February 2024 1 - 10
- 5** EY External Auditors' Item 11 - 182
- 6** Internal Audit Annual Report 2023/24 183 - 196
- 7** Internal Audit Progress Report 197 - 210
- 8** Risk Management Annual Report 2023/24 211 - 222
- 9** Strategic Risk Report 223 - 232
- 10** Counter Fraud Progress Report Q4 2023/24 233 - 248
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- 12** Audit Committee Work Programme 265 - 266

Minutes

AUDIT COMMITTEE

12 February 2024

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



HILLINGDON
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	<p>Committee Members Present: John Chesshire (Chair), Councillors Reeta Chamdal (Vice-Chair), Nick Denys, Henry Higgins, June Nelson, and Tony Burles</p> <p>Officers Present: Andy Evans – Corporate Director of Finance, James Lake – Director - Pensions, Treasury and Statutory Accounts, Claire Baker – Head of Internal Audit and Risk Assurance, Stephanie Rao – Internal Audit Manager, Alex Brown – Head of Counter Fraud, and Ryan Dell – Democratic Services Officer</p> <p>Also Present: Larisa Midoni, Ernst & Young, and Stephen Reed, Ernst & Young</p>
76.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>None.</p>
77.	<p>DECLARATIONS OF INTEREST (<i>Agenda Item 2</i>)</p> <p>None.</p>
78.	<p>TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 3</i>)</p> <p>It was confirmed that all items would be considered in public.</p>
79.	<p>MINUTES OF THE MEETING HELD ON 22 NOVEMBER 2023 (<i>Agenda Item 4</i>)</p> <p>RESOVLED: That the minutes of the meeting held on 22 November 2023 be approved as a correct record</p>
80.	<p>COUNTER FRAUD PROGRESS REPORT 2023-2024 Q3 (<i>Agenda Item 5</i>)</p> <p>Officers presented the Counter Fraud progress report.</p> <p>Officers highlighted the recent achievement of the team being awarded the Public Finance Awards in the category of Outstanding Fraud Prevention, Detection and</p>

Recovery. The team had also won the Grand Prix award, which was the winner of the winners of the night award. Officers thanked Members and other officers for their contributions to this.

The team had achieved £5.6 million in savings during Q3, which was the highest figure ever recorded for a quarter. This brought the total for the year to £9.2 million. Most of the activity focused on housing, social care and revenues.

In housing, 32 properties were recovered due to tenancy fraud, totalling 80 for the year as a whole, with 135 ongoing investigations. Revenue maximisation efforts had identified undeclared businesses, resulting in billings issued exceeding £3.6 million. In social care, multiple fraud awareness sessions had led to an increase in fraud referrals, particularly related to direct payments.

Looking ahead to Q4, the management team planned to focus on housing and social care whilst preparing for the new financial year.

Officer proposed a change to the formatting of the presented report to include fewer narratives and more visual representations, to aid Members in their understanding. Members supported this idea, citing the need for clear understanding. It was also noted that this may be a benefit to any substitute Members.

Member praised the team's achievements, noting their consistent performance.

Members noted where the report stated there was more work to be done on social care fraud. Officers noted that they had had discussions on this and acknowledged that there was more work to be done on understanding the fraud risk in this area. This was a key focus moving forward.

Members referred to publicity of the Counter Fraud team's work, and officers noted that more could be done on this, although more was being done than in previous years. Members highlighted publicity on blue badges.

Members asked about the ongoing investigations in housing and asked how long these investigations take. Officers noted that most of the referrals received were anonymous or internal. This meant that when officers were notified of tenancy fraud, the person committing the fraud would be unaware. They would then not be notified until officers had gathered sufficient evidence so that the person could be interviewed.

Members asked about 'beds in sheds' and whether these were across the borough or centred around certain areas. Officers noted that a lot of this was to do with where the university was located and where the airport was located in terms of renting a room for work. Therefore, a lot was centred around certain areas of the borough.

Members asked about the £3.6 million in revenue maximisation, noting that this seemed quite high. Officers noted that the last financial year was the first looking at revenue maximisation. On one day per quarter the team went out into hotspot areas to see which businesses were notified within the system for business rates.

The Chair asked about the working relationship with legal officers. Officers noted that there was a good working relationship with legal officers, and there were a number of lawyers that worked on the team's behalf.

The Chair noted good performance against the Key Performance Indicators.

Officers assured the Committee of the support from senior management if additional resources were required.

Members referenced the recent zero-based budgeting activity and asked if the Counter Fraud team had been through this process yet. Officers confirmed that they had, noting that it was an enlightening and insightful exercise. It had brought out some themes of what could be improved going forward. This included the use of data and technology, and activity within social care.

The Chair asked about data match sets which had been generated and had resulted in high-quality referrals and property recovery. Officers noted that this match was centralised around housing. Officers noted that when tenants passed away, sometimes the Council was not notified. This meant that homes could be left empty. Therefore, officers were using data sets to highlight whether someone had potentially passed away to ensure that properties were not unused.

Members highlighted residency checks on all emergency accommodation units noted in the report, which had led to a further seven units being closed due to non-occupation. Members asked what types of accommodation this referred to. Officers clarified that this referred to bed and breakfasts that were provided to homeless individuals as an imminent response as an authority.

RESOLVED: That the Audit Committee:

- 1. Noted the Counter Fraud Progress Report for 2023/24 Quarter 3; and**
- 2. Suggested any comments/ amendments**

81. **EXTERNAL AUDIT UPDATE** (*Agenda Item 6*)

Officers introduced the external audit update.

The 2022-23 Teachers' Pension audit had successfully completed with no material items to report. Similarly, the Capital Receipts Pooling for 2022-23 had also completed. Currently, the Housing Benefits Certification for 2022-23 was underway and was expected to be completed by the end of June. The Value for Money Assessment and Pension Fund audits for 2022-23 were nearly completed, with results expected to be presented to the next Audit Committee in April.

The 2023-24 Council audit was in an interim phase, focusing on transactions up to December and ensuring compliance with established processes and controls. This work was progressing on track.

On the 2022-23 Council audit, Hillingdon was not among those authorities facing significant audit backlogs, with only 2022-23 outstanding. Efforts were being made at the national level to address this backlog and consultations were underway. Officers from EY gave further updates on these consultations, noting proposed amendments to the Code of Audit Practise and measures to address the backlog. A joint consultation launched by Department for Levelling Up, Housing and Communities (DLUHC) and the Financial Reporting Council (FRC) was noted, with the deadline for responses on 07 March 2024.

Subject to this consultation, there may be some amendments to the Code of Audit Practice around the ability to report on a composite basis for Value for Money, rather

than reporting annually. This would not be an issue for Hillingdon as it was only the 2022-23 Value for Money audit that EY were currently working on.

On the National Audit Office Code consultation, the main element was in relation to encouraging auditors to cooperate where a transition had taken place. This would not affect Hillingdon who were continuing with EY as external auditors.

On the DLUHC consultation, there were three key elements:

Phase one: to address the backlog which would see a backstop date of the end of September 2024 for all financial years up to 2022-23, and if the audits were not complete by this time, then auditors would be required to issue a form of modified opinion, either limitation of scope or a disclaimed opinion on all financial statements.

Phase two: a recovery period which would see backstop dates introduced for each financial year up to the end of the five-year PSAA contract (2028/29).

Phase three: longer term reform of reporting and auditing within the local government sector.

There was one additional consultation expected from the FRC in relation to the basis under which the Council prepares its financial statements. This was expected imminently and will address the extension of the statutory override in relation to infrastructure asset accounting. Other elements on this consultation would include how pension disclosures are set out within the financial statement (moving from an IFRS basis to an FS102); and moving for operational assets to the application of indexation rather than the requirement as it currently stands for formal valuations to be received. If these changes were implemented, they would affect 2023/24 and 2024/25. EY would keep officers updated on this.

It was confirmed that Hillingdon would have the opportunity to respond to the consultations.

RESOLVED: That the Audit Committee:

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

82. INTERNAL AUDIT PROGRESS REPORT 2023-2024 Q3 (Agenda Item 7)

Officers presented the Internal Audit progress report for Q3 of 2023-24.

Since the previous Audit Committee, nine reports had been issued in final. At the time of writing the report, five had been issued in draft, one of which had since been finalised. This related to private sector housing, which was reasonable assurance and would be included in the report for the next Audit Committee.

Lots of remaining audits were getting to the draft report stage and those marked as

field work were at the end of the field work stage.

More reports had been issued in final at this stage in the year, compared to at the end of April in the last financial year. Although there was some work outstanding, officers had no concerns and this represented a good position for internal audit work.

Of the nine reports issued in final, one was substantial, two were reasonable, two were advisory and four were limited assurance reports.

Common themes identified in the limited assurance reports related to:

For 'Facilities Management' and 'Climate Action' reports, this related to governance arrangements and the strategic direction of the governance arrangements.

For 'Homeless Housing Applications' and 'Goshawk Gardens & Chapel Lane' reports, this related to the effectiveness of controls in practice.

Changes to the Internal Audit plan were also highlighted, with the removal of the budget-setting audit due to prioritisation of zero-based budgeting (ZBB) processes. An audit of pool cars had been added to the plan in response to service requests. This had been completed and would be finalised by the next Audit Committee.

Regarding follow-up, three reports were now closed since the last Audit Committee meeting, but several recommendations remained outstanding. Officers explained that some delays in addressing recommendations were due to new systems implementation and personnel changes.

Members asked for more details about the status of 'field work'. Officers clarified that this referred to testing, obtaining evidence and coming up with findings, working with services to collate evidence and identifying what to report. Report drafting referred to when field work had finished, writing up the reports, going through an internal review stage before being issued. Reports marked as draft in amber meant that a draft report had been sent to the service for their management response.

Members asked about the key performance indicators (KPIs), and specifically KPI 8 (*HIGH and MEDIUM risk IA Management Actions completed within the agreed timescale*). Officers noted that not all of the KPIs were things for Internal Audit to deal with. KPI 8 referred to management responding to completing management actions. The KPIs were making sure that there was evidence to the Committee that progress was being made.

It was noted that the follow-up process started at the beginning of the year. Initially there were a lot of quick follow-ups and a lot of these were reported to the previous Audit Committee. Those remaining were likely older ones whereby officers many have changed, or it was taking time to embed new systems.

The Chair expressed concerns about the findings around Facilities Management, and asked if officers were confident in these being taken forward. Officers noted that there was a new Corporate Director of Place and one of their major priorities was around Asset Management, which included Facilities Management.

The Chair noted interest in the request for an audit of pool cars but was happy to wait until the next Audit Committee for a further update.

Officers provided an update on staffing changes within the Internal Audit team. The Internal Audit Manager and an Internal Auditor were due to leave by the end of the year. Officers assured the Committee that there was a plan in place for this.

The Chair commended the inclusion of a table outlining the reviews, and also commended the progress made by the Internal Audit team.

The Chair asked about the follow-ups on the Care Leavers' Allowance and Pupil Premium. Officers noted that, on Pupil Premium, this relied on contacting schools which meant there was an extra step involved. The Care Leavers' Allowance had one high level recommendation and Members asked to be kept updated if there were any issues.

Members asked if officers were involved in the zero-based budgeting exercise, and how this may affect the work officers were doing. Officers noted that they were involved, in terms of talking about future developments for the service. Potential impacts could come from any big transformation projects or big changes to the service, although this was no different to any other transformational work or changes going on across the Council.

RESOLVED: That the Audit Committee noted the IA progress since the last Committee meeting

83. **INTERNAL AUDIT CHARTER** (*Agenda Item 8*)

Officers presented the Internal Audit Charter and Internal Audit Plan.

The Internal Audit Charter was a requirement to be produced and outlined the role and responsibilities and the purpose of Internal Audit. The Charter was unchanged from the previous year, but officers were required to review it annually.

The Internal Audit Plan was based on the team's capacity internally. There was support from external providers if required. The plan was spread across the year and spread across Directorates. It was a flexible plan which would allow for accommodation of any big service changes. There were some cross-Directorate reviews within the plan around governance and the transformation programme which impacted on all Directorates.

The plan had been presented to the Corporate Management Team and took into consideration the risk register.

The Chair asked about the audit methodology. The Global Institute of Internal Auditors had updated its internal audit standards. Hillingdon followed the Public Sector Internal Audit Standards and so there would be a process of deciding if these standards needed to be updated or replaced by the Global Standards. Officers noted that the new standards were due to come into effect from 2025 and so there was sufficient time to review this, although on initial inspection there did not appear to be the need to major updates.

The Chair commended the plan as well-balanced and comprehensive, particularly welcoming the inclusion of cross-Directorate reviews and audits related to governance and transformation programs.

The Chair noted the security review that had been added to the plan following a number of concerns and asked for more information on this. Officers noted that this referred to security within the Civic Centre, and who could access different parts of the building.

The Chair asked for clarification on the safety valve agreement. Officers noted that this was a technical term applied to a specific arrangement that a number of Local Authorities had with the Department for Education in terms of managing the high needs block. Hillingdon had a deficit and a management arrangement with the DfE to manage that deficit which was denoted a 'safety valve arrangement'.

Members asked about the utilisation of housing stock. Officers noted that this referred to identifying the current availability and how officers were maximising the available use of the housing stock, getting the most value out of it and allocating it appropriately.

Overall, the Committee approved the Internal Audit Plan and noted the responsibilities outlined in the Charter.

RESOLVED: That the Audit Committee:

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

84. **RISK MANAGEMENT REPORT 2023-2024 Q3** (*Agenda Item 9*)

Officers presented the Risk Management report. This showed the risk register as at the end of Q3 and so it was noted that there had been some updates as it was a live document.

There had been a training workshop with the Senior Management Team since the last Audit Committee and this led to a number of new risks, particularly within the Place Directorate. Officers emphasised that the increase in risk did not indicate a higher level of riskiness but rather improved consistency in recording risks within the Directorate.

Officers provided an update on the implementation of new risk management software, which was currently being fine-tuned before full deployment. Training sessions were due to be run on it.

In response to questions from the Committee, officers explained the functionality of the new risk management software, which included automated notifications for overdue reviews and improved dashboard reporting. A lot of the risks within the Place Directorate still needed to be scored, but this was because they were newly added to the list. The register was moving to a system of individuals services taking ownership of their risk registers, and Directors taking ownership of holding services accountable.

At the end of the report was a summary of the Corporate Risk Register. These were the red rated risks from the Directorate Risk Register. As at the end of the quarter there were no significant changes. Since the end of the quarter the schools' places risk had been reduced down to green rated, and Decarbonisation and Decent Homes Improvement has been added.

Members asked if the new software would help to identify departments that were not

updating the register. Offices noted that there was a review date for all risks and review dates for actions. The system was currently set up to notify departments daily when something became overdue, and officers were reviewing the frequency of these updates. The system also notified the manager or Director. The new system would also allow exporting of dashboard information. The system would likely be updated by the time of the next Audit Committee.

The Chair asked about the reasonable delays for risks not reviewed. Officers noted that one of these related to an officer who had been off sick for an extended period of time. Two of these were related to where the responsible officer did not have access to the centralised register. This had now been rectified.

Furthermore, the Committee sought clarification on specific risks mentioned in the report, with officers providing insights into Risk 12 (Ability to Deliver a Balanced Budget in the Short and Medium Term) and Risk 13 (Financial Resilience of Contracts). On Risk 12, the date of the review was before officers had information relating to the local government settlement and before setting the budget. Therefore, further consideration of this risk would be given in Q4. On Risk 13, measures being taken to address this included proactive contract management and closer monitoring of contractors' financial health.

Members asked about 'new and closed risks by Directorate' and 'risk review dates by Directorate'. Officers explained that in red was the number of new risks per Directorate, and any closed risks were in green. One risk had been closed in the Finance Directorate. Added risks were as follows:

- Adults: 1
- Place: 30
- Children's: 1
- Finance: 5
- Digital: 0
- Central Service: 3

Finally, the Committee commended the format of the report and expressed anticipation for the next update with the new risk management software in place. Members appreciated the clarity provided and looked forward to seeing further improvements in risk management processes.

RESOLVED: That the Audit Committee noted the Risk Management Report and progress to improve the risk management arrangements

85. **STRATEGIC RISK REPORT** (*Agenda Item 10*)

Officers presented the Strategic Risk Report. The intention of this was to align operational risk registers with the Council's strategic objectives.

The report provided assurance to the Committee that strategic risks were being managed effectively, with performance indicators, controls, and actions to mitigate them.

Officers emphasised that the report was still in the early stages and would evolve further, particularly with the implementation of the new risk management software. Officers also noted that there would likely be more strategic risks to add against the strategic objectives.

Officers were reviewing the way they presented their performance information to make it more into a dashboard and linking it in with performance indicator data.

On each risk there was the risk description relating to strategic risk; the primary controls that were there to manage that risk; and what the source of assurance was. There were three levels of assurance:

- Level One: management controls and how management was dealing with the services
- Level Two: internal oversight such as CMT monitoring
- Level Three: independent assurance, for example if Internal Audit were doing any reviews or External Audit or Independent Advisers coming in

There were also KPIs but Q3 data had not been available at the time of the report. There were initial and current ratings included via a red/ amber/ green scale. The control rating was in relation to how confident officers were that those controls mitigate that risk from happening. The assurance rating was the level of assurance that officer had that this risk is being managed. Those assurance ratings were currently still TBC because it depended on what the assurance was and also the performance indicated data. This would be updated going forward.

Feedback from the Committee was overwhelmingly positive, with Members commending the clarity and simplicity of the report. Members appreciated its intuitive layout and expressed anticipation for future developments.

Members sought clarification on the current risk ratings, and officers noted that these were agreed on with CMT. However, Members could give their opinions and updates could be made. Officers further noted the process of encouraging risk owners to take more active ownership. Officers explained that the focus was currently on operational risk management but acknowledged the importance of integrating strategic risks into the process.

Overall, the Committee praised officers for their work on the report and expressed confidence in its ongoing development. Members encouraged continued efforts to simplify and streamline risk management processes while ensuring alignment with the Council's strategic objectives.

RESOLVED: That the Audit Committee noted the Strategic Risk Report and provided feedback on the content and level of assurance received

86. **SKILLS MATRIX** (*Agenda Item 11*)

Attached to the report was the Skills Matrix, which Members had recently completed. Also attached was a draft training plan, which officers had compiled in response to the completed Skills Matrix. It was noted that the dates may need to be updated.

Officers suggested moving the item on 'the role of the Audit Committee' to an earlier session or integrating this within the other topics.

Ultimately, the Committee approved the training plan with the understanding that minor adjustments may be made to the sequencing of topics.

RESOLVED: That the Audit Committee:

- 1. Suggested any amendments/ made comments on the Skills Matrix;**

	<p>2. Suggested any amendments/ made comments on the draft training plan; and</p> <p>3. Subject to any agreed amendments; approved the Skills Matrix</p>
87.	<p>WORK PROGRAMME (<i>Agenda Item 12</i>)</p> <p>Officers noted that the dates for future meetings would need to be updated from those published in the agenda, and that the Work Programme was for noting.</p> <p>RESOLVED: That the Audit Committee:</p> <p>1. Noted that new dates of upcoming Audit Committee meetings were to be confirmed; and</p> <p>2. Made suggestions for future agenda items, working practices and/ or reviews</p>
	<p>The meeting, which commenced at 5.10 pm, closed at 6:25 pm</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Democratic Services on 01895 250636 or email: democratic@hillingdon.gov.uk. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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

EXTERNAL AUDIT UPDATE

Committee name	Audit Committee
Officer reporting	James Lake, Finance
Papers with report	2022/23 Council Interim Value for Money Report 2022/23 Pension Fund Audit Results Report 2021/22 Audit Certificate 2023/24 EY Audit Plan London Borough of Hillingdon 2023/24 EY Audit Plan London Borough of Hillingdon Pension Fund
Ward	All

HEADLINES

The report gives an update on the government's latest consultation relating to the national audit backlog with suggested measures to address this issue and provide solutions for moving towards ongoing timely audits.

The 2022/23 Council Value for Money assessment has been completed with no matters to report by exception. The add context in the current environment the report also highlights existing risks and challenges facing the Council.

The 2021/22 Audit Certificate has now been issued following confirmation from the National Audit Office (NAO) that no Whole Government Accounts audit is required for the London Borough of Hillingdon.

The 2022/23 Pension Fund audit is materially complete with only minor items remaining to complete. It is expected the audit opinion will state the Pension Fund financial statements give a true and fair view of the financial transactions of the Fund and the statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting.

Two further attached documents set out the initial plans for the 2023/24 Council and Pension Fund audits. These detail the approach to the audit, including a broad timetable which should enable the whole process to be completed around November 2024. Whilst the Pension Fund forms part of the Council's published Financial Statement of Accounts, a separate plan is prepared for that audit.

RECOMMENDATION:

That the Committee note this report

SUPPORTING INFORMATION

Consultation - Department for Levelling Up, Housing and Communities

In February 2024, the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation relating to local audit delays and suggesting a number of proposals to clear the backlog and embed timely audits. It was split into 3 phases.

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

Phase 1 was to ensure that all outstanding audits for 2022/23 and prior years, be cleared by September 2024. In essence, where audits are close to completion these will be finished. However, in many cases, including Hillingdon, the only way to achieve this will be for audit firms to issue modifications/disclaimers of opinion. Other than cases where there is an ongoing concern or issue with the underlying body, DLUHC has emphasised that opinions should make clear the reason for any modification or disclaimer is due to the government's system reset.

The second key item in the consultation relating to phase 2, was to agree audit completion dates for the subsequent five years.

- 2023/24: 31 May 2025
- 2024/25: 31 March 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

Currently public bodies are still required to produce draft accounts by the end of May each year and the consultation asked if this date was still appropriate.

DLUHC intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not.

At the time of writing this report, the outcome of the consultation had not been published.

EY aim to meet the 30 September 2024 deadline to sign off the 2022/23 statement of accounts by issuing a form of disclaimed opinion.

2022/23 Value for Money Report

There were no matters to report by exception on the Council's VFM arrangements.

There were no significant risks or weaknesses identified if the following reporting criteria:

- **Financial sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

As the reported outcome relates to the 2022/23 period, EY have noted a number of additional observations to add context in the current environment. These include from the report:

- As per the 2023/24 budget outturn report at month 10, there are a number of potential risk areas and pressures which need to be managed to deliver the planned outturn. The current year position is reliant on a number of one-off mitigations and balance sheet measures, such as the release of £3,622k from specific Earmarked Reserves projected to meet this potential pressure. This reflects the significant demand-led pressures which are being experienced across the sector.
- As at February 2023, a total of £24.9 million of savings measures were planned for the period 2024/25 until 2027/28, which increased by 25% to £31.3 million for the same period in the February 2024 MTF. This increase in the savings requirements year on year shows the continuously increasing pressures on the Council's finances in the context of a challenging economic environment both in terms of exceptional cost inflation pressures, the impact of cost-of-living pressures and the continuing legacy of COVID-19. In this context, the elected members need to consider their priorities and objectives in decision making and to ensure that these drive the budget process and support the Council in achieving its efficiency targets and in delivering required savings.
- The Dedicated Schools Grant ('DSG') had a £23.5 million deficit brought forward from 2021/22, which only reduced slightly to £21.9 million by the end of 2022/23. The DSG monitoring position reported for 2023/24 Month 9 is an in-year overspend of £12.8 million when compared to the budgeted position, which reflects the ongoing pressures of High Needs placements. As per the March 2024 update from the Department for Education ('DfE'), the Council's Dedicated Schools Grant 'Safety Valve' Agreement was placed 'under review' and it confirms that no DSG funding was paid by the DfE to the Council in 2023/24. Based on current reserve level forecasts, the Council is reliant on maintenance of the statutory override until a new deficit funding plan is agreed and in place.

2022/23 Pension Fund Audit Results Report

The 2022/23 Pension Fund audit is materially complete. The following areas are due to be completed after which EY will issue the final Audit Result Report.

- Completion of going concern and subsequent events procedures up to the date of our audit report
- Completion of membership numbers, where we are still evaluating responses to queries raised to the fund administrator
- Review of audit work by the Engagement Partner and Quality Control Reviewer, which could lead to further queries
- Receipt and check of a signed accounts and a signed letter of management representation

The report gives a provisional audit assessment stating:

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Fees attributable to this audit are forecast to be between £67,738 and £77,738 (2021/22 £75,307).

Audit Certificate 2021/22

The 2021/22 Audit Certificate has now been issued following confirmation from the National Audit Office that no Whole Government Accounts audit is required for the London Borough of Hillingdon.

EY are only able to issue the certificate and conclude the audit when the NAO as group auditor has confirmed that no further assurances will be required from them as component auditors of London Borough of Hillingdon. This confirmation has now been received.

EY has subsequently confirmed that no matters have come to their attention since their report to Committee on 28 September 2023 that would have a material impact on the financial statements on which they gave an unqualified opinion and no matters have come to their attention that would have resulted in a different opinion on the financial statements or additional exception reporting on significant weaknesses in the Authority's value for money arrangements.

Council Financial Statements Audit Plan

Timeline

EY undertook interim audit work between February and early April 2024. The main audit will commence in July 2024 and they expect to report results in November 2024.

Materiality

The planning materiality level for 2023/24 is £15.6m (2021/22 is £14.9m) based on 1.8% of forecast gross expenditure. Performance materiality based on 50% of this figure is £7.8m (2021/22 was £11.2 based on 75%) EY plan to report on all uncorrected audit misstatements greater than £0.78m (2021/2 £0.75m).

Key Financial Statement Risks

The plan highlights the key audit risks and areas of focus, these being the main areas on which specific audit work will focus. The key risks for 2023/24 are as follows:

- Misstatement due to fraud or error
- Inappropriate capitalisation of revenue expenditure
- Valuation land and buildings (Including Council Buildings)
- Derecognition of Infrastructure (Downgraded from significant to inherent risk)
- Pension Liabilities and the IAS19 valuations
- IFRS 16 (New)

In addition, the auditors' have a statutory duty to provide a value for money conclusion, which covers a broad set of criteria including financial stability and governance, as well improving economy, efficiency, and effectiveness in how it uses information about its costs and performance to improve the management of service delivery.

The outcome of the accounts audit will be provided in the 'Audit Results Report' whilst the Value for Money outcome will be included 'Auditors Annual Report'.

The Council is responsible for appointing its own reporting auditor for the Housing Benefit

Assurance Process and certification of the Housing Benefit Subsidy Claim. This will be done along with the Teachers Pension Contributions and Capital Receipts Pooling certification process. As in previous years, to take advantage of the inherent synergies, the Council will request that EY undertake this work.

Fees

The proposed fee for the 2023/24 audit of the main accounts is £403,723. (£121,096 for 2021/22) There are additional costs for specialist work and the proposed scale fee increase which are yet to be determined and agreed.

Pension Fund Audit Plan

Timeline

As with the Council, EY undertook interim audit work between February and early April 2024. The Pension Fund main audit will run alongside the Council audit and is forecast to be completed in November 2024.

Materiality

Materiality remains unchanged on a basis of 1.0% of the prior year's net assets of the fund, which for 2022/23, which for planning is estimated as £11.8m (2021/22 £11.6m). Based on this amount, EY have set a 75% performance materiality of £8.9m They expect to report on all unadjusted misstatements greater than £0.6.

Key Financial Statement Risks

The plan highlights the key audit risks, these being the main areas on which specific audit work will focus. For 2022/23 there has been no change with audit risk areas including:

- Misstatement due to fraud or error
- Risk of incorrect valuation of level 3 unquoted investments
- Classification of level 2 and 3 investments
- IAS26 Disclosure Actuarial Present Value of Promised Retirement Benefits.

Fees

EY forecast scale fees to be £81,688 for the main audit with an additional £6,500 for separate IAS19 assurance work.

FINANCIAL IMPLICATIONS

Included within the body of this report.

LEGAL IMPLICATIONS

Included within the body of this report.

BACKGROUND PAPERS

NIL.

London Borough of Hillingdon

Value for Money Interim Report

Year ended 31 March 2023

12 March 2024

12 March 2024

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

Dear Audit Committee Members

2022/23 Value for Money Interim Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for London Borough of Hillingdon. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for the audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 30 April 2024.

Yours faithfully

Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

01 Executive Summary



02 Value for Money Commentary



03 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit Committee and management of London Borough of Hillingdon in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of London Borough of Hillingdon those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of London Borough of Hillingdon for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



BOARDROOM



01 Executive Summary

Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken for the year ended 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for the audit year 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit opinion has been issued for 2022/23.



Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the Council's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of the Council's committee reports;
- meetings with key officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with the Council's management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

Executive Summary (continued)

Reporting

Our interim commentary for 2022/23 is set out over pages 10 to 24. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23. We include within the VFM commentary below the associated recommendation we have agreed with the Council around timely preparation and publication of accounts.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Auditor's Annual Report and have been updated for 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02

Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management.

The Council identifies all the significant financial pressures that are relevant to its medium term plans through its Medium Term Financial Forecast ('MTFF'), which is the financial plan for the Council and it contains the funding strategy for delivering the Council's objectives for a forward looking period of four years. As part of the MTFF process, the Council engages with its directorates and bodies outside of the organisation, such as the Society of London Treasurers (SLT), the Deputy Treasurers Group (DTG) and the Association of Directors of Adult Services (ADASS), where regular discussion, information sharing and benchmarking supplements local intelligence.

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Monthly budget monitoring reports are used to identify and address short term financial pressures. This is the process of comparing actual and forecast expenditure and income throughout the financial year, both through budget monitoring and at the point of committing expenditure. It involves identifying variances, pressures and risks while taking prompt action to prevent budget pressures or to bring pressures that have arisen back under control by identifying savings and income opportunities.

As noted in the 2022/23 budget outturn report, £11.8 million of the £13.4 million savings planned for 2022/23 were banked in full by 31 March 2023 and no savings were reported as being at risk of non-delivery over the medium term. The February 2023 MTFF shows a savings proposal of £20.8 million for 2023/24, a significant increase from the £9.6 million which was identified in February 2022. The increase is driven by inflation, along with other updates on demand-led growth and corporate items.

As per the 2023/24 budget outturn report at month 10, there are a number of potential risk areas and pressures which need to be managed to deliver the planned outturn. The current year position is reliant on a number of one-off mitigations and balance sheet measures, such as the release of £3,622k from specific Earmarked Reserves projected to meet this potential pressure. This reflects the significant demand-led pressures which are being experienced across the sector.

As at February 2023, a total of £24.9 million of savings measures were planned for the period 2024/25 until 2027/28, which increased by 25% to £31.3 million for the same period in the February 2024 MTFF. This increase in the savings requirements year on year shows the continuously increasing pressures on the Council's finances in the context of a challenging economic environment both in terms of exceptional cost inflation pressures, the impact of cost-of-living pressures and the continuing legacy of COVID-19. In this context, the elected members need to consider their priorities and objectives in decision making and to ensure that these drive the budget process and support the Council in achieving its efficiency targets and in delivering required savings.

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services (continued)

No significant weakness identified

The Dedicated Schools Grant ('DSG') had a £23.5 million deficit brought forward from 2021/22, which only reduced slightly to £21.9 million by the end of 2022/23. The DSG monitoring position reported for 2023/24 Month 9 is an in-year overspend of £12.8 million when compared to the budgeted position, which reflects the ongoing pressures of High Needs placements. As per the March 2024 update from the Department for Education ('DfE'), the Council's Dedicated Schools Grant 'Safety Valve' Agreement was placed 'under review' and it confirms that no DSG funding was paid by the DfE to the Council in 2023/24. Based on current reserve level forecasts, the Council is reliant on maintenance of the statutory override until a new deficit funding plan is agreed and in place.

Page 26 The identified financial risks, along with the Council's broader operations risks, are summarised in a corporate risk register ('CRR'), which is updated on a continuous basis and it is discussed at the Council meetings. The Audit Committee monitors and reviews, but not directs, the Council's risk management arrangements, including regularly reviewing the corporate risk register (giving reference to the directorate risk registers) and seeking assurances that action is being taken on strategic risk related issues. As at February 2024, the Head of Internal Audit was in the process of developing a Strategic Risk Report to align the risks from the CRR to the Strategic Objectives within the Council's 2022-2026 Strategy.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management.

The Council published their draft 2022/23 financial statements for audit on 10 November 2023, which is not in line with the Accounts and Audit Regulations 2015 (i.e. 31 May 2023). It did, however, publish a notice advising the reason for non-publication, which was in line with the aforementioned regulations. The Council advertised and held an inspection period for members of the public from 10th of November 2023 until the 21st of December 2023. The Annual Governance Statement was published alongside the accounts on 10 November 2023 and it was available throughout the inspection period. As explained by management, the Council made a conscious decision not to finalise and publish the draft 2022/23 accounts until the 2021/22 accounts had been audited and fully signed off. CIPFA recognised the significant challenges CFOs and their finance teams were facing with regards to publishing the 2022/23 accounts by the 31st of May and encouraged senior leaders to take a considered and transparent approach. Management explained that the delay in publication of the 2022/23 accounts was due to the timing of completing the 2021/22 audit (28 September 2023) and published this on their website, thus we do not consider this to be a significant weaknesses in proper arrangements for supporting its statutory reporting requirements.

We validated that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, based on these procedures appropriate arrangements for financial reporting were in place during 2022/23.

During our 2021/22 audit, we identified and reported within our Audit Results Report a number of adjusted and unadjusted errors across the financial statements. We considered whether this represents a risk of significant weakness in the proper arrangements to ensure there are proper processes in place to have relevant, accurate and timely information to support statutory financial reporting requirements. The Council accepted that improvements were needed in those areas and this was reported to the Audit Committee. We did not consider those findings to indicate a weakness in the proper arrangements at the Council and we will revisit those recommendations during our 2023/24 audit of the financial statements.

The Council maintains a Corporate Risk Register ('CRR'), which summarises operational and financial risks and is presented to the Audit Committee on a quarterly basis. It also maintains an adequate and effective internal audit function as required by the Accounts and Audit Regulations 2015. A risk based internal audit plays a central and essential role in maintaining a sound system of internal control at the Council. Chief officers are required to give proper consideration to internal audit recommendations and to respond, accordingly. The Counter Fraud Team ('CFT') at the Council undertakes regular activities to detect and resolve external fraud against the Council.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

No significant weakness identified

Through the monthly budget monitoring process, the financial position of each department is reviewed in detail by the Corporate Director of Finance with dedicated monthly meetings with each Corporate Director to ensure that issues and actions emerging from the monitoring process are dealt with and reflected in the MTFE as appropriate. The outputs from this process are presented to Cabinet on a monthly basis, alongside informal briefing to the Cabinet Member for Finance and other portfolio members as appropriate.

During January 2024, the Council embarked on a corporate wide Zero Based Budgeting ('ZBB') exercise. Senior managers, along with budget managers, are reviewing their services in detail to create alternative and improved options for operational delivery. 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. The ZBB will also inform the CFT for the upcoming financial year and highlight any opportunities within other service areas for CFT activity.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper governance and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management.

We have held regular (at least monthly) meetings with management throughout the audit process, reviewed minutes of key meetings and attended most Audit Committees, during the period since our initial assessment of the proper arrangements for informed decision making. There have been no indications of fundamental failures in the proper arrangements considered in our initial risk assessment.

The effectiveness of the Council's interventions and the quality of its services is monitored through the preparation of regular performance reports showing progress towards goals and targets set in the budget and business plans. Key areas are highlighted for decision-makers to take corrective action if necessary.

The Council puts in place key performance indicators ('KPIs') to monitor internally and externally produced services. Reports compiling KPIs are submitted to the Senior Management Teams, the Corporate Management Team and members to support transparency and resource allocation to address challenges. The Council ensures that external companies who deliver services have an understanding of expected contract performance and monitoring takes place throughout the contract period.

Alongside the governance structures, the Council's monthly budget monitoring processes and the MTF process provide a level of challenge to drive out further improvements to services, alongside feedback mechanisms such as members' enquiries and customer complaints. The Council has complaints procedures for members of the public, Council employees and employees and organisations who deliver services on behalf of the Council. These are published on the Council's website: <https://www.hillingdon.gov.uk/complaints>. The policy and procedures allow managers to address issues of unsatisfactory service and seek improvements in service delivery.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

Reporting criteria considerations

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Arrangements in place

The Council identifies all the significant financial pressures that are relevant to its medium term plans through its Medium Term Financial Forecast ('MTFF'), which is the financial plan for the Council and it contains the funding strategy for delivering the Council's objectives for a forward looking period of four years. This forecast is revisited and extended on an annual basis, or more frequently if necessary. This forecast enables emerging risks and issues to be reflected in the Council's financial planning in a timely manner.

The budget setting cycle represents a continuous programme of activity across the financial year. Monthly budget monitoring reports are used to identify and address short term financial pressures. This is the process of comparing actual and forecast expenditure and income throughout the financial year, both through budget monitoring and at the point of committing expenditure. It involves identifying variances, pressures and risks while taking prompt action to prevent budget pressures or to bring pressures that have arisen back under control. Budget managers carry out monitoring of the actual positions while being aware of wider factors which may impact upon the budget position. These monthly reports are reviewed by Cabinet, enabling corrective action to be taken in response to emerging pressures, whilst continuing to deliver on the Council's priorities for residents.

The Council presented to us a cash flow forecast up until 31 March 2025. The forecast enables the Council to identify any short term financial pressures.

How the body plans to bridge its funding gaps and identifies achievable savings

The Council plans to achieve balanced budgets through delivering efficiency savings, increases in the Council Tax, and Fees and Charges, while maintaining General Balances at forecast 2022/23 levels.

The Council identifies achievable savings through a range of mechanisms, including:

- i. The impact of more fundamental, end to end, business process reengineering through a revised approach to digital customer contact / channel shift at the front door, the roll out of robotics and automation to back-office processes and then the implementation of more efficient ways of working, such as the Perform Plus methodology.
- ii. The modernisation and reshaping of service delivery models including moving towards more integrated service hubs, and more efficient and effective service offerings.
- iii. The streamlining and refocussing of Council management structures and then associated staffing structures through further Business Improvement District ('BID') reviews.
- iv. Maximising use of assets, alongside a strategic review of the capital programme and its financing.

Appendix A - Summary of arrangements

Financial Sustainability

Reporting criteria considerations

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Arrangements in place

The Council's constitution lays out its core strategic priorities. The full Council considers at its annual meeting whether any additional plans or strategies, both statutory or non-statutory, should be adopted or approved. The Council's plans and strategies make up the Council's budgetary and policy framework.

The Council's budget setting process is service-led, with a comprehensive assessment of the level of demand for services and the level of investment required flowing from the monthly budget monitoring process into future budget plans, as seen in both the regular monitoring and bi-annual budget setting reports to Cabinet. This approach covers the full range of activity within the Council's budget, with particular focus being placed on areas such as social care placements, waste disposal costs and support for homeless households where budgets are realigned to meet demand prior to consideration of potential to generate savings in these areas.

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How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The MTFF and budget setting processes facilitate an effective integration with other plans and strategies, for example:

- The Corporate Transformation / Business Improvement District ('BID') Teams work closely with service departments and the dedicated Transformation (Finance) Business Partner within the Corporate Finance team to ensure that service design and transformation activity is effectively captured in budgets.
- There is an annual process of budget approval by all Tier 3 managers in the organisation (i.e. Deputy Directors and Heads of Service reporting to Corporate Directors) to ensure that the output from the MTFF process is aligned to local service requirements.
- The staffing budgets reflect the HR-owned master establishment list to ensure that workforce plans and budgets are wholly aligned. This is included within the annual budget process and then updated on a monthly basis through the post-level budget monitoring process included in the Council's budget management system.
- Capital & investment strategies are linked into the MTFF and budgets with future debt servicing and repayment costs clearly flowing through from spending plans.
- Where appropriate, joint strategies such as the Better Care Fund Section 75 Agreement, are fully aligned to the MTFF to ensure that contributions to the wider health and social care system are in place and available to meet residents' needs.

Appendix A - Summary of arrangements

Financial Sustainability

Reporting criteria considerations

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Arrangements in place

The Council identifies risks to financial resilience through its budget monitoring and MTFF processes, as well as engagement outside of the organisation through active engagement with bodies such as the Society of London Treasurers (SLT), the Deputy Treasurers Group (DTG) and the Association of Directors of Adult Services (ADASS), where regular discussion, information sharing and benchmarking supplements local intelligence.

The identified financial risks, along with the Council's broader operations risks, are summarised in a corporate risk register ('CRR'), which is updated on a continuous basis and it is discussed at the Council meetings. The Audit Committee will monitor and review, but not direct, the Council's risk management arrangements, including regularly reviewing the corporate risk register (giving reference to the directorate risk registers) and seeking assurances that action is being taken on strategic risk related issues. As at February 2024, the Head of Internal Audit was in the process of developing a Strategic Risk Report to align the risks from the CRR to the Strategic Objectives within the Council's 2022-2026 Strategy.

The Council regularly reviews the range of risks against the appropriate level of provision managed through the General Fund. This analysis is set out in the annual review of the adequacy of balances completed as part of the budget setting report in February of each year.

The Council makes effective use of its earmarked reserves as a tool for the management of risks to financial resilience, with dedicated reserves in place for specific risks such as insurance claims, care provider default, income volatility and fluctuations for demand for homelessness support, etc.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Cabinet is responsible for approving the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management.

The Corporate Director of Finance is responsible for preparing the risk management policy statement, for promoting it throughout the Council and for advising the Cabinet on proper insurance cover where appropriate. He is also responsible for advising on effective systems of internal control. These arrangements ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use. It is the responsibility of chief officers to establish sound arrangements for planning, appraising, authorising and controlling their operations.

Appendix A - Summary of arrangements (continued)

Governance

Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued)

Arrangements in place

Chief officers are responsible for identifying and controlling hazards and containment of losses. They notify the Corporate Director of Finance of any new risks or changes which affect insurable risks and they update the Directorate Risk Registers on a quarterly basis. The most significant risks are escalated and summarised in the Corporate Risk Register ('CRR').

A Corporate Risk Management Group ('CRMG'), chaired by the Corporate Director of Finance, reviews the CRR on a quarterly basis and advises the Cabinet and Corporate Management Team on the significant risks. The CRR is presented to the Audit Committee in the following quarter. Where appropriate, the MTFE incorporates the potential financial impact of significant risks.

The Audit Committee monitor and review, but not direct, the risk management arrangements, including regularly reviewing the CRR and seeking assurances that appropriate action is being taken on managing risks.

The Council maintains an adequate and effective internal audit function as required by the Accounts and Audit Regulations 2015. A risk based internal audit plays a central and essential role in maintaining a sound system of internal control at the Council. Chief officers are required to give proper consideration to internal audit recommendations and to respond, accordingly.

The Corporate Director of Finance oversees the development and maintenance of a prevent and detect anti-fraud and anti-corruption policy. Anyone who becomes aware of any actual or suspected financial irregularity or loss, whether of money or assets, normally notifies their line manager in the first instance.

If necessary, the matter may alternatively be raised with one of the officers listed in the whistle-blowing policy, or with the external auditor. In line with the Council's constitution, all losses must be reported to the Head of Internal Audit.

The Council has a Counter Fraud Team ('CFT') that undertakes activities to detect and resolve external fraud against the Council. As set out in the Council's counter fraud report for 2022/23, the CFT managed to exceed its financial target of £3.5 million, delivering total savings of £12.3 million across Council services. In our regular attendance at Audit Committees, we noted the reporting of achievements by the CFT.

Appendix A - Summary of arrangements (continued)

Governance

Reporting criteria considerations

How the body approaches and carries out its annual budget setting process

Arrangements in place

The Corporate Director of Finance is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Cabinet, before submission to full Council.

Following a robust challenge process involving both chief officers and members, as well as a statutory budget consultation process with business ratepayers and residents in the borough, the Council may decide to adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or substitute with its own proposals. Any decision is made on the basis of a simple majority of votes cast at the meeting. Once the decision has been taken by the Council, it will be publicised and implemented.

The Council's budgets include the General Fund, the Housing Revenue Account and the capital budgets. Detailed approval limits and roles, as well as conflict resolution guidelines on adoption of plans or strategies are set within the Council's constitution: <https://www.hillingdon.gov.uk/constitutionanddelegations>. It is the responsibility of chief officers to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.

During January 2024, the Council embarked on a corporate wide Zero Based Budgeting ('ZBB') exercise. Senior managers, along with budget managers, are reviewing their services in detail to create alternative and improved options for operational delivery. 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. The ZBB will also inform the CFT for the upcoming financial year and highlight any opportunities within other service areas for CFT activity.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Chief officers control income and expenditure within their area and they monitor performance on a monthly basis, taking account of financial information provided by the Corporate Director of Finance, as well as non-financial information, where appropriate. They report on variances within their own areas and they take any action necessary to avoid exceeding their budget allocation and alert the Corporate Director of Finance to any problems. Budget manager engagement is actively tracked against the four-day deadline for monitoring returns each month.

As part of the monthly budget monitoring process, the financial position of each department is reviewed in detail by the Corporate Director of Finance with dedicated monthly meetings with each Corporate Director to ensure that issues and actions emerging from the monitoring process are dealt with and reflected in the MTF as appropriate. Finally, the outputs from this process are presented to Cabinet on a monthly basis, alongside informal briefing to the Cabinet Member for Finance and other portfolio members, as appropriate.

The general format of the budget is approved by full Council and proposed by the Cabinet on the advice of the Corporate Director of Finance. The draft budget includes an allocation to different services and projects, proposed taxation levels and contingency and reserve funds, sufficient to comply with statutory requirements.

Appendix A - Summary of arrangements (continued)

Governance

Reporting criteria considerations

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed **(continued)**

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Arrangements in place

The Audit Committee reviews and monitors 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. This includes their review and approval of the statutory annual statement of accounts. Specifically, they 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. In addition, the Audit Committee considers the external auditor's report to those charged with governance on issues arising from the external audit of the financial statements.

The Council issues and keeps up to date a record of what part of the Council or individual has responsibility for particular types of decisions or decisions relating to particular areas or functions. The Council's Constitution sets out the key roles and responsibilities for decision making, as well as the procedures that are followed to ensure that the decisions taken are efficient, transparent and accountable to local people. The Constitution is reviewed at full Council meetings as required and also more comprehensively on an annual basis at each Annual General Meeting, as required.

Part 2, article 7.08 of the Constitution sets out the 'Cabinet Scheme of Delegations'. This governs the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and individual Cabinet Members. This is regularly updated to reflect changes to Cabinet Member portfolio responsibilities in line with business priorities and Directors' responsibilities. Executive decision-making is transparent and undertaken in accordance with regulations and the law, with flexibility for urgent decisions.

Part 3 of the Constitution sets out the 'Scheme of Delegations to Officers'. This governs the responsibilities allocated to officers to perform the authority's activities. Details of what decisions are taken in this way are included in the Scheme of Delegation in the Council's Constitution. Further specific delegations may be granted through recommendation in public reports to committees.

The Council is committed to the seven Nolan Principles of Public Life and these are detailed in the Constitution: selflessness, integrity, objectivity, accountability, openness, honesty, leadership. All Council and committee meetings are held in public (the public are excluded only in limited circumstances of consideration of confidential or exempt information), with agenda and reports being produced and published on the Council's website. Key Council meetings are broadcast live on YouTube including full Council, Cabinet, Planning Committees, Licensing Sub Committees, Petition Hearings (subject to public interest). The Audit Committee's role is to review, monitor and challenge the Council's audit, governance, risk management framework and the associated control environment, as an independent assurance mechanism. They 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 and they oversee the financial reporting process of the Statement of Accounts.

Appendix A - Summary of arrangements (continued)

Governance

Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Arrangements in place

The Council appoints statutory officers who have the skills, resources and support necessary to ensure compliance with the Council's statutory and regulatory requirements.

The Council's Monitoring Officer has statutory reporting duties in respect of unlawful decision making and maladministration. After consulting with the Head of Paid Service and Corporate Director of Finance, the Monitoring Officer reports to full Council or to the Cabinet if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report has the effect of stopping the proposal or decision being implemented until the report has been considered.

The Council's Standards Committee is established by full Council and is responsible for promoting and maintaining high standards of conduct amongst councillors. In particular, it is responsible for advising the Council on the adoption and revision of the Member Code of Conduct, which apply to both Councillors and Officers.

Clear guidance is in place for members and officers regarding the acceptance of gifts and hospitality detailed in the Gifts and Hospitality Policy, Golden Rules for Employees and the Council's Constitution. Conflicts of interest can potentially arise in a variety of situations and a simple rule of thumb is "if in doubt declare it". Examples of situations where a conflict can arise are set out in the Council's Constitution, including guidance around financial and non-financial interests, family members and personal relationships, other employment, personal opinions and social media behaviour, relationships with colleagues and obligations towards the Council's residents, as well as looking after and using Council's assets and resources.

The Member Register of Interests records the pecuniary and non-pecuniary interests of members and co-opted members of the Council. There is a separate 'Related Parties' register that all members and a selection of senior officers are required to complete each year declaring the relationship and nature of any related party transactions, which the Council has entered into. Related party transactions are disclosed in the Council's Statement of Accounts, which are approved by the Audit Committee on an annual basis.

Appendix A - Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting criteria considerations

How financial and performance information has been used to assess performance to identify areas for improvement

Arrangements in place

The Council's Performance Management Framework is a Council-wide framework requiring all service areas and teams to set annual service delivery plans, targets, identify risk and report performance against Council priorities. Key aspects of performance are monitored on a regular basis through a combination of reporting against service targets and performance scorecards, the results of which are regularly presented to Senior Management Teams ('SMTs') and reported quarterly to the Corporate Management Team ('CMT'). Performance monitoring covers a broad range of functions, including Highways, Waste & Recycling and Social Care.

An example of the close links between finance and performance data is the Council's social care placement activity data, which is integrated into the budget management system to enable direct comparisons between activity and spend, alongside standard costing to be undertaken within the system. This approach is mirrored across demand-led services, including waste disposal and homelessness.

In addition, the monthly budget monitoring process, as described in the previous sections of this commentary, is the main tool used by the Council to assess its financial performance against set targets and to identify areas for savings and efficiencies. The Council's budget monitoring processes are closely aligned to key performance data - particularly on workforce, demand-led activity and fees & charges. This means that the General Fund revenue budget activity is being monitored with an explicit link to the relevant performance information, which enables identification of areas for improvement.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The effectiveness of the Council's interventions and the quality of its services is monitored through the preparation of regular performance reports showing progress towards goals and targets set in the budget and business plans. Key areas are highlighted for decision-makers to take corrective action if necessary.

The Council puts in place key performance indicators ('KPIs') to monitor internally and externally produced services. Reports compiling KPIs are submitted to SMTs, CMT and members to support transparency and resource allocation to address challenges. The Council ensures that external companies who deliver services have an understanding of expected contract performance and monitoring takes place throughout the contract period.

Alongside the governance structures, the Council's monthly budget monitoring processes and the MTF process provide a level of challenge to drive out further improvements to services, alongside feedback mechanisms such as members' enquiries and customer complaints. The Council has complaints procedures for members of the public, Council employees and employees and organisations who deliver services on behalf of the Council. These are published on the Council's website. The policy and procedures allow managers to address issues of unsatisfactory service and seek improvements in service delivery.

Appendix A - Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting criteria considerations

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Arrangements in place

The Cabinet is responsible for approving frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to addressing local needs. Key partner names are published on the Council's website along with contact information and complaints procedure against these partners.

Specific delegations to the Cabinet Member for Corporate Services & Transformation include: to promote effective methods of partnership working in consultation with the appropriate Cabinet Member if this relates to specific service areas and to oversee proposed arrangements with public and other bodies for the delivery and funding of partnership initiatives which affect the Council.

The Corporate Director of Finance considers the overall corporate governance arrangements, legal issues and other risks when arranging contracts with external partners. Chief officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with partners.

The Council works closely with a broad range of stakeholders and partners, co-ordinated through the Community Engagement Team to ensure that partnerships deliver the expected services for local residents. The annual review of the voluntary sector grants programme enables Cabinet to effectively monitor performance, target resources as appropriate and take action where improvement is necessary.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Council's Constitution lays out the framework for procurement and contract standing orders for every contract awarded by or on behalf of the Council in respect of goods, works and services. Compliance with the procurement standard operating procedures is mandatory across all Council departments, together with the application of best practice.

Corporate Directors, Directors, Deputy Directors and Heads of Service ensure that all officers who procure goods, works or services comply with the Constitution and the Procurement Standard Operating Procedures. Only officers who are deemed to be qualified and competent by the Head of Procurement, in conjunction with the appropriate Corporate Director, are allowed to procure goods, works or services. These officers are identified within each Department's individual Scheme of Delegations.

Where external or specialist advice is required, a specific legal budget exists within procurement that is used to mitigate risks in the work the Council undertakes. Procurement is subject to internal audit in a number of areas and where recommendations are made, appropriate action is taken. In addition, the Council's overall process for assessing performance, as discussed previously in this commentary, enables the assessment of benefits received from partners against the relevant pre-set key performance indicators.

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Hillingdon Pension Fund Provisional Audit Results Report

Year ended 31 March 2023

April 2024

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Building a Better
working world



Hillingdon Pension Fund

18 April 2024

Dear Audit Committee/Pension Committee Members,

2022/23 Provisional Audit Results Report

We are pleased to attach our Provisional Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 30 April 2024 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Hillingdon Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. Our audit work is still in progress and we will provide a final report to the Committee once all our work has been completed.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 30 April 2024.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/psaa-statement-of-responsibilities-of-auditors-and-audited-bodies-upto-2022-23/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance from July 2021" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



BOARDROOM



01 Executive Summary

Executive Summary

Scope update

In our Provisional Audit Planning Report presented to the 7 November 2023 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this Plan with one exception where we have updated our risk assessment to remove the risk of material misstatement arising from investment income journals, as detailed in Section 02 of this report. There were no other changes in scope of the audit.

Status of the audit

Our audit work in respect of the Hillingdon Pension Fund 2022/23 audit is substantially complete, subject to final Partner review. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- ▶ Completion of going concern and subsequent events procedures up to the date of our audit report;
- ▶ Completion of membership numbers, where we are still evaluating responses to queries raised to the fund administrator;
- ▶ Review of audit work by the Engagement Partner and Quality Control Reviewer, which could lead to further queries.
- ▶ Receipt and check of a signed accounts and a signed letter of management representation.

Details of each outstanding item, actions required to resolve them and responsibilities are included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Financial Statements which could influence our final audit opinion, a current draft of which is included in Section 03 of this report.

Audit differences

We have identified the following audit differences, based on work completed to date:

- ▶ Understatement of investment asset valuations in the financial statements of £2.7 million, due to the provision of more up to date valuations.
- ▶ A misstatement between investment income and profit and loss on disposal of investments and changes in market value of £4.3 million. This was mainly due the fact that the distribution by LCIV MAC Fund was processed as a cash distribution rather than a re-investment of dividends. Management did not identify this error because the year end valuation matched that of the fund manager.
- ▶ Differences in relation to the fair value hierarchy classification of investments. The classification was based on previous year's (2021/22) classification. The fund manager had not informed management of any changes in valuation techniques from the previous year and as a result management did not make any changes to the classification. There was no net impact on the financial statement investment disclosures as the two differences between level 2 and level 3 netted to zero. The gross adjustment is £64.3 million.
- ▶ Other minor audit differences in the financial statement disclosures.

For further information on audit differences refer to Section 04 of this report. Until our audit is complete further differences may be identified.

Executive Summary (cont'd)

Areas of audit focus

In our Provisional Audit Plan, we identified a number of key areas of focus for our audit of Hillingdon Pension Fund. This report sets out our observations and the status of our work in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below. The audit work in a number of areas remains subject to Partner, as noted below and throughout this report.

Fraud risks	Findings & conclusions
Misstatements due to fraud or error (management override)	We carried out procedures to address this risk as set out in our Provisional Audit Plan, including identifying risks, considering controls and their effectiveness, testing journal entries and testing estimates for evidence of management bias. Subject to review, we have completed our work in this area and have no matters to bring to your attention.
Misstatement due to fraud or error (incorrect posting of investment valuation journals)	We carried out our planned audit procedures to address the risk related to incorrect posting of investment valuation journals. This included a reconciliation between the fund manager reports and the custodian reports to address the risk of manipulation of investment asset valuations. Subject to final review, we have completed our audit procedures and have identified an audit difference of £2.7 million that understated the investment asset valuations as reported in the Pension Fund's Financial Statements compared to the value reported by the fund manager. This misstatement was due to the due to more up to date valuations by the fund managers, as noted below, and is not an indication of fraud.

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Significant risk	Findings & conclusions
Incorrect valuation of unquoted (Level 3) investments	We undertook additional procedures, as described more fully in Section 02 of this report, to gain assurance over the material accuracy of the year-end valuation of the Pension Fund's Level 3 complex investments, which are inherently more difficult to value. We have completed our work in this area and final review is in progress. We identified an understatement of £2.7 million in the valuation of investment assets. This is due to differences in values reported by the fund managers compared to the figures included in the financial statements. This was due to the fund managers having more up to date information on the asset valuations compared to the custodian at the time the Pension Fund prepared its financial statements.
Higher inherent risk	Findings & conclusions
IAS26 disclosure - Actuarial present value of promised retirement benefits	We carried out procedures to address this risk as set out in our Provisional Audit Plan. Subject to review, we have completed these procedures and have no matters to bring to your attention.

Executive Summary (cont'd)

Control observations

During the course of the audit we have identified the following control observations which we wish to bring to your attention:

- Weakness in the review controls with regards to disclosure of membership numbers as a result of the processing of the backlog unprocessed records, which led to the incorrect disclosure in the Pension Fund accounts submitted for audit. There remains a backlog in processing new members and therefore we recommend that management undertake a detailed review of the new joiners listing to ensure members are disclosed in the correct category going forward. We would also recommend that management review year-end membership numbers to ensure movements in numbers can be explained relative to the contributions received for the year.
- Our audit of fair value hierarchies of the Pension Fund's assets which are measured at fair value identified a re-classification of investments from level 2 to level 3 of £62.3 million. Although there is an element of judgment in the fair value hierarchies classification, strengthening controls around the identification and documentation of observable and unobservable inputs used in valuations would minimise the risk of such audit findings in the future.
- Weaknesses in the procedures in place for the Pension Fund to obtain declarations of interests from Members of the Pensions Committee and the Audit Committee. Two out of the five required declarations were not initially obtained by management and were also not on the Pension Fund/Council website. Although these were subsequently provided, the failure to obtain such declarations on a timely basis exposes the Pension Fund to the risk that they may not be able to obtain the required declarations retrospectively, for example if a member resigns before the declaration is received. In this situation, management would not have sufficient audit evidence to confirm if the member engaged in related party transactions and alternative audit procedures would need to be performed.

Further detail on control observations is included in Section 06

Independence

Please refer to Section 07 for our update on Independence.



02

Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error

What is the risk?

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

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

We have considered where this risk specifically manifests itself and this is in the posting of investment valuation journals. This consideration is set out on the next page.

What judgements we focused on?

The risk of management override at Hillingdon Pension Fund is mainly through the possibility that management could override controls and manipulate financial transactions which intend to adjust the Pension Fund's Fund Account or Net Asset Statement.

This could be done through manipulation of manual adjustments, including via manual journals, in the preparation of financial statements or through management bias in accounting estimates.

Our response to the key areas of challenge and professional judgement

- We enquired of management about risks of fraud and the controls put in place to address those risks.
- We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We considered the effectiveness of management's controls designed to address the risk of fraud.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- We reviewed accounting estimates for evidence of management bias.
- We evaluated the business rationale for any significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

What are our conclusions?

Subject to review, our procedures to address this risk are complete.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any evidence of management bias in relation to accounting estimates.

Our journal testing did not identify any journal entries without a valid business purpose.

We did not identify any other transactions during our audit which appeared unusual or outside Hillingdon's Pension Fund's normal course of business.

Areas of Audit Focus

Misstatements due to fraud or error: Incorrect posting of investment valuation journals

What is the risk?

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

We have considered the key areas where management has the opportunity and incentive to specifically override controls that could affect the Pension Fund's Financial Statements. We have identified the main risk to be the incorrect posting investment valuation journals.

What are the key judgement?

The posting of incorrect investment valuation journals at year end to the Pension Fund's general ledger would impact the performance and funding level of the Pension Fund's investment assets as reported in the Net Asset Statement.

Our response to the key areas of challenge and professional judgement

- We performed a reconciliation to test the agreement of the Pension Fund's investment asset holdings as at 31 March 2023, including asset values, to source reports from the Pension Fund's custodian and individual fund managers.
- We tested any significant reconciling amounts between the investment asset valuations as reported in the Pension Fund's Net Asset Statement compared to the custodian's investment report as of 31 March 2023.

What are our conclusions?

Subject to review we have completed our procedures in relation to investment valuation journals.

We have not identified any indication of management override in relation to investment journals

Refer to Section 04 for more detail on audit differences.

Areas of Audit Focus

Valuation of complex investments (including level 3 investments)

What is the risk?

The Fund's investments include unquoted investment vehicles such as private equity and pooled property funds. We have identified the valuation of these investments, which are classified as complex investments, as an area of specific risk.

Judgements are taken by the Fund Managers to value those investments whose prices are not publicly available. The material nature of the investments means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements. These investment types made up 15% of the fund's total net assets as per the 2022/23 draft account. As these investments are more difficult to value, we have assessed the valuation of these investments as a significant risk, as even a small movement in the assumptions could have a material impact on the financial statements

What judgements are we focused on?

Level 3 investment asset valuations, including the net asset values of each of the individual underlying investments funds. We also considered the potential changes in values where the date of valuation information where is not coterminous with the Pension Fund's year end date of 31 March 2023.

Our response to the key areas of challenge and professional judgement

For a sample of Level 3 investments we:

- Reviewed the basis of valuation for property investments and other unquoted investments and assessed the appropriateness of the valuation methods used;
- Where available, reviewed the latest audited accounts for the relevant fund managers and ensured there are no matters arising that highlight material differences in the reported funds valuation within the financial statements;
- If the latest audited accounts are issued at a different date compared to the reporting date of the Pension Fund, we performed a roll forward procedures to support the valuation of the investments as of 31 March 2023. These included benchmark indexation for similar assets and analysis of cash movements in the gap period as well as gaining an understanding of what the Pension Fund has done to assess how the valuations are still materially correct as at 31 March 2023
- Performed analytical procedures and checked the valuation output for reasonableness against our own expectations;
- Obtained and reviewed internal control reports for fund managers to identify any internal control issues which could impact on valuations and assessed whether these would have an impact on the valuations provided by the fund managers;
- Reviewed investment valuation disclosures to verify that significant judgements supporting the valuation of level 3 investments have been disclosed in the Pension Fund's financial statements.

What are our conclusions?

We have completed our audit procedures related to this risk, including manager and partner review.

We identified audit differences in the valuation of Level 3 investment assets. In total, these audit differences understate the Pension Fund's investment asset value by £2.7 million. These differences were identified based on more up to date valuation reports from the investment fund managers that were not available to the Pension Fund at the time of preparation the draft financial statements.

In addition, we identified a reclassification misstatement between Level 2 and Level 3 investment of £64,3 million.

We were satisfied that the Pension Fund's disclosures of significant judgements surrounding the valuation of Level 3 investments were appropriate

Refer to Section 04 for more detail on audit differences.

Areas of Audit Focus (cont'd)

IAS 26 disclosure - Actuarial present value of promised retirement benefits

What is the risk/area of focus

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £1,457 million as at 31 March 2023 (£1,965 million as at 31 March 2022).

The figure is subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on a roll-forward of data from the previous triennial valuation in 2022, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2023.

What did we do?

We have:

- ▶ Evaluated whether the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.
- ▶ Engaged EY Pensions to review the roll forward procedures associated with the IAS 19 reports for the London Borough of Hillingdon which makes up 84% of the total pension fund asset and supports the our IAS 26 disclosures work.
- ▶ Evaluated and placed reliance on EY Pension's and PwC's review of the underlying pension IAS19 assumptions used by the actuary, which also support the IAS26 figures.
- ▶ Assessed the competence of management experts, Hymans Robertson as the Pension Fund's actuary.
- ▶ Performed audit procedures to assess the accuracy of membership numbers provided to the actuary and included in the 31 March 2022 Triennial Report

Subject to review, we have not identified any issues from these procedures.



03 Audit Report

Audit Report - draft

Draft audit report

Please note our audit opinion is draft subject to the resolution of outstanding matters for the audit as detailed in Appendix B.

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON ON THE PENSION FUND'S FINANCIAL STATEMENTS - DRAFT

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern to [insert date - at least 12 months from the date of the audit report].

Our responsibilities and the responsibilities of the Corporate Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2022/23, other than the financial statements and our auditor's report thereon. The Corporate Director of Finance is responsible for the other information contained within the Statement of Accounts 2022/23.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Audit Report (cont'd)

Please note our opinion could be affected by items still pending as noted in section 1

Our opinion on the financial statements

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

Responsibility of the Corporate Director of Finance

As explained more fully in the Statement of Corporate Director of Finance's Responsibilities set out on page 50, the Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view.

The Corporate Director of Finance is also responsible for such internal control as the Corporate Director of Finance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Finance is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Corporate Director of Finance .

Audit Report (cont'd)

Please note our opinion could be affected by items still pending as noted in section 1

Our opinion on the financial statements

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquires of the management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees, and through the inspection of other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment asset valuations from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience

expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of London Borough of Hillingdon, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Hillingdon and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date



04 Audit Differences

Audit Differences (cont'd)

Summary of audit differences

We have detailed in this section the identified audit differences. We have yet to agree with management which differences will be amended for in the final audited financial statements. Until our audit is fully complete further differences may be identified.

For any audit differences that are not amended by management, we will ask the Audit Committee to request of management that the uncorrected audit differences be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation.

Identified audit differences 31 March 2023 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Fund Account Debit/(Credit)	Assets current Debit/ (Credit)	Assets non-current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
Errors						
Known differences:						
▶ Investment assets: Understatement of level 3 investment valuation due to timing difference compared to investment fund manager reports		(2,684)		2,684		
▶ Investment income: Recognition of investment income incorrectly accounted for as a profit on loss on disposal of investment		4,285				
▶ Profit and losses on disposal of investments and changes in market value of investments: See above		(4,285)				
Overall financial statement impact:		(2,684)		2,684		
Disclosure misstatements						
Note 14: Fair value investment disclosures;						
Misclassification of £0,985 million relating to level 2 assets (Nuveen Retail Warehouse Fund) which should be classified as level 3.						
Misclassification of £63,290 million relating to level 2 assets (AEW UK Core Property Fund Plus) which should be classified as level 3.						
Note 14: Realised loss of £4,333k relating to private equity was incorrectly accounted for as an unrealised loss						

Further audit differences may be identified in relation to the outstanding matters as set out in Appendix B.



05

Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements

We must give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. We have no inconsistencies to draw to your attention.

In addition, we also perform procedures to ensure the consistency of the Pension Fund accounts with the version presented in the Pension Fund's Annual Report. This work is currently in process.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We had no reason to exercise these duties in relation to Hillingdon Pension Fund.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must inform you of significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process.

We have undertaken additional testing to provide assurance on the Pension Fund membership data that was submitted to the actuary for the 31 March 2022 triennial valuation of the Pension Fund. In total, we sample tested 25 member records, checking information back to source evidence to verify the data points contained in the Pension Fund's membership system were accurate.

We identified a number of differences as part of this work and are still awaiting responses from the fund administrator in relation to these.

We are only required to conduct procedures on the triennial membership submission once every 3 years. Therefore, there is an additional fee this year for completion of these procedures. This is set out in Section 07 of this report.

Other Reporting Issues

Other matters (Continued)

There have been delays in the completion of the audit this year due to issues with the reconciliation of membership numbers, mainly related to the processes related to the clearing of the historical backlog. This impacted the audit of membership contributions, as the difference between our expectation and the amount recorded in the Pension Fund accounts exceeded our allowable threshold. There will be an additional audit fee associated with the additional time it has taken the audit team to progress the audit as the result of these issues. This additional audit fee is set out in Section 07 of this report.

Except for our observations on the control environment, as set out in Section 06 of this report, we have no other matters to report.

Other Reporting Issues

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 revised is effective from financial year 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk assessment
- Understanding the entity's internal control
- Significant risks
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
 - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
 - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures

We obtained an understanding of the IT processes related to the IT applications of the Fund. The Fund has two relevant IT applications for the purposes of ISA 315 risk assessment.

We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.

When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls, where we do not gain assurance substantively, we performed additional procedures to assess:

- Manage entity-programmed changes IT process
- Manage vendor supplied changes
- Manage security settings
- Manage user access
- Job scheduling and managing IT process.

Audit findings and conclusions

Our work in this area is complete subject to review. Based on the procedures performed, no significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process.

We have not tested the operation of any controls through this review.



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.




During the course of the audit we have identified three areas of weakness in relation to the Pension Fund's control environment. We have summarised these weakness and associated recommendations (along with the risk rating) below:

- 1) Weakness in the review controls with regards to the disclosure of membership numbers in relation to the capturing of information related to the backlog of unprocessed records. (Moderate). *Recommendations*
 - Management should review the membership numbers provided by the administrator for reasonableness in comparison to prior year.
 - Management should ensure the correct categorisation of members captured in the current year relating to the backlog of unprocessed records.
 - As part of management's quality review process for the preparation of the financial statements, management should review the relationship between the movement in membership numbers and contributions and have supporting working papers explaining where there are disparities.
- 2) Weakness in the identification and documentation of observable and unobservable inputs used in valuations of level 2 and Level 3 investments. This was also reported in the prior year. (Moderate) *Recommendations*
 - Management should strengthen controls around the identification and of observable and unobservable inputs used in valuations. This would minimise the risk of such audit findings in the future.
- 3) Weaknesses in the procedures in place for the Pension Fund to obtain declarations of interests from Members of the Pensions Committee and the Audit Committee. (Low) *Recommendations*
 - Management should review the processes it has in place to obtain declarations of interest from members.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2022/23 audit.

	High	Moderate	Low	Total
Open at beginning of 2022/23	0	1	0	1
New points raised in 2022/23	0	1	1	2
Total open recommendations	0	2	1	3

Key:

-  A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
-  Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
-  Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.



07

Independence

Independence, Relationships, services, related threats and safeguards

Confirmation

We are not aware of any inconsistencies between Ernst & Young (EY)'s policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 July 2023:

[EY UK 2023 Transparency Report | EY UK](https://www.ey.com/en_uk/about-us/transparency-report) https://www.ey.com/en_uk/about-us/transparency-report

Independence, Relationships, services, related threats and safeguards

Services provided by Ernst & Young

There are no services provided by EY from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

The table includes a summary of the fees due to EY in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included below.

We highlight in the table below the most significant services that may be reasonably considered to bear upon our integrity, objectivity and independence.

	Current Year 2022/23	Current Year 2022/23	Prior Year 2021/22
	Proposed fee £	Planned fee £	Proposed fee £
Scale Fee - Code work	24,954	24,954	16,170
Changes in work required to address professional and regulatory requirements and scope associated with risk - Note 1	8,784	8,784	17,719
Additional fee for the provision of IAS19 assurance letters (2021/22) - Note 2	NA	N/A	6,000
Additional fee with respect to testing of triennial membership data submissions - Note 3	8,700	5,500	0
Additional fees charged for specific in year risks - Note 3	£20,000 to £30,000	TBC	35,418
Total fees	67,738 to £77,738	TBC	75,307

Note 1 - We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. For 2021/22 and 2022/23, we have therefore proposed increases to the scale fee to take into account a number of risk factors including: Procedures performed to address the risk profile of the Pension Fund; Additional work to address increase in Regulatory Standards; Client readiness and IT support for data analytics. For 2022/23 PSAA have increased the base scale fee, but in our view this still does not fully cover the additional work required and we will therefore be submitting a further proposed increase for 2022/23 for determination by PSAA. The final fee for 2021/22 is still to be determined by PSAA. For reference, the scale fee for the 2023/24 Hillingdon Pension Fund audit, as set by PSAA under the new local government sector audit contract, is £81,688.

Independence, Relationships, services, related threats and safeguards

Note 2 - We plan to charge an additional fee of to take into account the work required to respond to IAS19 assurance requests from admitted body auditors for 2021/22. As the audit of the London Borough of Hillingdon for 2022/23 is not currently planned to be undertaken, we have not been asked to provide similar assurances for 2022/23.

Note 3 - We will charge an additional fee of £8,700 with respect to detailed testing of the triennial membership submission to the actuary. We perform this testing on a triennial basis based on when the actuary conducts a full valuation of the Pension Fund. This work supports the assurance we need to obtain in relation to the IAS26 disclosures in the pension fund accounts as well as any IAS19 assurance letters. The fee for this will be finalised once the work is complete. At present, we expect the final fee to be higher than planned due to additional work we have had to undertake in this area. Fees for the membership testing are not subject to determination by PSAA.

Note 3 - The proposed additional fee range for 2022/23, includes additional procedures in relation to the following areas:

- additional testing of level 3 investment valuations,
- Review by EY Pensions team to support procedures performed on the IAS 26 (actuarial present value of promised retirement benefits) disclosure
- Additional work by EY Pensions on the roll forward estimate of the net pension liability for the Council for 2022/23. We leverage this work, which is normally undertaken as part of the Council audit, to gain assurance over the IAS 26 processes and resulting disclosures.
- going concern assessment and disclosures,
- work to meet the requirements of the revised auditing standard ISA 540 (going concern) and ISA 240 (fraud assessment)
- Additional work to meet the requirements of ISA 315 (audit risk assessment, including IT risks). We have to perform additional risk assessment procedures to understand the Pension Fund's use of IT applications and controls. The estimated fee for this work is between £4,000 and £6,000
- inefficiencies in the execution of the audit due to incorrect membership numbers,
- additional audit procedures on investment disclosures as the result of identified audit differences

As the 2022/23 audit is in not yet concluded, we are not yet able to confirm the final fee for the specific additional procedures and identified risk areas as noted above. Our estimated additional fee with respect to the above areas is between £20,000 and £30,000. The final audit fee will be submitted to management and determined by PSAA.



08 Appendices

Appendix A - Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

Required communications	What is reported?	Our Reporting to you
		When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report 7 November 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report 7 November 2023
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit planning report 7 November 2023

Appendix A - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Provisional Audit results report - 19 April 2024
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Provisional Audit results report - 19 April 2024

Appendix A - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Provisional Audit results report - 19 April 2024
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Provisional Audit results report - 19 April 2024

Appendix A - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	Audit planning report 7 November 2023 and Provisional Audit results report - 19 April 2024
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations

Appendix A - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Provisional Audit results report - 19 April 2024
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Provisional Audit results report - 19 April 2024
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Provisional Audit results report - 19 April 2024
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Provisional Audit results report - 19 April 2024

Appendix B – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Going concern review and disclosures	Receipt of management’s going concern assessment. EY to review and undertake audit procedures on the assessment and cash flow forecast.	Management and EY
Subsequent events review procedures	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Partner and EQCR Review	Completion of review of audit file	EY
Management representation letter	Receipt of signed management representation letter	EY, management and Audit Committee
Annual Report and Financial Statements consistency	Review of the Pension Fund’s Annual Report for consistency with the Pension Fund’s financial statements within the administering authority’s Statement of Accounts.	EY and management
Final signed accounts	Receipt and review of final set of financial statements to check agreed amendments. Signed approval of the accounts by s151 Officer.	EY and management

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*See next page.

Appendix B – Outstanding matters

Outstanding matters

- We are currently unable to issue the final audit opinion on Hillingdon Pension Fund's financial statements until the audit report on the administering authority's (London Borough of Hillingdon) statement of accounts for 2022/23 is issued. This is currently under consideration as part of the proposals to clear the local audit sector backlog and at present we do not expect the audit report to be issued until September or October 2024. We will update the Committee if there is any change to this position.
- The Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing will impact on the audit of London Borough of Hillingdon's 2022/23 financial statements. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it also ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.
- As a result of the planned system wide implementation of backstop dates, the opinion on the London Borough of Hillingdon's 2022/23 accounts is likely to be disclaimed. We will issue our opinion on the Pension Fund accounts alongside our opinion on London Borough of Hillingdon's accounts once the final position regarding this is confirmed.

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Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the financial statements and annual report. At this point, no issues have been identified that would cause us to modify our opinion. A draft of the current audit opinion is included in section 03 of this report.

Appendix B -

Context for the 2022/23 audit of London Borough of Hillingdon and Hillingdon Pension Fund - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ DLUHC has launched a consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- ▶ The National Audit Office (NAO) has launched a consultation on amending the Code of Audit Practice to :
 - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) is expected to consult on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

Appendix D – Management representation letter

Management representation letter

The management representation letter as shown below is draft and subject to change pending resolution of the outstanding matters for the audit.

Management Rep Letter

Debbie Hanson
Ernst & Young
400 Capability Green
Luton
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Hillingdon Pension Fund (“the Fund”) for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2022 to 31 March 2023, and of the amount and disposition at that date of its assets and liabilities as at 31 March 2023, other than liabilities to pay pensions and benefits after the end of the year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK) , which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and for keeping records in respect of contributions received in respect of active members of the Fund.
2. We confirm that the Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Fund should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements and the Summary of Contributions. We believe the financial statements referred to above give a true and fair view of the financial transactions and the financial position of the Fund in accordance with the applicable law and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and are free of material misstatements, including omissions. We have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with applicable law and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that are

Appendix D – Management representation letter

Management representation letter

Management Rep Letter

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free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to the Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with the Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
6. We confirm that we are not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.
7. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund's business, its ability to continue in business, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Appendix D – Management representation letter

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C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: *[list date]*
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are

aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of management of the Fund.
7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Appendix D – Management representation letter

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Management Rep Letter

10. From 27 September 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 23 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 19 to the financial statements discloses all the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the

feasibility of those plans. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements.

F. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the statement of accounts 22/23, other than the financial statements, the auditor's report and the statement about contributions.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

1. As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

Appendix D – Management representation letter

Management representation letter

Management Rep Letter

I. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS (Management and Investment of Funds) Regulations 2016 in respect of these investments has been followed.

K. Actuarial valuation

The latest report of the actuary Hyman Robertson as at 31 March 2023 and dated 15 September 2023 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

L. Estimates

Level 3 Investment Asset Valuation Estimate and Actuarial Present Value of Promised Retirement Benefits Estimate

1. We confirm that the significant judgments made in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate.
3. We confirm that the significant assumptions used in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate appropriately reflect our intent and ability to continue to maintain the pension fund investments for the purpose of management of the fund and payment of future benefits on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 22/23.
5. We confirm that appropriate specialized skills or expertise has been applied in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

Appendix D – Management representation letter

Management representation letter

Management Rep Letter

M. Use of the Work of a Specialist

1. We agree with the findings of the specialist, Hymans Robertson as the Pension Fund's actuary, that we have engaged to value fund assets and liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

N. Climate-Related Matters

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, we confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of United Kingdom Generally Accepted Accounting Practice aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

S151 Officer & Audit Committee Chair

Date

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**AUDITOR'S CERTIFICATE WHERE THE OPINION WAS PREVIOUSLY ISSUED
IN ADVANCE OF CLOSURE OF THE AUDIT**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON
BOROUGH OF HILLINGDON**

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2022, issued on 28 September 2023, we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of London Borough of Hillingdon (the 'Authority') as at 31 March 2022 and of its expenditure and income for the year then ended;
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Issue of audit opinion on the pension fund financial statements

In our audit report for the year ended 31 March 2022 issued on 28 September 2023 we reported that, in our opinion the pension fund's financial statements:

- gave a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2022 and the amount and disposition of the fund's assets and liabilities as at 31 March 2022; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Delay in certification of completion of the audit

In our report dated 28 September 2023, we explained that we could not formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of London Borough of Hillingdon. This confirmation has now been received.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and no matters have come to our attention that would have resulted in a different opinion on the financial statements or additional exception reporting on significant weaknesses in the Authority's value for money arrangements.

We certify that we have completed the audit of the accounts of London Borough of Hillingdon in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.



Ernst & Young LLP

Stephen Reid (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Edinburgh
19 April 2024

London Borough of Hillingdon
Provisional audit planning
report
Year ended 31 March 2024
8 April 2024

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Audit Committee
London Borough of Hillingdon
Uxbridge
UB8 1UW

8 April 2024

Dear Audit Committee Members

Provisional audit planning report

Attached is our provisional audit planning report for the forthcoming meeting of the Audit Committee. The purpose of this report is provide the Audit Committee of the London Borough of Hillingdon (the 'Council') with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the committee's expectations.

This report summarises our initial assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog. We are currently completing our detailed planning procedures and will update the committee if we identify any further risks or change our audit strategy.

The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Audit Committee member's and officer's attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

(continued)

This report is intended solely for the information and use of the Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 30 April 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



BOARDROOM



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Overview of our 2023/24 audit strategy

Overview of our 2023/24 audit strategy

Context for the 2023/24 audit - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ DLUHC has consulted on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- ▶ The National Audit Office (NAO) has consulted on amending the Code of Audit Practice to:
 - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) has launched a consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates we will disclaim the opinion on the Council's 2022/23 financial statements. The proposed disclaimer of the Council's 2022/23 financial statements will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.



Overview of our 2023/24 audit strategy

Responsibilities of Council/Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements, where we consider it necessary to do so.
- ▶ Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- ▶ Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

Overview of our 2023/24 audit strategy

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

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud Risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of land and buildings valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method	Significant risk	No change in risk or focus	The DRC and EUV valuation methods involve higher risk estimates due to the significant assumptions and judgements involved, which trigger the use of experts by both management and EY. The estimates heighten the risk of material errors.
Derecognition of infrastructure assets upon subsequent expenditure/ replacement	Inherent risk	Downgraded from significant risk to inherent risk	We identified this as a significant risk in the 2021/22 Audit Planning Report due to the issue raised by the NAO Local Government Technical Group that some local authorities were not writing out the gross cost and accumulated depreciation on highways infrastructure when a major component had been replaced or decommissioned. The CIPFA Code incorporates a temporary relief for certain reporting on infrastructure assets, which can be applied from the 2021/22 Code up to and including the 2024/25 Code. The Council applied this relief in 2021/22, and although we did not report any findings in this respect and downgraded the risk in 2023/24, we do consider that there is a remaining inherent risk as this is an issue that the Council needs to remain focussed on to ensure proper arrangements are in place when the temporary relief is discontinued.

Overview of our 2023/24 audit strategy

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

Audit risks and areas of focus - continued

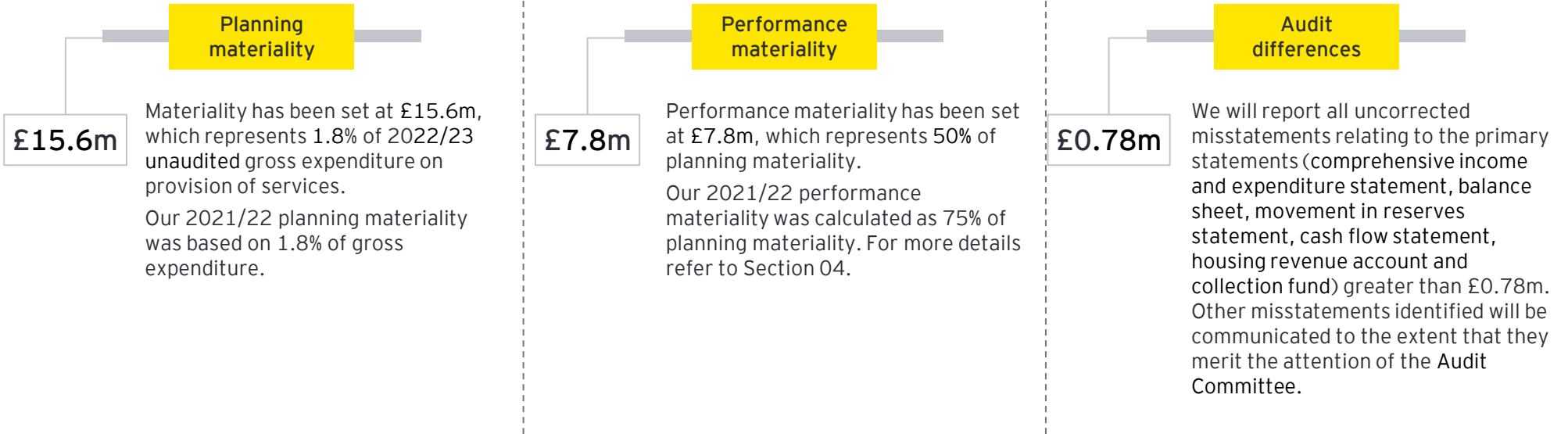
Risk/area of focus	Risk identified	Change from PY	Details
Pension liability and the IAS 19 valuations	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates
Valuation of Council dwellings	Inherent risk	No change in risk or focus	The carrying amount of council dwellings represents a significant balance in the Council's accounts and it is revalued by management's external specialist annually. The valuation involves estimation and assumptions hence a risk around valuation has been identified. The risk is inherent rather than significant due to the nature of the estimation.
IFRS 16	Inherent risk	New Inherent Risk	Mandatory implementation of IFRS 16 Leases has been deferred until 2024/25 (though voluntary adoption is permitted and encouraged). IFRS 16 leases is a complex standard that will require a substantial amount of data gathering followed by a number of policy choice decisions. Impact assessment disclosures will need to be made in the 2023/24 financial statements and the Council will need to ensure that it is prepared for the implementation of this standard.

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The outcome of consultation on the planned measures to address local audit delays and related proposed temporary changes to CIPFA's Code of Practice on Local Authority Accounting are likely to impact our assessment of audit risks and our response to them. We will keep the Audit Committee updated on our assessment of any changes to audit risk as this becomes clearer.

Overview of our 2023/24 audit strategy

Council Materiality



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The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

Overview of our 2023/24 audit strategy

Audit scope

This Audit planning report covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 3.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.


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

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

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

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

Taking the above into account, and as articulated in this audit planning report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow us to vary the fee dependent on "the auditor's assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Audit Planning Report and we will continue to discuss these with management as to the impact on the scale fee.



Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

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

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

Audit scope and approach

We intend to take a substantive audit approach.

The Government's proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. In particular, where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. We draw your attention to the audit scope section 5 of this Audit Planning Report where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Audit Committee where necessary to do so.

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Overview of our 2023/24 audit strategy

Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

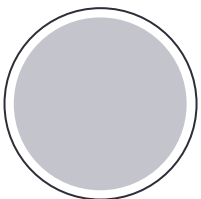
The commentary on the Council's value for money arrangements will be included in the Auditor's Annual Report.

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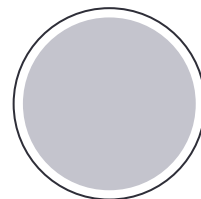
Timeline

A timetable has been agreed with management to complete the audit by 30 November 2024. In Section 7 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to.

Key Audit Partner and senior audit team



Partner - Stephen Reid



Senior Manager - Larisa Midoni



02 Audit risks

Our response to significant risks

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

Misstatements due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

We identify and respond to this fraud risk on every audit engagement.

What will we do?

- ▶ Identifying fraud risks during the planning stages;
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions);
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address those identified risks of fraud;
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- ▶ Undertake procedures to identify significant unusual transactions;
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks

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

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of overstating Property, Plant and Equipment (PPE) additions.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What will we do?

- ▶ Test Property, Plant and Equipment (PPE) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature;
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of the asset rather than simply repairing or maintaining the asset on which it is incurred;
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use;
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Our response to significant risks

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

Valuation of land and buildings valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method

What is the risk?

We have disaggregated land and building assets to identify those where we think the significant risk lies. We have associated the risk to those assets that are valued using the DRC and EUV valuation methods.

These valuation methods involve higher risk estimates due to the significant assumptions and judgements involved, which trigger the use of experts by both management and EY.

These estimates heighten the risk of material error.

What will we do?

- ▶ Understand the Council's approach to DRC and EUV assets;
- ▶ Determine the impact of revaluations on the financial statements;
- ▶ Consider the use of management's specialists - the external valuers - including the scope of work and the professional competencies of the specialist;
- ▶ Challenge the assumptions made by management and their specialists, with input from EY real estates (EY specialists);
- ▶ Sample test key asset information used by management's specialists. We will consider if there are any specific changes to assets and whether they have been appropriately communicated;
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code;
- ▶ Review assets not subject to valuation in 2023/24 to assess that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation;
- ▶ Test that accounting entries have been correctly processed in the financial statements.

Financial statement impact

We have assessed that the risk of incorrect valuation of DRC and EUV assets results from the complex estimation involved in arriving at valuations, such that the involvement of specialists is required.

Errors, including incorrect assumptions, in relation to valuation would affect the year end carrying value of DRC and EUV assets.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Derecognition of infrastructure assets upon subsequent expenditure/replacement

The NAO Local Government Technical Group identified that some local authorities were not writing out the gross costs and accumulated depreciation on highways infrastructure assets when a major component was replaced or decommissioned.

If components are not derecognised when replaced or decommissioned then:

- ▶ for fully depreciated assets the gross cost of the asset and accumulated depreciation will be overstated in the property, plant and equipment note. There will be no effect on the net book value in the balance sheet as the two overstated amounts will net off;
- ▶ for assets replaced or decommissioned ahead of the useful economic life then the net book value will be overstated in the balance sheet.

The CIPFA Code incorporates a temporary relief for certain reporting on infrastructure assets, which can be applied from the 2021/22 Code up to and including the 2024/25 Code. The Council applied this relief in 2021/22, and although we did not report any findings in this respect and downgraded the risk in 2023/24, we do consider that there is a remaining inherent risk as this is an issue that the Council needs to remain focussed to ensure proper arrangements are in place when the temporary relief is discontinued.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Ensure the Council continues to apply the procedures required by the Code;
- ▶ Obtain evidence to match the subsequent expenditure to the carrying amount of the replaced component that is being derecognised; and
- ▶ If the carrying amount of the replaced component can't be identified, we will test the Council's use of the cost of the replacement as a proxy for the deemed carrying amount of the replaced component, ensuring the calculation appropriately adjusts the cost for depreciation and impairment.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Pension liability valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2023 this totalled £261 million (unaudited).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Liaise with the EY team of Hillingdon Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ Assess the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model;
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and
- ▶ Consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Our response: Key areas of challenge and professional judgement

Valuation of Council dwellings

The carrying amount of Council dwellings represents a significant balance in the Council's accounts and is subject to revaluation changes on an annual basis. Management is required to make material judgmental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet.

We will:

- ▶ Consider the use of management's specialists - the external valuers - including the scope of work and the professional competencies of the specialists;
- ▶ Sample test the key asset information used by the specialists in performing their valuations (eg nature and number of beacons, valuations of units within beacons);
- ▶ Consider if there are any specific changes to assets/beacons that have occurred and that these have been communicated to the valuer;
- ▶ Consider the appropriateness of management's consideration of estimation uncertainty;
- ▶ Test that accounting entries have been correctly processed in the financial statements; and
- ▶ Check whether additions are valued using the social housing discount factor in the same year that they are capitalised.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Our response: Key areas of challenge and professional judgement

Incorrect disclosures in relation to IFRS 16 Leases

Mandatory implementation of IFRS 16 Leases has been deferred until 2024/25 (though voluntary adoption is permitted and encouraged). IFRS 16 leases is a complex standard that will require a substantial amount of data gathering followed by a number of policy choice decisions.

Impact assessment disclosures will need to be made in the 2023/24 accounts and the Council will need to ensure that it is prepared for the implementation of this standard.

We will:

- ▶ Understand the entity's process for implementing the new leases standard;
- ▶ Assess the readiness of the Council for implementation of this major standard; and
- ▶ Review the disclosures in the 2023/24 financial statements in relation to the implementation of IFRS 16.



03 Value for Money risks

Value for Money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

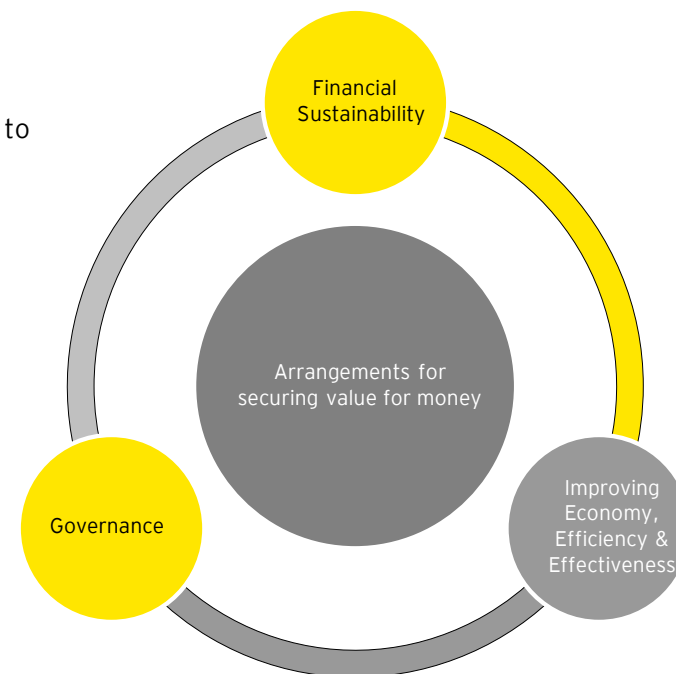
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence sources that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

We have completed our initial VFM risk assessment for planning purposes, however the VFM risk assessment is an iterative process and we will be updating it throughout the audit. At this stage, we have not identified any significant risks regarding the Council's 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources.



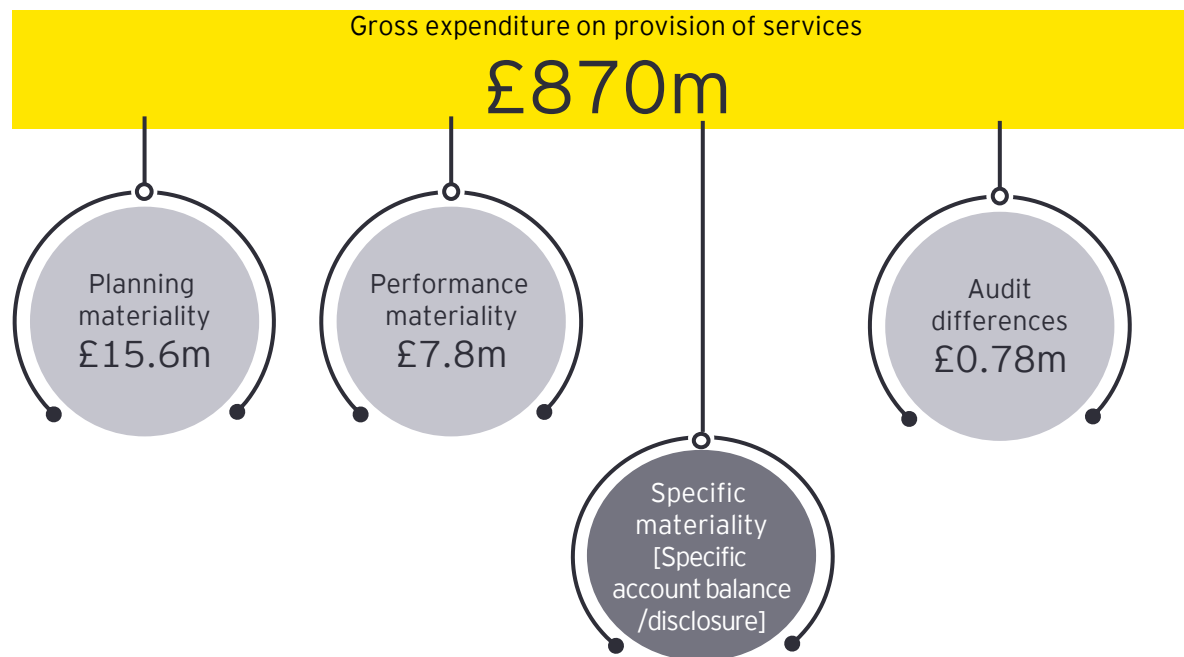
04 Audit materiality

Materiality

Council materiality

For planning purposes, materiality for 2023/24 has been set at £15.6m. This represents 1.8% of the Council's 2023 unaudited gross expenditure on provision of services. It will be reassessed throughout the audit process. We have chosen gross expenditure on provision of services as we consider that this is of primary interest to the users of the accounts, We have chosen 1.8%, which is at the top end of the range of percentages within our audit approach for comparable size councils, after consideration of a range of factors such as the public profile of the entity and level of available revenue reserves. We have provided supplemental information about audit materiality in Appendix F.

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The outcome of consultation on the planned measures to address local audit delays may impact our assessment of materiality for the 2023/24 audit. We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £7.8m, which represents 50% of planning materiality (2021/22 audit: performance materiality was set at 75% of planning materiality). We have used 50%, which is at the lower end of the range within our audit approach, after consideration of a range of factors such, including the number of audit differences identified in our 2021/22 audit. A high number of audit differences identified in our last completed audit led us to conclude that there is a higher likelihood of misstatements in the 2023/24 accounts.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

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

Specific materiality – We judge that lower materiality is appropriate for officer's remuneration, exit packages and related party transactions with individuals which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the Group and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Audit process and strategy

Objective and Scope of our Audit scoping (cont'd)

Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where the prior year audit opinion is modified, work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.
- ▶ Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists.

Audit process and strategy

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

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

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

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee. We note that at the planning stage of the audit we have encountered significant delays in obtaining the data in a format that enables us to use these tools. The delays have arisen from the mapping of the general ledger data to the presentation within the financial statements. The process has been complicated and the delays encountered have impacted our audit timings with associated cost implications and there will be a subsequent impact on the audit fee. We will quantify this impact when the mapping of the data is at a sufficiently useable point. We note that we will require the full year data in a similar format at the year-end execution stage.

Internal audit

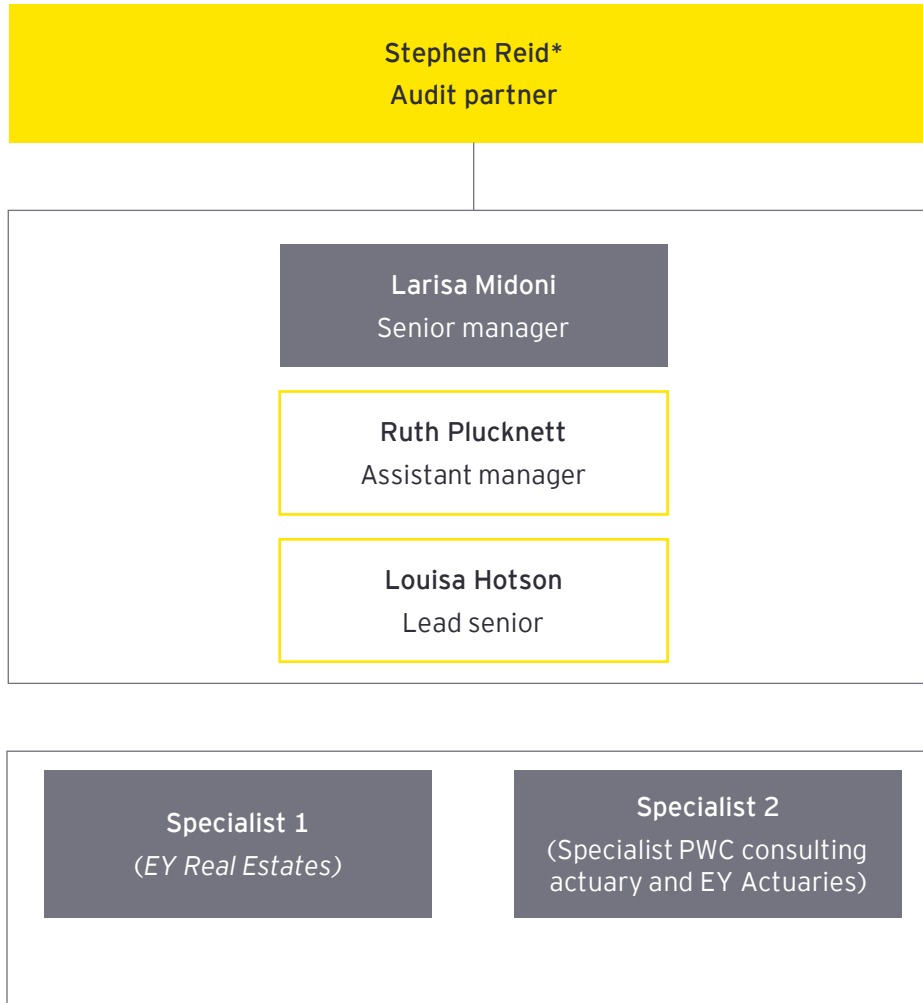
We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



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06 Audit team

Audit team



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* Key Audit Partner

Use of specialists

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

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

Area	Specialists
Valuation of Land and Buildings	EY valuations team (EY Real Estates)
Pensions disclosure	EY actuaries

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

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

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



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07

Audit timeline

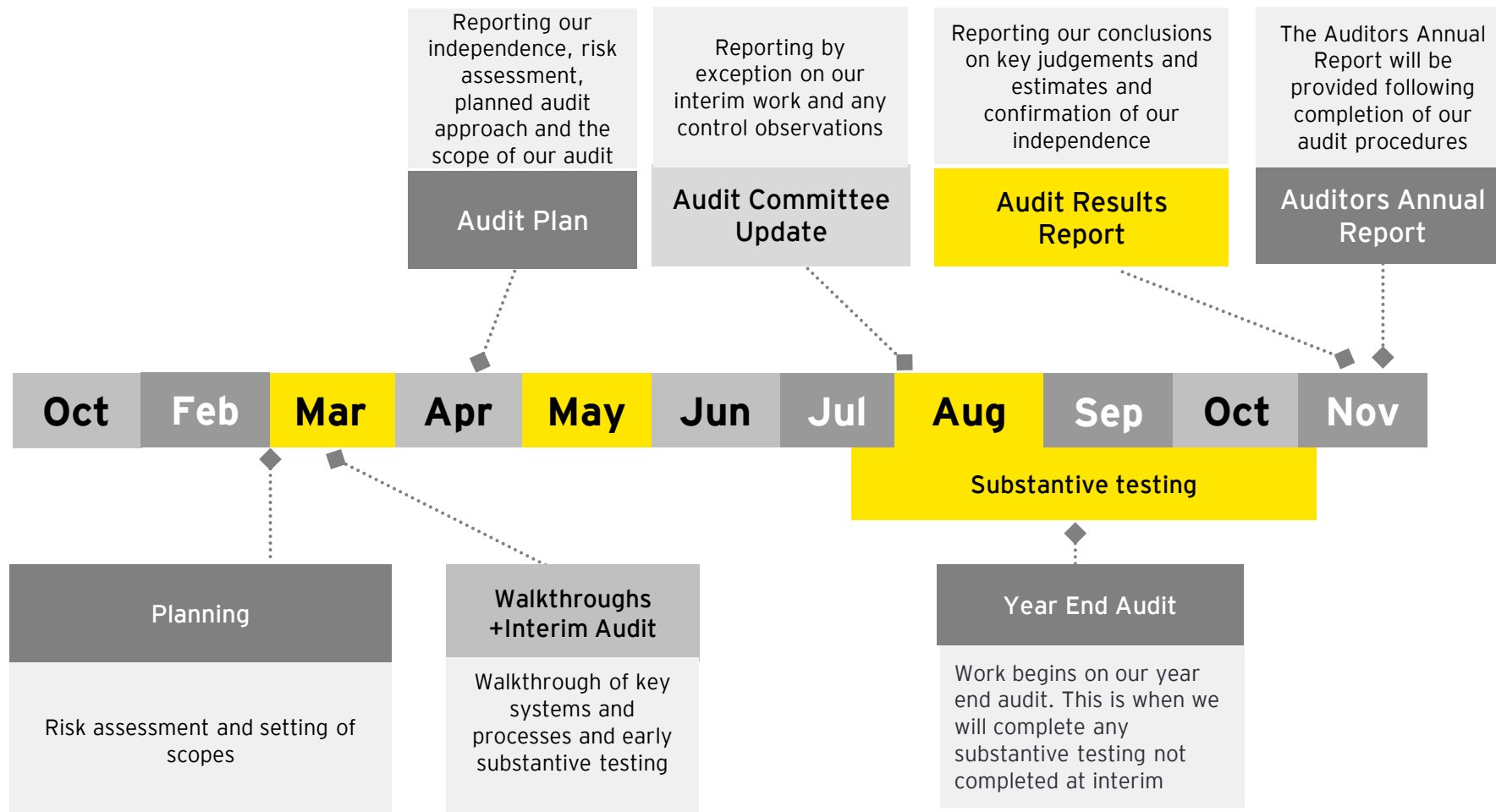
When we deliver our work

Timeline

We have allocated our initial budgeted resourcing to deliver our work based on the timeline below. If we encounter delays in receiving information from management or we encounter issues in processing data, this can impact the initial timeline and the delivery dates.

We are currently finalising our planning and walkthrough procedures, which were initially planned to be completed by end of March. The delay is due to accounts mapping issues, which led to delays in the interim data delivery process, as well as limited availability of a number of Council staff to support with some walkthroughs when these were originally planned. This resulted in a need to book additional resources for this stage in the audit.

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08

Independence

Introduction

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

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

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

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

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. At the time of writing, the current ratio of non-audit fees to audit fees is below 1:1. No additional safeguards are required.

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

Self review threats


Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work. There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.



Other communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- › prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- › ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- › assign responsibilities clearly to staff with the appropriate expertise and experience;
- › provide necessary resources to enable delivery of the plan;
- › maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- › ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- › ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- › during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council;
- ▶ The Council has an effective control environment; and
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	2023/24	2022/23	2021/22
	£	£	£
Total Fee - Code Work	403,723 Note 3*	142,846 Note 1*	121,096
Scale fee variation	Note 3*	Note 1*	117,215 Note 2*
Total audit	Tbc	Tbc	238,311
Non-audit services - Housing benefits	Tbc	Tbc	54,175
Non-audit services - Housing capital receipts	9,000-10,000	9,500	8,500
Non-audit services - Teachers pensions	15,00-16,000	15,500	14,500
Total other non-audit services	Tbc	Tbc	77,175
Total fees	Tbc	Tbc	315,486

All fees exclude VAT

For Notes 1-3 refer to the next slide.

Appendix B – Fees continued

Note 1: As set out in the joint statement issued by DLUHC on update to proposals to clear the backlog and embed timely audit, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit.

Note 2: The 2021/22 work was completed in September 2023 and we calculated a scale fee variation of £161,369, which was submitted to PSAA for consideration. Of the total calculated scale fee variation, we received PSAA's determination for £117,215.

Note 3: The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge an additional fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- ▶ Lower level of performance materiality (50% of planning materiality in 2023/24 vs 75% in previous years).
- ▶ New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- ▶ Use of EY specialists in areas identified in our audit plan and other possible areas as identified necessary during the audit, if applicable.
- ▶ Consideration of correspondence from the public and formal objections.
- ▶ Non-compliance with law and regulation with an impact on the financial statements.
- ▶ VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- ▶ The need to exercise auditor statutory powers.
- ▶ Prior period adjustments.
- ▶ Modified financial statement opinions.

Appendix C – Accounting and regulatory update

Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none"> ▶ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16. ▶ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability. ▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement. ▶ The standard must be adopted by 1 April 2024 at the latest. 	<ul style="list-style-type: none"> ▶ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements. ▶ The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024. ▶ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.
CIPFA consultation	<ul style="list-style-type: none"> ▶ The CIPFA/LASAAC Local Authority Code Board has issued a consultation on short term measures in the Code of Practice on Local authority Accounting in the United Kingdom (the Code). The proposals are to aid the recovery of local authority reporting and audit as set out in a joint statement from DLUHC and other system partners issued in February 2024. Two approaches are being explored which would affect the 2023/24 and 2024/25 Codes by providing: <ul style="list-style-type: none"> ▶ An option to simplify measurement of operational property, plant and equipment using specified indexation, and ▶ Reduced disclosures for pensions reporting, by aligning that reporting with FRS 102. The Financial reporting Standard applicable in eth UK and Republic of Ireland. 	<ul style="list-style-type: none"> • There is a potential impact on the 2023/24 accounts if the proposals are approved. We will revisit our audit approach in the light of any such developments and communicate any changes to the Audit Committee.

Appendix C – Accounting and regulatory update (optional)

Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> ▶ Risk Assessment ▶ Understanding the entity's internal control ▶ Significant risk ▶ Approach to addressing significant risk (in combination with ISA 330) <p>The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> ▶ Drive consistent and effective identification and assessment of risks of material misstatement ▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability') ▶ Modernise ISA 315 to meet evolving business needs, including: <ul style="list-style-type: none"> ▶ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and ▶ how auditors understand the entity's use of information technology relevant to financial reporting. ▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process. 	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Council.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> ▶ Manage vendor supplied changes ▶ Manage security settings ▶ Manage user access ▶ Manage entity-programmed changes ▶ Job scheduling and managing IT process.

Appendix D – The Spring Report

A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk) (accif.co.uk).

Appendix E – Required communications with the Audit Committee

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

Our Reporting to you

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

Appendix E – Required communications with the Audit Committee (cont'd)

Our Reporting to you

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

Appendix E – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report - date tbc
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence ▶ Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence. 	Audit Planning Report as presented to the April 2024 Audit Committee and Audit Results Report - date tbc

Appendix E – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - date tbc
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report - date tbc
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report - date tbc
Representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report - date tbc
System of quality management	<ul style="list-style-type: none"> ▶ How the system of quality management (SQM) supports the consistent performance of a quality audit 	Audit results report - date tbc
Material inconsistencies and misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report - date tbc
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - date tbc

Appendix F – Additional audit information

Regulatory update

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

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

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

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

Appendix F – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Group's audited financial statements for the relevant reporting period

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

Purpose and evaluation of materiality

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

Materiality determines:

- ▶ The level of work performed on individual account balances and financial statement disclosures

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

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics](#) (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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ED None

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Hillingdon Pension Fund Outline Audit planning report

Year ending 31 March 2024

April 2024

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Building a Better
working world

18 April 2024

Audit Committee
London Borough of Hillingdon
Uxbridge
UB8 1UW Address

Dear Audit Committee Members

Outline Audit Planning Report

Attached is our Outline Audit Planning Report for the forthcoming meeting of the Audit Committee. The purpose of this report is to provide the Audit Committee of Hillingdon Pension Fund (the Fund) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Audit Committee's service expectations.

We have not yet fully completed our planning at the date of issue of this report and therefore this is an outline plan. If there are any changes to the risks we have identified or our planned response to these risks, once we have fully concluded our planning, we will update the Committee.

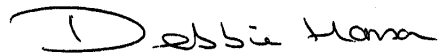
This report summarises our initial assessment of the key risks driving the development of an effective audit for the Fund. We have aligned our audit approach and scope with these.

The Audit Committee, as the Fund's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Fund's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities.

We draw Audit Committee members and officers attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 30 April 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

A handwritten signature in black ink that reads "Debbie Hanson". The signature is written in a cursive style with a large, looped initial 'D'.

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Enc

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



BOARDROOM



01

Overview of our 2023/24 audit strategy

Overview of our 2023/24 audit strategy

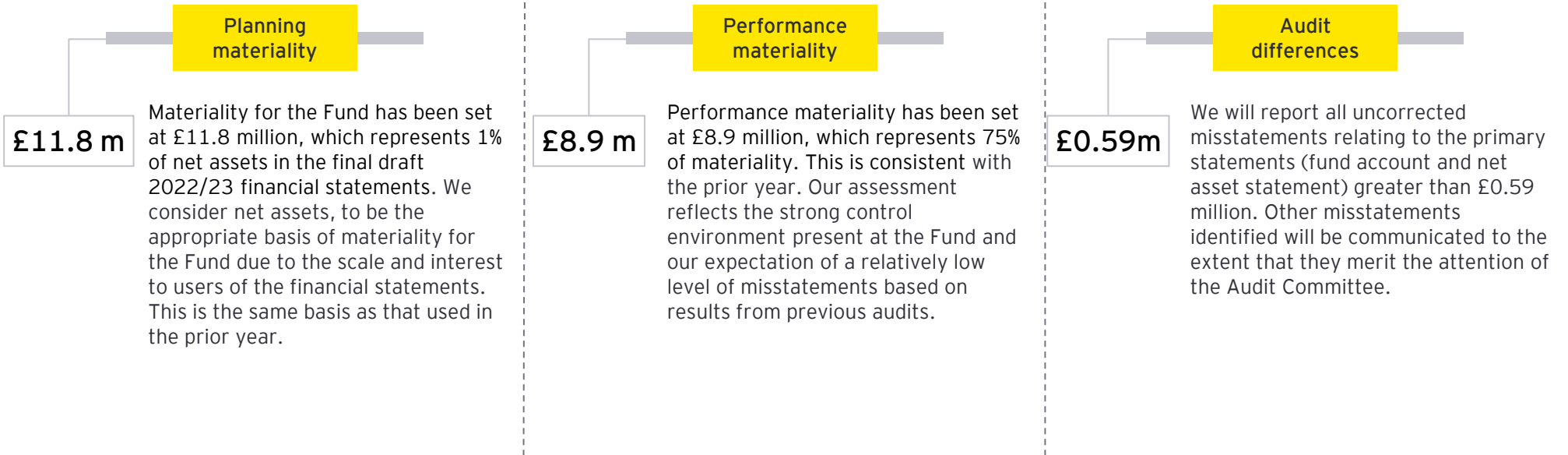
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year. We continue to assess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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk, but change in focus	<p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We perform mandatory procedures to address this risk regardless of specifically identified fraud risks.</p> <p>In the prior year, we identified the risk of manipulation of investment income and valuation as the most likely way management would seek to override controls and presented this as a specific fraud risk. In the current year, we have associated the specific risk to investment income only as we consider that this is more susceptible to manipulation than investment valuation.</p>
Valuation of level 3 (complex) investments	Significant risk	No change in risk or focus	<p>We consider the valuation of level 3 (complex) investments to be a significant risk due to the unobservable inputs making up the valuations. Significant judgements are made by the investment managers to value these investments whose prices are not publicly available. The value of investments valued at level 3 as at 31-3-23 was £245m.</p> <p>The Fund's private debt investments are categorised as being at level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments where the valuations are not based on observable inputs.</p>
Classification of level 2 and level 3 investments.	Significant risk	Increase in risk no change in focus	<p>The assessment of Fair Value hierarchies can be subjective. For 2022/23, as part of our audit of fair value hierarchies of the Pension Fund's assets we agreed with the Fund that the classification of a number of investments should be adjusted. This resulted in £64 million of investments being reclassified. There was a similar reclassification in the 2021/22 year of £47 million. As a result of these reclassifications, we have increased this risk from an inherent risk in the prior year to a significant risk in 2022/23. As there is an element of judgment in the fair value hierarchy classification we will work with the Pension Fund to agree proposed classifications early in the audit process and as part of this we will scrutinise and challenge the Pension Fund's proposed classifications.</p>
IAS 26 - Actuarial present value of promised retirement benefits	Inherent risk	No change in risk or focus	<p>We consider the valuation of IAS 26 disclosures to have a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables.</p>

Overview of our 2023/24 audit strategy

Materiality



Overview of our 2023/24 audit strategy

Audit scope

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

- ▶ Our audit opinion on whether the financial statements of the Fund give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024 and the amount and disposition at that date of its assets and liabilities for 2023/24.
- ▶ Our opinion on the consistency of the Fund financial statements within the Fund annual report with the published financial statements of the London Borough of Hillingdon.

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

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

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

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

Taking the above into account, and as articulated in this Outline Audit planning report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Fund's audit, we set those within this Outline Audit planning report and we will continue to discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements

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

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

Audit scope and approach

We intend to take a substantive audit approach.



Overview of our 2023/24 audit strategy

Audit team

The audit will be led by Debbie Hanson as the Partner in Charge. Debbie will be supported by Ruth Plucknett, Manager, and Josna Jose , Lead Senior. See Section 05 for further details of the audit team and the areas where management and EY specialists are expected to provide input for the current year audit.

Timeline

Details of the planned timeline for delivery of the audit are set out in Section 06.

We expect to have fully completed our risk assessment and work to walkthrough the Fund's key systems and processes, including work to comply with the enhanced requirements of ISA (UK) 315 (Revised), by the end of April 2024.


Our detailed testing of balances and disclosure in the financial statements is expected to be complete by the end of October 2024. Our reporting and presentation to you of our final Audit Results Report is however yet to be confirmed, as we need to take into account the Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays, and the associated impact on the Council and Pension Fund audits.



02 Audit risks

Our response to significant risks

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



Misstatements due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ▶ Assessing accounting estimates for evidence of management bias.
- ▶ Evaluating the business rationale for any significant unusual transactions.

We will utilise our data analytics capabilities to assist with our work.

We have identified the risk of manipulation of investment income as the most likely way management would seek to override controls. Our approach will focus on testing to confirm that investment income provided through the custodian and fund managers is appropriately journaled into the financial statements.

Our response to significant risks (cont'd)

Valuation of level 3 (complex) investments

What is the risk?

We consider the valuation of level 3 (complex) investments to be of a higher degree of inherent risk due to the unobservable inputs making up the valuations. Significant judgements are made by the investment managers or administrators to value these investments whose prices are not publicly available. The value of investments valued at level 3 as at 31-3-23 was £245m.

The Fund's private debt and infrastructure investments are categorised as being at level 3 in the fair value hierarchy.

What will we do?

We will:

- ▶ Assess the competence of valuation experts through review and analysis of ISAE 3402 internal control reports issued on the fund managers and the custodian;
- ▶ Where the ISAE 3402 reports are not issued at 31 March 2024, we will obtain and review bridging letters;
- ▶ Review the control reports for any issues or qualifications which impact the valuation controls over the funds.
- ▶ Review the basis of valuation for property investments and other unquoted investments, assessing the appropriateness of the valuation methods used;
- ▶ Where available, review the latest audited accounts for the relevant underlying investment funds and compare the net asset values with the valuation of the assets in the accounts of the Fund. We will also ensure there are no matters arising that highlight weaknesses in the Fund's valuation;
- ▶ If the latest audited accounts are issued at a different date compared to the reporting date of the Fund, we will perform roll forward procedures to support the valuation of the investments as of 31 March 2024, such as benchmark indexation for similar assets and analysis of cash movements in the gap period and understand what the Pension Fund has done to assess how the valuations are still materially correct as at 31 March 2024; and
- ▶ Perform analytical procedures by checking the valuation output for reasonableness against our own expectations.

Our response to significant risks (cont'd)

Classification of level 2 and level 3 investments

What is the risk?

The classification of investments using the fair value hierarchy requires the accurate identification of observable and unobservable inputs and requires a high level of professional judgement,

The assessment of Fair Value hierarchies can be subjective and includes an element of judgement. There have been reclassifications in the fair value hierarchies of the pension fund assets as a result of the audit in the last two years. In 2022/23, the reclassification was £64 million from level 2 to level 3 and in 2021/22 it was £47.8 million.

We have, as a result, raised this from an inherent risk to a significant risk.

What will we do?

We will:

- ▶ Gain an understanding of the Pension Fund's approach to classification and the nature of its investments and work with the Pension Fund to agree the proposed classifications early in the audit process
- ▶ Assess the significance of market inputs used in the hierarchy valuation as well as the sources of the inputs.
- ▶ Confirm the basis of the valuation of each class of investment asset and assess whether it is appropriate
- ▶ Obtain quoted prices directly from independent sources and compare these with the Pension Fund's assessment of observable market inputs (bid market price, current yields, and closing bid price) to confirm correct classification.
- ▶ Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

IAS 26 (inherent risk)

We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Assess the competence of management experts, Hymans Robertson;
- ▶ Engage with the NAO's consulting actuary and our EY Pensions team to review whether the IAS26 approach applied by the actuary is reasonable and compliant with IAS26;
- ▶ Leverage the work of EY Pensions undertaken as part of the London Borough of Hillingdon to create an auditor's estimate for the pension liability, to gain assurance over the process and assumptions used to estimate the present value of future retirement benefits; and
- ▶ Ensure that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the actuary.



03 Audit materiality

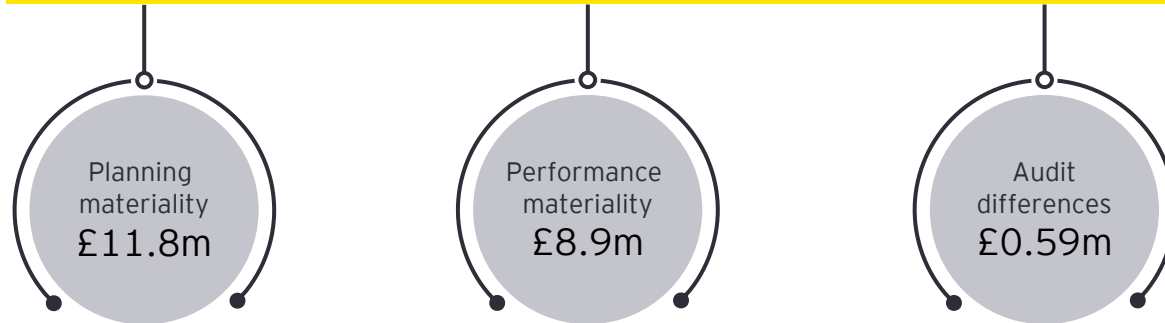
Materiality

Fund Materiality

For planning purposes, materiality for 2023/24 has been set at £11.8 million. This represents 1% of the Fund's net assets in the draft 2022/23 financial statements. We consider net assets to be the appropriate basis of materiality for the Fund due to the scale and interest to users of the financial statements. We have provided supplemental information about audit materiality in Appendix D.

Net Assets
£1,185m

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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at 75% of planning materiality. This is based on our expectation of few misstatements for the audit.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount.

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



04 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024 and the amount and disposition at that date of its assets and liabilities for 2023/24; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Consistency statement:

- Our opinion on the consistency of the Fund financial statements within the Fund annual report with the published financial statements of London Borough of Hillingdon Council.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Procedures required by standards

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

Audit process and strategy

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls;
- ▶ Substantive tests of detail of transactions and amounts;
- ▶ Reliance on the work of other auditors where appropriate; and
- ▶ Reliance on the work of experts in relation to areas such as disclosures based on actuarial reports.

Our initial assessment of the key processes across the Fund has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

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

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

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

Internal Audit

We will review Internal Audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, where they raise issues that could have an impact on the financial statements.

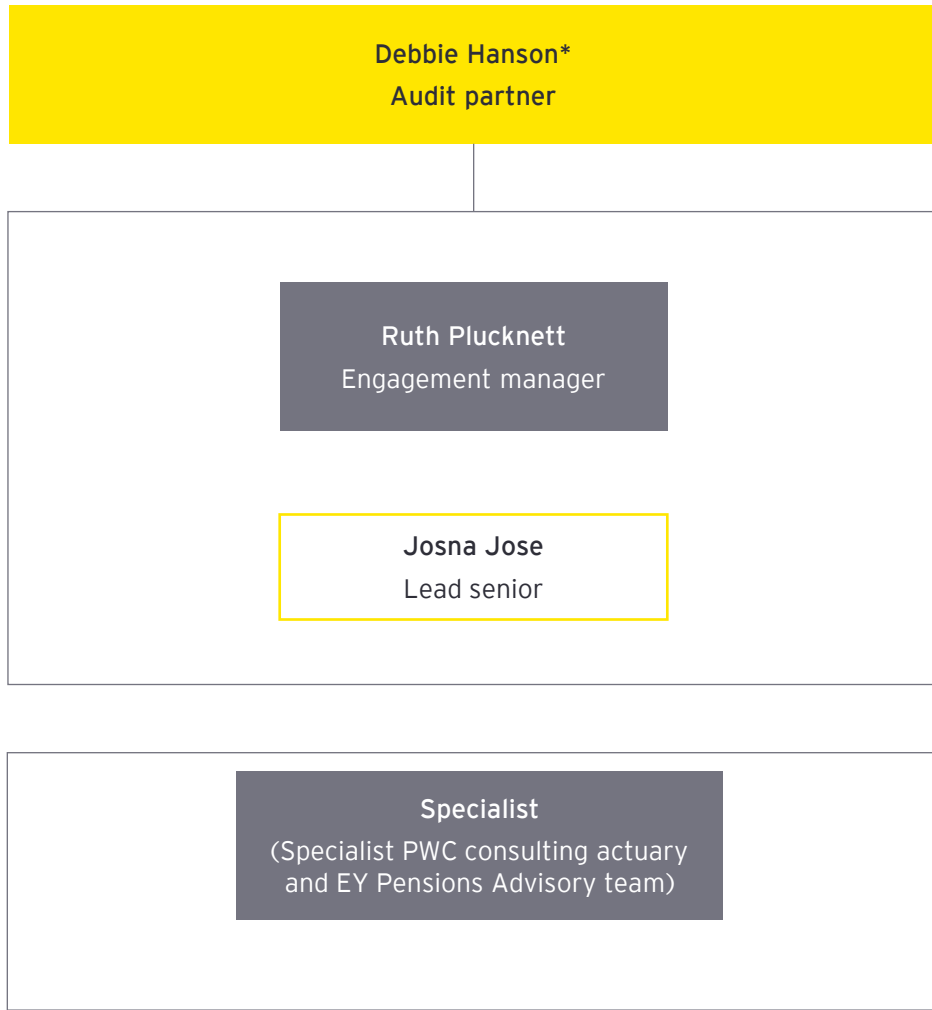


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05 Audit team

Audit team



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* Key Audit Partner

Use of specialists

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

Area	Specialists
IAS 26 disclosure	Management Specialist - Hymans Robertson EY Specialist - PwC (Consulting Actuary to the NAO on behalf of audit providers) and EY Pensions Advisory Team

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

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

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



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06

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a draft timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24.

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

Audit phase	2024 Timetable	Deliverables
Planning: Risk assessment and setting of scopes	March/April	This Audit Planning Report to be presented to the 30 April 2024 meeting of the Audit Committee.
Walkthrough of key systems and processes	March/April	
Execution of audit procedures on the financial statements	September - October	
Audit completion procedures	November *	Audit Results Report shared with management and, in turn, the Audit Committee.
Audit conclusion	November *	Audit opinion and completion certificates. The Auditor's Annual Report to bring together all of our work's over the year. This will be a joint report with the London Borough of Hillingdon

* The final timetable is yet to be confirmed as we need to take into account the Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays, and the consequent impact on the Council and Pension Fund audits.



07

Independence

Introduction

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

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

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

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

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, there are no non-audit fees associated with Hillingdon Pension Fund. No additional safeguards are required.

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

Self review threats

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

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

Management threats

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

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

Other threats

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

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



Other communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



08 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Fund complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Fund should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- ▶ prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ▶ ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- ▶ assign responsibilities clearly to staff with the appropriate expertise and experience;
- ▶ provide necessary resources to enable delivery of the plan;
- ▶ maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ▶ ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ▶ ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- ▶ during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – Fees



The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As part of our reporting on our independence, we set out here a summary of the expected fees for the year ended 31 March 2024.

Scale fee variations are agreed when we incur work in addition to the planned level of work built into the scale fee.

	Current Year 2023/24	Prior Year 2022/23
	Proposed fee £	Proposed fee £
Scale Fee - Code work	81,688	24,954
Scale Fee Variation - Note 1	0	8,784
Requested rebased fee sub-total	81,688	33,738
Additional fee for the provision of IAS 19 assurance letters - Note 2	6,500	0
Additional fee with respect to testing of triennial membership data submissions - Note 3	0	8,700
Additional specific in year risks - Note 4	TBC	20,000 to £30,000
Total fees		tbc

All fees exclude VAT

Note 1 - In order to meet regulatory and compliance audit requirements not present at the time of PSAA awarding the audit contract for audits up to and including the 2022/23 financial year, we assessed that the recurrent cost of additional requirements to carry out our 2022/23 audit should increase to £33,738. PSAA have increased the base scale fee, but in our view this still does not fully cover the additional work required and we will therefore be submitting a further proposed increase to PSAA for 2022/23 for their determination. This does not apply for 2023/24.

Note 2 - We plan to charge an additional fee in relation to the work required to respond to IAS19 assurance requests from admitted body auditors for 2021/22 and 2023/24. As the audit of the London Borough of Hillingdon for 2022/23 is not currently planned to be undertaken, we have not been asked to provide similar assurances for 2022/23.

Note 3 - We will charge an additional fee in 2022/23 with respect to detailed testing of the triennial membership submission to the actuary. This work is only required every three years

Note 4 - we have identified a number of specific in year risks in this Plan and further issues may be identified through our audit which require additional work and therefore fee. We will identify any such issues throughout our audit and report these to management and submit any resulting additional fees to PSAA for determination once the audit is concluded. ISA 315 in particular is likely to result in an additional fee, as this is not currently reflected in the PSAA scale fee. The fee for this is likely to be in the range of £4,000 to £6,000

Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

Our Reporting to you

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

Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

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

Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures; ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report - November 2024
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Outline Audit planning report - April 2024</p> <p>Audit results report - November 2024</p>

Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - November 2024
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit results report - November 2024
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report - November 2024
Representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report - November 2024
Material inconsistencies and misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report - November 2024
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - November 2024
Fee reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Outline Audit planning report - April 2024 Audit results report - November 2024

Appendix D – Additional audit information

Regulatory update

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

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

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

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

Appendix D – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- ▶ Discharging our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice
- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements.

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

Purpose and evaluation of materiality

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

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

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

Appendix E - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix E - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



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Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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ED None

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INTERNAL AUDIT 2023/24 ANNUAL REPORT

Committee name	Audit Committee
Officer reporting	Claire Baker, Head of Internal Audit & Risk Assurance
Papers with report	IA1. 2023-24 IA Annual Report
Ward	All

HEADLINES

The UK Public Sector Internal Audit Standards (PSIAS) requires the Head of Internal Audit, to deliver an Annual Internal Audit Report and Opinion Statement that can be used by the Council to inform and support its Annual Governance Statement.

This report and opinion statement summarises the work performed by Internal Audit during 2023/24 and outlines how Internal Audit (IA) has supported the Council in meeting the requirements of the Accounts and Audit (Amendment) Regulations 2021.

This report provides the opportunity for the Head of Internal Audit to highlight to the Committee any significant matters arising from the work of IA during 2023/24. The draft report was considered by the Corporate Management Team on 15 April 2023.

RECOMMENDATION:

That the Audit Committee note the IA Annual Report for 2023/24

SUPPORTING INFORMATION

IA provides an independent appraisal and consultancy service that underpins good governance, which is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon.

BACKGROUND PAPERS

NIL.

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INTERNAL AUDIT ANNUAL REPORT & OPINION STATEMENT

2023/24

15 April 2024



HILLINGDON
LONDON

Contents

The key contacts in connection with this document are:

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1. INTRODUCTION

- 1.1 Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance. IA gives an objective opinion on whether the control environment is operating as expected to help the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon (LBH). It is also a requirement of the Accounts and Audit (Amendment) Regulations 2021 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account public sector internal auditing standards or guidance.
- 1.2 The UK Public Sector IA Standards (PSIAS) promote further improvement in the professionalism, quality, consistency and effectiveness of IA across the public sector. They stress the importance of robust, independent and objective IA arrangements to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement (AGS).
- 1.3 This annual report summarises the main findings arising from all of the 2023/24 IA work and the annual Head of Internal Audit opinion as required by the PSIAS. The report also provides IA key stakeholders including the Council's Corporate Management Team (CMT) and the Audit Committee, with an opportunity to review the performance of the IA service on the delivery of the 2023/24 IA Plan and on the effectiveness of the IA service.

2. SUMMARY OF 2023/24 INTERNAL AUDIT WORK

- 2.1 In total **47** pieces of IA work were fully delivered as part of the 2024/25 IA plan as at the beginning of April 2024. This included **33** assurance reviews, **7** consultancy reviews and **7** grant claim audits.
- 2.2 A further **6** planned reports are currently issued in draft and will be reflected in the ongoing 2024/25 IA workplan. Any significant findings from these draft reports have been taken into consideration as part of the Annual Head of Internal Audit Opinion reported below.
- 2.3 An analysis of IA work over the past five years shows an **increase** in completed IA work in 2023/24 despite the significant staff vacancies at the beginning of the year.

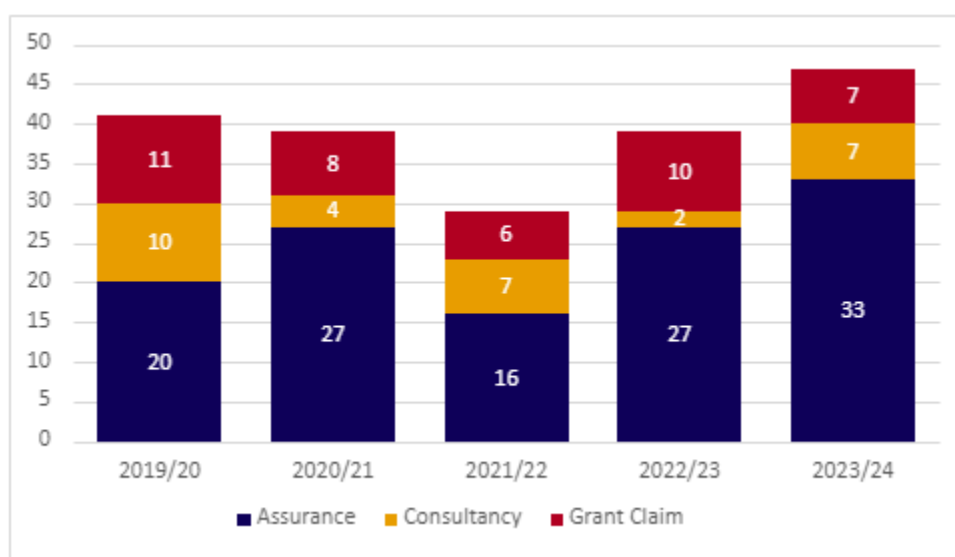


FIGURE 1: IA WORK COMPLETED BY REVIEW TYPE

- 2.4 Based on the 33 assurance reviews finalised within the year, **64%** resulted in a **SUBSTANTIAL** or **REASONABLE** assurance opinion. This is a significant decrease from 89% in 2022/23. There were no **NO** assurance reviews, however **36%** of the assurance reviews resulted in **LIMITED** opinions (definitions of the IA assurance levels are included at Appendix B).

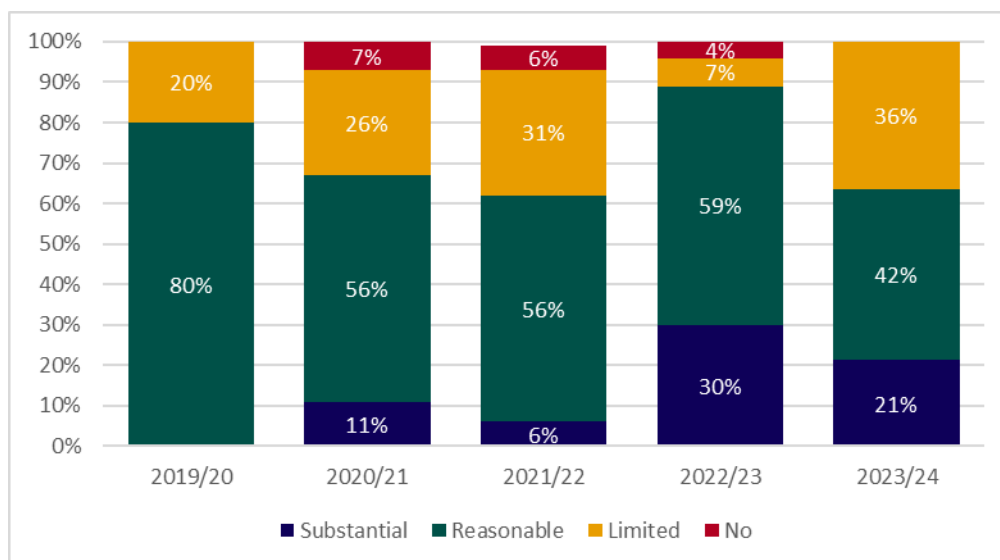


FIGURE 2 IA ASSURANCE RATINGS AS A PERCENTAGE OF ASSURANCE REVIEWS COMPLETED

2.5 Within the 33 IA assurance reviews completed in 2023/24, we raised **124** IA assurance recommendations in total. This is an **increase** compared to prior years and reflects the higher number of limited assurance reports. All 2023/24 recommendations raised by IA were accepted by the relevant manager’s/risk owner.

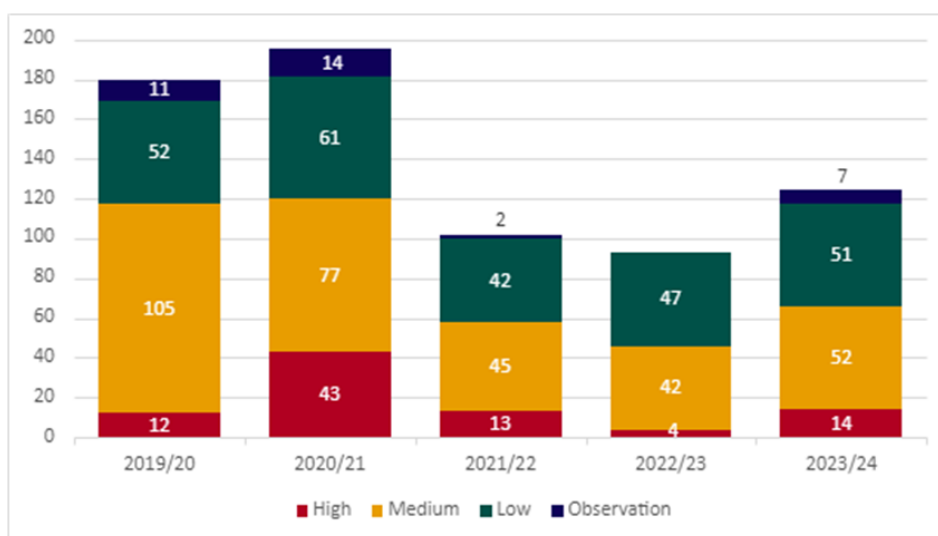


FIGURE 3 IA ASSURANCE RECOMMENDATIONS BY SIGNIFICANCE RATING

2.6 In the last three years there has been an overall decrease in the number of recommendations when compared to earlier years. This is likely due to the reduction in compliance based reviews and more focus on identifying the root cause of any findings. This means more findings to be consolidated where the root cause is the same.

2.7 The individual assurance reviews carried out during 2023/24 are listed in Appendix A, including the assurance levels achieved and the number of IA recommendations made (as outlined at Appendix B).

2.8 The three planned and four ad-hoc consultancy reviews were also completed during the year, and five grant claim audits. These are also detailed in Appendix A. Consultancy work continues to provide advice and guidance across the Council, enhancing the role of IA in helping Council services improve, achieving the collaborative approach that IA strives to deliver.

2.9 The IA team has also developed significantly over the 2023/24 year. Five new starters joined in May 2023 to fill the vacancies which impacted on capacity in the prior year. This has allowed the team to reduce the reliance on external partner, Mazars, and complete more reviews in-house during

2023/24. The team have also taken the opportunity to refresh their IA Manual and working practices, including moving away from compliance-based audits to tailor audits to individual risk areas. There is an ongoing quality improvement plan in place which will be taken forward throughout 2024/25.

3. HEAD OF INTERNAL AUDIT OPINION STATEMENT 2023/24

*It is the HIA's opinion that overall IA can provide **LIMITED** assurance that the system of internal control in place at Hillingdon Council for the year ended 31st March 2024 accords with proper practice, except for the significant internal control issues listed below.*

3.1 Background & Scope

- 3.1.1 Our role as internal auditors is to provide the Audit Committee and CMT with an opinion on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The opinion statement is a source of assurance for the Chief Executive and Leader of the Council in completing the Annual Governance Statement (AGS), which forms part of the statutory Statement of Accounts for the 2023/24 year.
- 3.1.2 Our internal audit work for the 12-month period from 1 April 2023 to 31 March 2024 was carried out in accordance with the internal audit work plan approved by CMT and the Audit Committee. This opinion and report is calculated in relation to the service areas and risks reviewed in the year, and does not relate to any of the other operations of the Council. Our approach complies with best professional practice, in particular Public Sector Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.
- 3.1.3 In assessing the level of assurance to be given we have taken into account the internal audits undertaken during 2023/24, the management responses and actions taken in relation to significant findings identified, the effects of any significant changes in the Council's objectives or systems, and any matters arising from previous internal audit reports.
- 3.1.4 During 2023/24 the Council's IA service had unrestricted access to all areas and systems across the authority, received appropriate co-operation from officers and members and had sufficient resources to enable it to provide adequate coverage of the authority's control environment. Therefore, there are no qualifications to the 2023/24 HIA opinion statement.

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

- 3.2.1 The HIA opinion is based primarily on the work carried out by the Council's IA service during 2023/24. Although 42% of the reports finalised in the period were given a Reasonable assurance opinion, and 21% were given Substantial assurance, there was a significant increase in the number of limited assurance reviews (36%). These include some key areas of governance, for example Risk Management, Workforce Planning, and Facilities Management. IA also raised findings through the advisory reviews that are not allocated an assurance rating, and these have been taken into consideration in the overall opinion.
- 3.2.2 Common themes arising from the IA findings raised in 2023/24 include inconsistent governance arrangements, which are further impacted by the significant transformation work ongoing across the Council. Poor data quality, reliance on manual records and reliance on outdated systems that are no longer fit for purpose also impacted on the quality of documentation and performance data available. These are all elements the council is already looking to address in 2024/25.
- 3.2.3 The increase in limited assurance reports also demonstrates the Council's commitment to engaging with Internal audit to continuously improve, rather than focusing on traditional compliance-based audits. Internal Audit were specifically directed to areas of concern by management and this has been taken into consideration where work is already ongoing to strengthen the Council's control environment in relation to any significant weaknesses identified.

3.2.4 The HIA has also taken into consideration the work of other assurance providers including External Audit and the Counter Fraud Team (CFT), as well as the council’s performance against budget and key objectives.

3.3 Risk Management

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

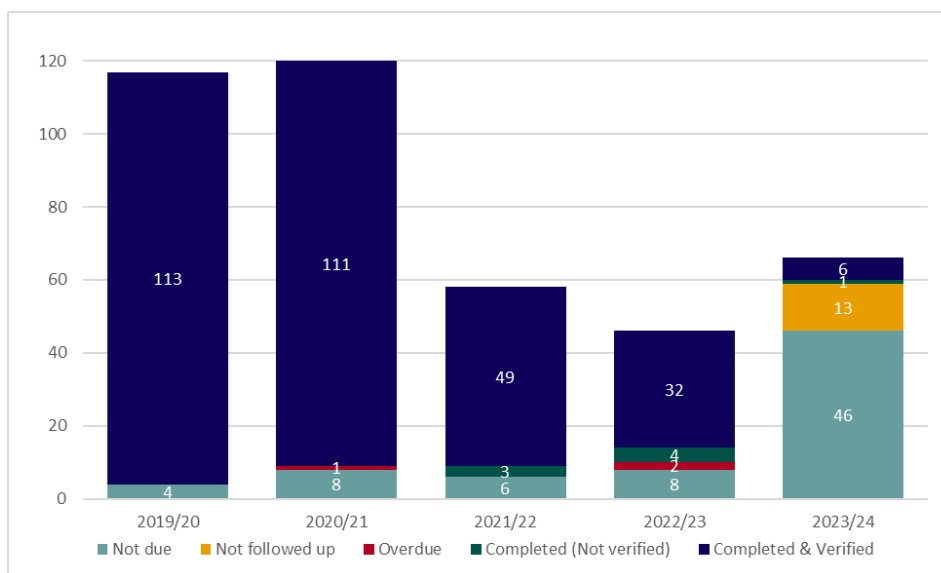
3.3.2 The IA opinion on the effectiveness of the Council’s Risk Management arrangements is based on the Chartered Institute of Internal Auditors’ Risk Maturity Model. The IA assessment of the Council’s Risk Management maturity is that the Council was **RISK AWARE** as at the end of April 2024, the second of the five maturity levels and consistent with the prior year.

3.3.3 Although there has been an improved focus on reviewing risk registers throughout 2023/24, leading to a significant increase in the number of risks documented and reviewed. There are still a number of ongoing actions to embed risk management as a proactive process, with clear action plans in place to address the risks identified. This includes implementing the new Risk Management system across each service, which is a key priority for the HIA in 2024/25.

4. INTERNAL AUDIT FOLLOW-UP 2023/24

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

4.2 The graph below shows the status of recommended actions at the year end:



4.3 Updates on all outstanding IA management actions are reported in the quarterly IA progress reports for CMT and Audit Committee. Due to the transformational changes ongoing across the council, many of the actions have been delayed as they are incorporated into wider changes or if the responsible officer has left the organisation. These recommendations are allocated new responsible officers and implementation dates and will continue to be followed up until they are completed and verified.

5. REVIEW OF INTERNAL AUDIT PERFORMANCE 2023/24

- 5.1 IA Key Performance Indicators (KPIs) measure the quality, efficiency and effectiveness of the IA service. Performance against the IA KPIs is reported to the Audit Committee quarterly through the IA Progress Report.
- 5.2 At the year-end IA fully achieved **seven** of the ten agreed KPIs, and partially met **two** further KPIs. The one red rated KPI at the year-end relates to the number of high and medium management actions completed by the responsible officer within the agreed timescale. The IA team has limited control over this KPI however it is used to monitor the final outcome of the IA work. Increasing engagement with services to follow up recommendations before they become due will hopefully improve this KPI during 2024/25.
- 5.3 In total **36** planned reviews were finalised as at the time of this report, equating to **78%** of the planned work for the year. **Six** further reports had been issued in draft, increasing the total to **91%** of the plan issued in draft, and an additional seven grant claims and four ad-hoc consultancy reviews were completed in the year. This is a fantastic result given the new team and increase in planned work.

APPENDIX A: DETAILED INTERNAL AUDIT ACTIVITY

PLANNED ASSURANCE & CONSULTANCY REVIEWS

IA Ref.	IA Review Area	Current Status as at end of April 2024	Assurance Level	Management Actions			
				H	M	L	O
22.P36	Capital Programmes	Final report issued 30 June 2023	Reasonable	-	1	1	-
22.P38	Domestic Violence Homelessness Process	Final report issued 26 April	Reasonable	-	2	2	-
22.A47	High Cost panel and Risk profile	Final report issued 02 June 2023	Substantial	-	-	3	-
22.P52	Trading Standards POCA	Final report issued 13 September 2023	Limited	1	2	5	-
22.F56	IR35	Final report issued 06 July 2023	Limited	1	2	1	-
22.C59	Care Leavers Allowances	Final report issued 11 July 2023	Limited	1	1	1	-
22.C61	Thematic Review: Pupil Premium Funding in Schools	Final report issued 05 July 2023	Reasonable	-	4	2	-
22.F63	Robotic Process Automation	Final report issued 14 July 2023	Reasonable	-	1	-	-
22.A64	Mental Health Pathway	Final report issued 02 June 2023	Substantial	-	-	2	-
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	-	-	5	-
23.S01	IT Application Review – ContrOCC	Final report issued 26 September 2023	Reasonable	-	2	-	-
23.F01	Risk Management	Final report issued 01 September	Limited	1	5	-	-
23.C02	Safety Valve Plan	Final report issued 22 November 2023	N/A: ADVISORY	-	-	-	-
23.P01	Private Sector Housing	Final report issued 01 February 2024	Reasonable	-	1	4	-
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	-	-
23.S06	Mortuary	Final report issued 15 August 2023	Substantial	-	-	1	-
23.P04	DFG & Adaptations	Final report issued 21 September 2023	Substantial	-	-	1	-

Key:

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 as at end of April 2024	Assurance Level	Management Actions			
				H	M	L	O
23.P03	Parking Income	Final report issued 11 January 2024	Reasonable	-	3	3	-
23.A04	Contract Management	Final report issued 24 January 2024	Reasonable	-	3	-	-
23.A02	Payments to Early Years Providers	Final report issued 07 November 2023	Substantial	-	-	1	-
23.F03	Effectiveness of the Pension Committee	Final report issued 19 October 2023	Reasonable	-	2	-	1
23.P05	Climate Action	Final report issued 29 January 2024	Limited	1	1	2	1
23.A03	Goshawk Gardens & Chapel Lane	Final report 24 January 2024	Limited	1	3	2	-
23.F02	Payment Card Data Security Standard (PCI DSS)	Final report issued 15 April 2024	Reasonable	1	-	1	-
23.P06	Facilities Management	Final report issued 08 December 2023	Limited	-	3	2	1
23.S12	Social Housing Applications	Final report issued 25 March 2024	Limited	1	1	-	1
23.P11	Building Control Action Plan	Final report issued 25 March 2024	Reasonable	-	1	3	-
23.F07	Fleet Damage	Final report issued 15 April 2024	Limited	-	4	-	-
23.P08	Homeless Housing Applications	Final report issued 11 January 2024	Limited	1	1	4	-
23.C04	Neglect (Children's)	Final report issued 05 March 2024	Reasonable	-	2	-	-
23.F05	Fraud Risk Assessment - Procurement	Final report issued 29 February 2024	N/A: ADVISORY	-	-	-	-
23.S03	Contact Centre	Final report issued 25 January 2024	Substantial	-	-	3	-
23.P12	Building Safety Standards	Final report issued 13 March 2024	Substantial	-	-	-	-
23.S13	Pool Cars	Final report issued 29 February 2024	Limited	2	3	1	2
Total Number of IA Recommendations Raised				14	47	51	7

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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	Memos issued 8 May and 28 June 2023
23.G1.2	Supporting Families Grant – Quarter 2	Memos issued 28 July, 30 August and 27 September 2023
23.G1.3	Supporting Families Grant – Quarter 3	Memos issued 3 November, 11 December and 19 December 2023
23.G2	BNG Grant Allocation	Memo issued 6 April 2023
23.G3	Housing Benefit Subsidy	Memo issued 29 November 2023
23.G4	Mayors Charity Account	Memo issued 9 February 2024
23.G5	Bus Service Operators Grant	Memo issues 8 March 2024
23.X1	Purchase Cards Data Analytics	Memo issued June 2023
23.X2	Section 106 Funding	Memo issued 14 June 2023
23.X3	Care Provider	Complete November 2023
23.X4	Music Service Invoicing & Credit Notes	Memo issued 29 February 2024

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APPENDIX B: INTERNAL AUDIT DEFINITIONS

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

RISK	DEFINITION
HIGH	The recommendation relates to a significant threat or opportunity that impacts the Council's corporate objectives. The action required is to mitigate a substantial risk to the Council. In particular it has an impact on the Council's reputation, statutory compliance, finances or key corporate objectives. The risk requires senior management attention.
MEDIUM	The recommendation relates to a potentially significant threat or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the Council. In particular an adverse impact on the Department's reputation, adherence to Council policy, the departmental budget or service plan objectives. The risk requires management attention.
LOW	The recommendation relates to a minor threat or opportunity that impacts on operational objectives. The action required is to mitigate a minor risk to the Council as a whole. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives. The risk may be tolerable in the medium term.
OBSERVATION	This includes any items Internal Audit would like to highlight that may not directly relate to a finding. This includes notable performance and innovative controls that should be shared with others , potential concerns raised during the audit that are outside the scope of the review and will be considered separately, and any areas of improvement that had already been addressed by management at the time of the review.

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INTERNAL AUDIT PROGRESS REPORT

Committee name	Audit Committee
Officer reporting	Claire Baker, Head of Internal Audit & Risk Assurance
Papers with report	Internal Audit Progress Report: April 2024
Ward	All

HEADLINES

The attached Progress Report presents the Audit Committee with a summary of the Internal Audit (IA) work covered since the last Committee meeting. It also provides an opportunity for the Head of Internal Audit to highlight to the Audit Committee any significant issues that they need be aware of that have arisen since the last IA Progress Report.

Further, it enables the Audit Committee to hold the Head of Internal Audit to account on delivery of the IA 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 note the IA Progress since the last Committee meeting

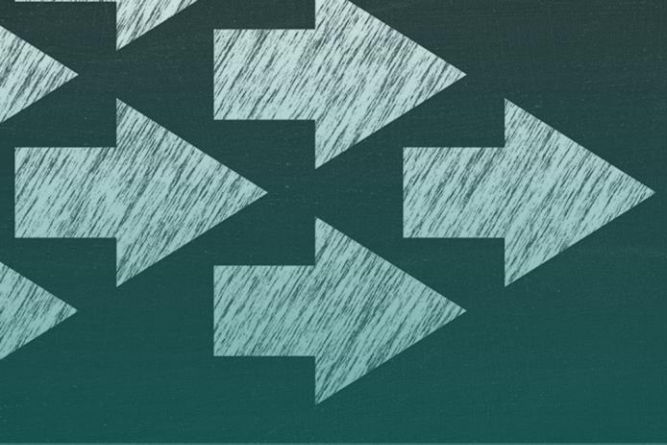
SUPPORTING INFORMATION

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

NIL.

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INTERNAL AUDIT PROGRESS REPORT

10 April 2024



CONTENTS

The key contacts in connection with this document are:

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

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1. INTRODUCTION

The Role of Internal Audit

Internal Audit (IA) provides an independent assurance and consultancy service that underpins good governance, essential in helping the Council achieve its corporate objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit (Amendment) Regulations 2021 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account the UK Public Sector IA Standards.

The Purpose of the Internal Audit Progress Report

This progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all IA work completed since the last 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

IA have now completed all fieldwork in relation to the 2023/24 and have already started work on a number of reviews in the 2024/25 IA workplan.

Since the last Audit Committee meeting, **nine** reviews were completed to final report stage and included in the Annual IA Report presented separately to this committee. These include:

- **one SUBSTANTIAL** assurance report: Building Safety Standards
- **four REASONABLE** assurance reports: Payment Card Data Security Standard, Building Control Action Plan, Neglect (Children's), and Private Sector Housing,
- **one ADVISORY** review: Fraud Risk Assessment (Procurement)
- **three LIMITED** assurance reports relating to the following areas:

Social Housing applications	The Council has a Social Housing Allocation Policy which describes how housing applications are assessed and prioritised. This review tested a sample of applications to confirm whether the policy was followed in practice. Our review identified two key areas of improvement. The first related to inconsistent case management documentation, in particular multiple different systems were used to record application information leading to missing information and duplication. The second key finding related to the large backlog of cases held by the service, as there was no approved action plan in place at the time of the review to address this backlog.
Fleet Damage	This review was added to the plan to assess the management arrangements within the fleet service due to the increase in fleet damage costs. Overall, we raised four medium findings which all related to the reliance on paper-based documentation. This meant records could not be accessed or reviewed and there was increased human error. This key documentation included Consent to Drive forms, Driver Assessment test sheets, accident reports, and daily vehicle check sheets. Poor quality records impact on the Council's ability to hold drivers to account when vehicles are damaged.
Pool Cars	The Council maintains a small fleet of pool cars to be used by officers when required for ad-hoc journeys. This review was added to the Internal Audit Plan following a potential misuse of a pool car identified by the Head of the Corporate Business Support Unit (BSU) team. All bookings are made through a central calendar and the keys are collected from the BSU team. However, the current processes rely on individual drivers taking responsibility for completing key paperwork before taking a pool car and our testing identified this was not done consistently in practice. The central resources for monitoring compliance with the pool cars processes were reduced as part of previous restructure of the BSU. However, this has increased the risk

	that pool cars can be taken without consent and the Council could be held responsible if the car is involved in a serious accident.
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Seven further reviews are at a draft report stage and should be finalised before the next Audit Committee. For details of these reviews please see *Appendix A*.

Since the last Audit Committee IA has also completed the audit of the Mayors Charity Account and a grant claim memo for the Bus Service Operators Grant. For details of the grant claims and ad hoc consultancy reviews currently planned for 2024/25 please see *Appendix B*.

Changes to the Internal Audit Workplan

During Q4 four planned Internal Audit reviews were postponed at the request of the service and have been added to the 2024/25 workplan.

Fieldwork for three of the four reviews (Personal Appraisals, Overtime Payments and Partnership Working (Health)) was started however the key service contacts were subsequently diverted to support with a CQC inspection and the External Audit interim review. New planned dates were set with the relevant services and these reviews will be completed in 2024/25.

The fourth review (Supported Living: Void Management) was consolidated with a wider Voids review requested for Q1 of the 2024/25 workplan. The processes are consistent so this will reduce any potential duplication if the supported living voids were reviewed separately.

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 33/43 (77%) management actions due to have been implemented were marked as verified or complete. Three 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 seven were marked as unknown as we have not received confirmation from the responsible officer. Meetings will be 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 reports from the 2023/24 Internal Audit workplan and starting fieldwork for the 2024/25 reviews.

The IA team are also working to update their Quality Improvement Action Plan for the year, which will include a detailed review of existing processes against the new Global Internal Audit Standards to ensure any areas of improvement are implemented before the Standards go live in January 2025. A summary of this work will be presented to the next Audit Committee meeting.

IA would like to take this opportunity to formally thank all staff throughout the Council with whom IA had contact during Q4. 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 April 2024	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.S04	Organisation Culture	Draft report issued 28 March 2024	<i>TBC once final report issued</i>				
23.C06	Thematic Schools Audit (SEND Funding)	Draft report issued 22 February 2024	<i>TBC once final report issued</i>				
23.C03	SEND Data Quality	Draft report issued 26 January 2024	<i>TBC once final report issued</i>				
23.F04	Oracle Programme	Draft report issued 15 April 2024	<i>TBC once final report issued</i>				
23.F08	Budget Monitoring	Report drafting	<i>TBC once final report issued</i>				
23.A08	ARCH Social Work Outputs	Draft report issued 19 March 2024	<i>TBC once final report issued</i>				
23.A06	Neglect (Adults)	Draft report issued 02 April 2024	<i>TBC once final report issued</i>				
23.P09	Uninspected B&Bs	Draft report issued 25 March 2024	<i>TBC once final report issued</i>				
23.P10	Statutory Servicing, Engineering & Maintenance Contracts	Report drafting	<i>TBC once final report issued</i>				
23.S08	Performance Information	Report drafting	<i>TBC once final report issued</i>				
24.A01	Commissioned & Direct Payments	<i>Planned for June 2024</i>	<i>TBC once final report issued</i>				
24.A04	Partnership Working (Health)	Fieldwork Planned for Q4	<i>TBC once final report issued</i>				
24.D02	Cyber Security (1)	Planning	<i>TBC once final report issued</i>				
24.P03	Leasehold Management & Service Charges	Planning	<i>TBC once final report issued</i>				
24.P04	Asset Management (Corporate Properties)	Planning	<i>TBC once final report issued</i>				
24.S01	Organisation Culture (Part Two)	Planning	<i>TBC once final report issued</i>				
24.S03	Recruitment & Pre-employment checks	<i>Planned for July 2024</i>	<i>TBC once final report issued</i>				
24.S07	Voids processes	Fieldwork	<i>TBC once final report issued</i>				
24.S15	Overtime, Expenses & Mileage Payments	Fieldwork Planned for June	<i>TBC once final report issued</i>				
24.S16	Personal Appraisals	Fieldwork	<i>TBC once final report issued</i>				
24.X01	Directorate Governance	Planning	<i>TBC once final report issued</i>				

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IA Ref.	IA Review Area	Current Status April 2024	Assurance Level	Actions & Risk Rating			
				H	M	L	O
24.X02	Cabinet Engagement	Planning	TBC once final report issued				
24.C03	Admissions	Planning	TBC once final report issued				
24.A02	Transport provider	Planned for Q2 2024	TBC once final report issued				
24.F06	Budget Setting	Planned for Q2 2024	TBC once final report issued				
24.A03	Telecare (Intelligent Lilli)	Planned for Q2 2024	TBC once final report issued				
24.C02	Schools Finances	Planned for Q2 2024	TBC once final report issued				
24.D01	Data Quality (Liquid Logic)	Planned for Q2 2024	TBC once final report issued				
24.D05	Hillingdon First Card	Planned for Q2 2024	TBC once final report issued				
24.F01	Post Oracle Implementation	Planned for Q2 2024	TBC once final report issued				
24.F04	Debtors	Planned for Q2 2024	TBC once final report issued				
24.P02	Waste Services	Planned for Q2 2024	TBC once final report issued				
24.S02	Mandatory training	Planned for Q2 2024	TBC once final report issued				
24.S05	Decent Homes Standards	Planned for Q2 2024	TBC once final report issued				
24.S09	Dangerous Structures	Planned for Q2 2024	TBC once final report issued				
24.S13	Rent arrears	Planned for Q2 2024	TBC once final report issued				
24.C01	Safety Valve Plan (Part 2)	Planned for Q3 2024	TBC once final report issued				
24.D03	Cyber Security (2)	Planned for Q3 2024	TBC once final report issued				
24.D04	Device Usage	Planned for Q3 2024	TBC once final report issued				
24.F02	Key Financial Controls	Planned for Q3 2024	TBC once final report issued				
24.F03	Contract Management Oversight	Planned for Q3 2024	TBC once final report issued				
24.F05	Social Care Charges	Planned for Q3 2024	TBC once final report issued				
24.P01	Community Safety	Planned for Q3 2024	TBC once final report issued				

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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 April 2024	Assurance Level	Actions & Risk Rating			
				H	M	L	O
24.S04	Gifts, Hospitality & Conflicts of Interest	<i>Planned for Q3 2024</i>	<i>TBC once final report issued</i>				
24.S11	Temporary Accommodation	<i>Planned for Q3 2024</i>	<i>TBC once final report issued</i>				
24.S12	Private Sector Housing Procurement	<i>Planned for Q3 2024</i>	<i>TBC once final report issued</i>				
24.S14	Registrars	<i>Planned for Q3 2024</i>	<i>TBC once final report issued</i>				
24.X03	Transformation Programme	<i>Planned for Q3 2024</i>	<i>TBC once final report issued</i>				
24.X04	Corporate Policies and Procedures	<i>Planned for Q3 2024</i>	<i>TBC once final report issued</i>				
24.D06	Digital Inclusion	<i>Planned for Q4 2024</i>	<i>TBC once final report issued</i>				
24.S06	Utilisation of Housing Stock	<i>Planned for Q4 2024</i>	<i>TBC once final report issued</i>				
24.S08	Emergency Planning	<i>Planned for Q4 2024</i>	<i>TBC once final report issued</i>				
24.S10	Security	<i>Planned for Q4 2024</i>	<i>TBC once final report issued</i>				
Total Number of IA Management Actions Raised							

IA = Internal Audit	H = High Risk	M = Medium Risk	L = Low Risk	O = Observation
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APPENDIX B: IA AD-HOC CONSULTANCY & GRANT CLAIM VERIFICATION REVIEWS

IA Ref.	IA Review Area	Current Status April 2024
24.G1	Supported Families Q1	
24.G1	Supported Families Q2	
24.G1	Supported Families Q3	
24.G1	Supported Families Q4	
24.G2	Housing Benefit Grant	
24.G3	Mayors Charity Accounts	
24.G4	Bus Subsidy Grant Claim	
24.Z01	FM Code Self-Assessment	
24.Z02	Business continuity plans	
24.Z03	SEND transport	
24.Z04	Housing Appeals	

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IA = Internal Audit	H = High Risk	M = Medium Risk	L = Low Risk	O = Observation
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APPENDIX C: IA FOLLOW UP OF MANAGEMENT ACTIONS

Ref	Review	Number of Actions		Current Status of Actions:										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
20.A03	Cemeteries: Bereavement Service and Ground Maintenance	2	4	-	-	-	-	-	-	-	-	2	4	Due June 2024
20.A06	Estates - Lease Management	1	1	-	1	-	-	-	-	-	-	1	-	Due April 2024
20.A12	Educational Care Plans and Local Offer	-	1	-	1	-	-	-	-	-	-	-	-	CLOSED
20.A31	Exclusions or Education Cases for Vulnerable Young People	-	4	-	3	-	-	-	1	-	-	-	-	New due date: May 2024
21.A03	ICT Service Desk	-	2	-	1	-	-	-	-	-	-	-	1	Due June 2024
21.A06	Transport Contract Management	-	1	-	1	-	-	-	-	-	-	-	-	CLOSED
21.A07	Fostering Service	-	3	-	-	-	3	-	-	-	-	-	-	
21.A14	Birth Registration Service	-	3	-	-	-	-	-	-	-	-	-	3	Due November 2024
21.A16	Procurement – Contract Compliance Management	1	1	-	-	-	-	-	-	-	-	1	1	Due June 2024
22.A39	Stronger families HUB	1	1	-	-	1	1	-	-	-	-	-	-	
22.A42	Fraud prevention controls in tendering & contacts	-	4	-	-	-	-	-	-	-	-	-	4	Due April 2024
22.A43	Registrars cash handling	-	1	-	-	-	-	-	1	-	-	-	-	Change of Officer
22.A45	Adult social care referrals and assessment	-	2	-	1	-	-	-	1	-	-	-	-	New due date: May 2024
22.A46	Colham road	-	2	-	1	-	1	-	-	-	-	-	-	
22.A48	Quality of practice	-	3	-	3	-	-	-	-	-	-	-	-	CLOSED
22.A50	Purchase cards	-	4	-	-	-	-	-	-	-	-	-	4	Due April 2024
22.A58	Merrimans Respite Care Unit	-	1	-	-	-	1	-	-	-	-	-	-	
22.A56	IR35	1	2	1	2	-	-	-	-	-	-	-	-	CLOSED
22.C59	Care Leavers Allowances	1	1	-	-	-	-	-	-	1	1	-	-	
22.C61	Thematic Review: Pupil Premium	-	4	-	3	-	-	-	-	-	1	-	-	
22.F63	Robotic Process Automation	-	1	-	-	-	-	-	-	-	-	-	1	Due April 2024

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IA = Internal Audit

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22.P52	Trading Standards POCA	1	2	-	-	-	-	-	-	-	-	1	2	Due April 2024
23.A03	Goashawk Gardens & Chapel Lane	1	3	-	-	1	3	-	-	-	-	-	-	
23.A04	Contract Management	-	3	-	-	-	-	-	-	-	-	-	3	Due April 2024
23.C04	Neglect (Children's)	-	2	-	-	-	-	-	-	-	-	-	2	Due May 2024
23.F01	Risk Management	1	5	-	-	-	-	-	-	-	-	1	5	Due April 2024
23.F03	Effectiveness of the Pension Committee	-	2	-	-	-	-	-	-	-	-	-	2	Due June 2024
23.P01	Private Sector Housing	-	1	-	-	-	-	-	-	-	1	-	-	
23.P02	Capital Programme	1	2	-	-	-	-	-	-	1	2	-	-	
23.P03	Parking Service Income	-	3	-	-	-	-	-	-	-	-	-	3	Due June 2024
23.P05	Climate Action	1	1	-	-	-	-	-	-	-	-	1	1	Due March 2025
23.P06	Facilities Management	-	3	-	-	-	-	-	-	-	-	-	3	Due September 2024
23.S01	IT Application - ContrOCC	-	2	-	-	-	-	-	-	-	-	-	2	Due April 2024
23.S02	Workforce Planning, Establishment & Recruitment	2	2	-	-	-	-	-	-	-	-	2	2	Due June 2024
23.S10	Homeless Housing Applications	1	1	-	-	-	-	-	-	-	-	1	1	Due April 2024
23.S12	Social Housing Applications	1	1	-	-	-	-	-	-	-	-	1	1	Due May 2024
23.F02	Payment Card Data Security Standard (PCI DSS)	1	-	-	-	-	-	-	-	-	-	1	-	
23.P11	Building Control Action Plan	-	1	-	-	-	-	-	-	-	-	-	1	Due May 2024
23.F07	Fleet Damage	-	4	-	-	-	-	-	-	-	-	-	4	
23.S13	Pool Cars	2	3	-	-	-	-	-	-	-	-	2	3	Due July 2024
	SUBTOTAL	19	96	1	21	2	9	0	3	2	5	14	58	
	TOTAL		115		22		11		3		7		72	

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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	Target	2023/24	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%	100%
KPI 2	Draft Reports to be issued three weeks after the end of fieldwork meeting with the key contact	80%	83%	TBC
KPI 3	Final Reports to be issued one week after the final approval received from the Audit Sponsor.	80%	100%	TBC
KPI 4	Annual IA Plan delivered to draft report stage by 31st March	90%	91%	TBC
KPI 5	Annual IA Plan delivered to final report stage by 31st March	80%	76%	TBC
KPI 6	Initial documentation requests outlined at the planning meeting to be received by the audit fieldwork start date.	80%	80%	TBC
KPI 7	Final approval of the management responses to be received two weeks after the updated report is issued	80%	77%	TBC
KPI 8	HIGH and MEDIUM risk IA Management Actions completed within the agreed timescale	80%	65%	TBC
KPI 9	HIGH and MEDIUM risk IA Management Action where positive management action is proposed	95%	100%	TBC
KPI 10	Client Satisfaction Rating from Feedback Questionnaires	85%	85%	TBC

Key for future reporting on actual KPI performance:

- **RED** = currently this performance target is not being met (significantly [>5%] short of target performance).
- **AMBER** = currently not meeting this performance target (just short [<5%] of target performance).
- **GREEN** = currently meeting or exceeding this performance target

APPENDIX E: ASSURANCE LEVELS AND ACTION RISK RATINGS

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

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

RISK MANAGEMENT ANNUAL REPORT 2023/24

Committee name	Audit Committee
Officer reporting	Claire Baker, Head of Internal Audit & Risk Assurance
Papers with report	RM1. Risk Management Annual Report for 2023/24
Ward	All

HEADLINES

This report presents to the Audit Committee a summary of the Risk Management work undertaken across the Council during 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 throughout the year.

RECOMMENDATION:

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

SUPPORTING INFORMATION

NIL.

BACKGROUND PAPERS

NIL.

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RISK MANAGEMENT ANNUAL REPORT

2023/24

08 April 2024



HILLINGDON
LONDON

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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 and in doing so help create an environment of “no surprises”. It is a crucial element of good management and a key part of corporate governance. Although risks can never be entirely eliminated, proportionate and targeted action can be taken to reduce risks to an acceptable level.
- 1.3 Managing risk should be viewed as a mainstream activity and something that is an integral part of everyday management. Risk Management involves the early identification of risks, assessing their potential consequences, and determining the most effective way to reduce the likelihood and/or impact of the risk. The Council’s Risk Management Policy provides a framework to ensure:
- Clear accountabilities and well defined roles and responsibilities for managing risks
 - Risks are promptly identified and their likelihood and impact on Council business is accurately assessed and appropriate action is taken to mitigate the potential risk
 - Employees have the knowledge and skills to identify and manage risks
 - Decisions are taken having considered relevant risks
 - The impact of risk management is evaluated

2. EMBEDDING EFFECTIVE RISK MANAGEMENT IN 2023/24

- 2.1 This section of the report describes some of the key ways risk management is promoted and embedded throughout the Council during 2023/24.
- 2.2 Risk Register Updates**
- 2.2.1 Throughout the year work has been undertaken to update the existing risk this includes replacing the previous Microsoft Word versions of the Directorate Risk Registers with a central Excel Risk Register. The new template allows greater access for individual risks owners, includes more key risk information, and improves the tracking of risks to ensure they are updated consistently.
- 2.2.2 Following the appointment of a Chief Digital & Information Officer a Digital Directorate Risk Register was added to the central register and several services were reallocated between directorates. In these situations the corresponding risks were closed in the outgoing directorate risk register and risks added to new directorate risk register when reviewed. This ensured the new directorate independently reassessed the risks rather than transferring potentially outdated information into the new register.
- 2.2.3 Work was also undertaken to align the corporate risks to the Council’s Strategic Objectives through a Strategic Risk Report. This collates the high scoring operational risks from the Corporate Risk Register into strategic risks against the relevant strategic objective and performance indicators, giving a clearer summary overview of the risks.
- 2.2.4 During the year a new Risk Management System was purchased, developed, and was ready for implementation at the year end. This will allow greater collaboration between services in relation to risks and improve the accountability for managing risks across the Council whilst also reducing the time required to update the register. During 2024/25 this system will be rolled out across the services along with ongoing guidance and training to ensure it is embedded effectively.

2.3 Training

- 2.3.1 All managers are required to complete the e-learning risk management module. A refresher training module is also in place and can be accessed at any time through the e-learning platform. The purpose of the e-learning module is to support the development of a robust approach to risk management within the Council.
- 2.3.2 During 2023/24 two further training sessions was provided by the Head of Internal Audit and Risk Assurance to the Senior Management Team introducing the new risk register template and facilitating directorate level discussions on the risks within the risk register.
- 2.3.3 Training on risk management was also provided for Cabinet and the Members of the Audit Committee by the Head of Internal Audit and Risk Assurance. It is included as part of the Training and Development Plan for Audit Committee Members co-ordinated by Democratic Services.
- 2.3.4 Following staffing changes within the Internal Audit and Risk Assurance team during the year there has been an increased focus to move accountability for managing risks to the individual Services and Directorates. One to one support has been provided to individual officers when requested to help embed this change.

2.4 Corporate Risk Management Group

- 2.4.1 The Corporate Risk Management Group (CRMG) have continued to meet quarterly throughout 2023/24 to review the risk registers and any emerging risks. Each Directorate has a risk champion representing their Directorate on CRMG, which ensures any actions raised are fed back to the relevant responsible officer.
- 2.4.2 Key Performance Indicators in relation to risk management were implemented during the year and will be monitored by CRMG going forwards to ensure the new risk management system is embedded effectively.

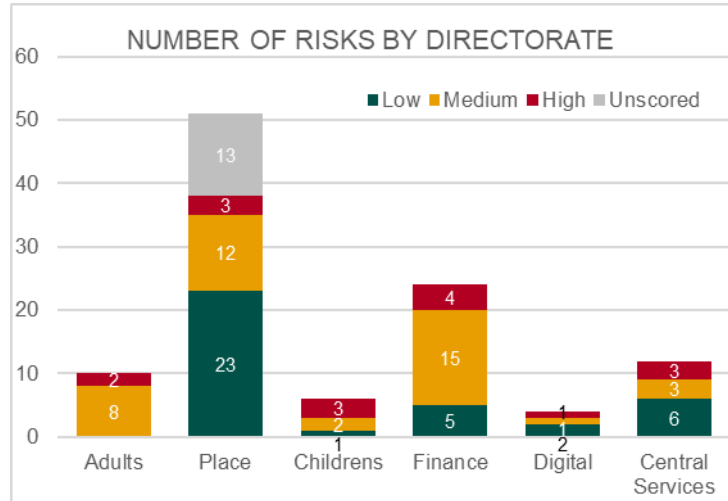
2.5 Internal Audit

- 2.5.1 Early in the year an Internal Audit review was undertaken on the risk management arrangements across the Council, achieving a limited assurance opinion. The findings from this review were incorporated into the risk management improvement project lead by the Head of Internal Audit and Risk Assurance, including implementing a new risk management system and improving the monitoring information available for CMT and the Audit Committee

3. YEAR END RISK REGISTER UPDATE

3.1 As highlighted above, work is ongoing to review the risk management arrangements across the organisation.

3.2 The number of risks recorded in the central risk register had increased from 34 risks at the end of 2022/23 to **107** risks at the end of 2023/24. This demonstrates the increased focus on proactively highlighting risks at all levels of the organisation, which will continue to improve awareness of emerging issues.



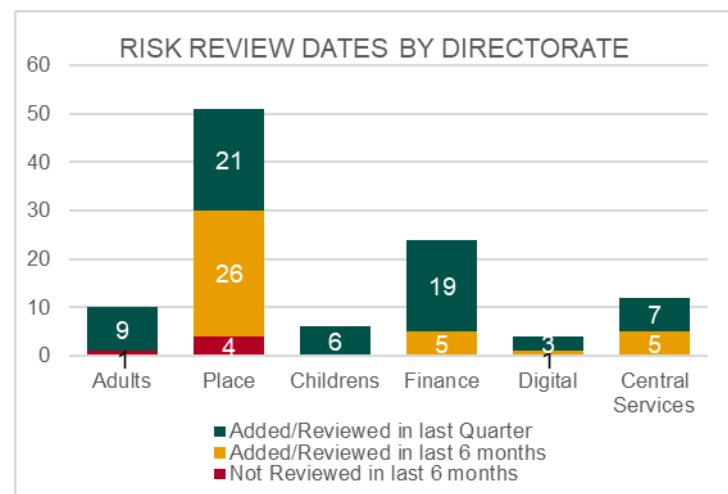
3.3 There were **16 red** rated risks on the risk register at the year end, which have been escalated to the corporate risk register shown in section four of this report, in line with the Risk Management Policy.

3.4 Although the Place Directorate had the highest number of risks recorded on their directorate risk register at the year end many of these are low scoring risks relating to individual services.

3.5 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.

3.6 At the year-end there were 13 unscored risks on the risk register (a decrease from 24 at the end of Q3). These were all in the Place Directorate and were raised at the Corporate Risk Management Group on the 27 March 2024 to ensure they are reviewed and scored during the first quarter of 2024/25.

3.7 At the year-end there were five risks that had not been reviewed in the last six months. Four related to Place (two low and two medium) and one related to Adult Social Care and Health (Medium). These were raised at the Corporate Risk Management Group on the 27 March 2024 and will be followed up to ensure they are reviewed.



3.8 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.

4. CORPORATE RISK REGISTER (CRR)

- 4.1 The Council's Corporate Risk Register (CRR) is an essential part of the Local Authority's Risk Management arrangements. The CRR documents any risks which are graded 'red' due to their potential likelihood and impact on the Council. They are then aligned to the Strategic Objectives through the Strategic Risk Report presented to the Audit Committee. The Corporate Risk Register is outlined in Appendix A.
- 4.2 The CRR is presented to the Corporate Management Team (CMT), CRMG and the Audit Committee quarterly to evidence how the identified risks are being managed and what mitigating actions are being implemented.
- 4.3 During quarter one of the year a significant review of the risks within the Council's risk register was undertaken, which led to ten new red rated risks escalating to the CRR. Three amber rated risks which were previously recorded on the CRR were also removed and incorporated into directorate risk registers where appropriate. Further changes are expected as the new risk system is implemented and there is more awareness of risks within individual services.

4.4 Analysis of Corporate Risk Register

Number of Corporate Risks brought forward from 2022/23	10
Number of new Corporate Risks in 2023/24	13
Number of retired Corporate Risks in 2023/24	7
Number of Corporate Risks where the Risk Scores have increased	1
Number of Corporate Risks where the Risk Scores have decreased	1
Number of Corporate Risks where the Risk Scores have remained static	11
Total Number of Corporate Risks at the end of 2023/24	16

5. 2023/24 FORWARD PLAN

5.1 Move to 'Risk Defined'

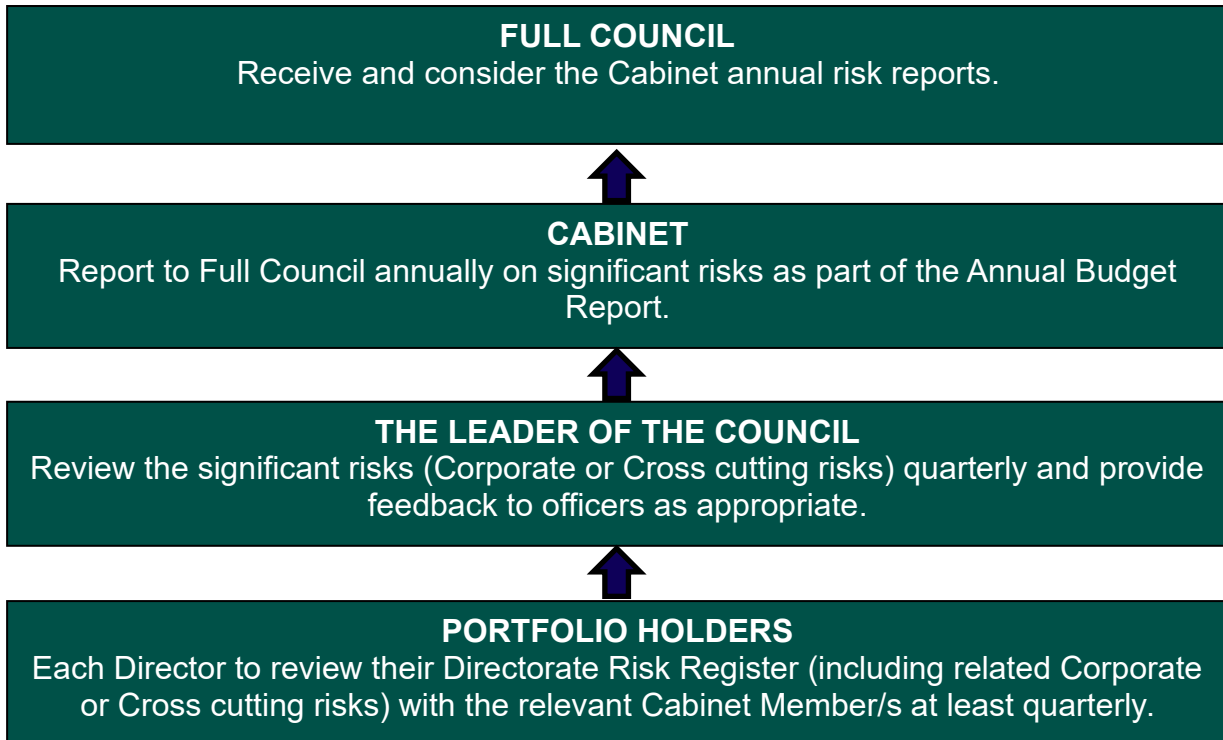
- 5.1.1 The Chartered Institute for Internal Audit's Risk Maturity Model is a benchmarking tool to assess the Council's organisation's risk maturity. In accordance with this model our current risk maturity level is '**Risk Aware**', the second of the five maturity levels. This is consistent with the score at the end of 2022/23.
- 5.1.2 It is an aspiration to develop the organisation's risk maturity to the next level of '**Risk Defined**' in alignment with the ongoing transformation programme and digital roadmap. The new risk management
- 5.1.3 Following initial end-user testing the new risk management system will be rolled out across the directorates, along with updated training, guidance and Risk Management Policy. To ensure the system becomes embedded further performance indicators will be developed and monitored through the CRMG and Audit Committee. This will include monitoring to ensure all risks have appropriate actions in place to mitigate the risk and the actions are implemented as planned.

APPENDIX A: CORPORATE RISK REGISTER

CRR Risk:	2022/23 Q4	2023/24 Q1	2023/24 Q2		2023/24 Q3		2023/24 Q4	
	Rating	Rating	Review Date	Rating	Review Date	Rating	Review Date	Rating
Heathrow Airport Expansion	Static E1	Static E1	Reduced		N/A		N/A	
Meeting Housing Needs	Static A1	Static A1	29/09/2023	Static A1	15/12/2023	Static A1	26/03/2024	Static A1
Asylum/Trafficked Children & Young People	Static B3	Static B3	Reduced		N/A		N/A	
Ability to Deliver a Balanced Budget in the Medium Term	Static C1	Static C1	Replaced		N/A		N/A	
Financial Resilience of Contracts	Static C2	Static C2	28/09/2023	Static C2	15/11/2023	Static C2	13/02/2024	Increase B2
Early Years and School Place	Static C1	Static C1	Replaced		N/A		N/A	
The General Data Protection Regulations	Static D1	Static D1	29/09/2023	Static D1	29/09/2023	Static D1	26/03/2024	Static D1
Cyber Security	Static C1	Static C1	24/08/2023	Static C1	12/12/2023	Static C1	25/03/2024	Static C1
Dedicated Schools Grant	Static E1	Static E1	Reduced		N/A		N/A	
Inflation	Static C1	Static C1	Reduced		N/A		N/A	
Community DOL	N/A	N/A	06/09/2023	New C2	08/01/2024	Static C2	26/03/2024	Static C2
Capital Programmes	N/A	N/A	25/08/2023	New C2	25/08/2023	Static C2	06/03/2024	Static C2
Rent arrears	N/A	N/A	06/09/2023	New A3	15/12/2023	Static A3	26/03/2024	Static A3
Workforce Sufficiency	N/A	N/A	23/09/2023	New C2	23/09/2023	Static C2	08/03/2024	Static C2
Childrens Care placements	N/A	N/A	23/09/2023	New C2	04/01/2024	Static C2	08/03/2024	Static C2
High Needs SEN placements	N/A	N/A	23/09/2023	New B2	23/09/2023	Static B2	08/03/2024	Decrease D1
School Places	N/A	N/A	23/09/2023	New C1	23/09/2023	Static C1	Reduced	
Maintained Schools Funding	N/A	N/A	20/09/2023	New D1	13/12/2023	Static D1	13/12/2023	Static D1
Increased levels of fraud	N/A	N/A	16/08/2023	New B1	16/08/2023	Static B1	19/03/2024	Static B1
Ability to Deliver a Balanced Budget in the Short and Medium Term	N/A	N/A	29/09/2023	New D1	17/10/2023	Static D1	17/10/2023	Static D1
Decent Homes/ Thermal efficiencies	N/A	N/A	N/A		N/A		24/03/2024	New B1
Decarbonisation	N/A	N/A	N/A		N/A		24/03/2024	New C2
Home to School Transport	N/A	N/A	N/A		N/A		25/03/2024	New C2

APPENDIX B: CORPORATE GOVERNANCE OF RISK MANAGEMENT

Governance Functions:



Executive Functions:



Assurance Functions:



APPENDIX C: RISK SCORING METHODOLOGY

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

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STRATEGIC RISK REPORT

Committee name	Audit Committee
Officer reporting	Claire Baker, Head of Internal Audit
Papers with report	RM2. Strategic Risk Report
Ward	All

HEADLINES

The Strategic Risk Report aligns the strategic objectives of the Council with the overarching strategic risks that could impact on those objectives, and the corporate risks from the Corporate Risk Register. Providing assurance to the Committee that these key risks to the Council's objectives are being managed appropriately.

Officers are still working to develop the sources of assurance to enable Members to monitor the risks identified, this is being taken forward as part of a wider Digital project to improve the performance data available 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









NIL.

BACKGROUND PAPERS

NIL.

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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
	<i>No Strategic Risks Recorded</i>	N/A	N/A	Green
	<i>No Strategic Risks Recorded</i>	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:	April 2024	Change:	Static	P015 - Decent Homes/Thermal Efficiencies	B1	Next Review Date:	July 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"> The Council has implemented a programme of new developments and buying back former 'Right to Buy' (RTB) and vacant properties. 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. Decent homes improvement programmes are in place and a significant fire safety works programme is nearing completion. 		<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:	April 2024	Change:	Static	F005 - Maintained Schools Funding	D1	Next Review Date:	July 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"> 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. Budget holders engaged in budget setting process and ongoing budget monitoring. 		<p>Level 1: MTFF</p> <p>Level 2: Monthly budget monitoring reports</p> <p>Level 3: Internal Audit of the budget monitoring arrangements</p>		<table border="1"> <tr> <td>General Fund revenue budget</td> <td>TBC</td> </tr> <tr> <td>Dedicated Schools Grant (DSG)</td> <td>TBC</td> </tr> <tr> <td>Savings Programme</td> <td>TBC</td> </tr> </table>		General Fund revenue budget	TBC	Dedicated Schools Grant (DSG)	TBC	Savings Programme	TBC
General Fund revenue budget	TBC												
Dedicated Schools Grant (DSG)	TBC												
Savings Programme	TBC												
Actions:													
<ol style="list-style-type: none"> Budget Strategy sessions scheduled to translate ongoing service and transformation activity into quantified savings programme Proactive lobbying of Government around future funding levels, both directly and through London Councils, Society of London Treasurers and other routes Approval of balanced 2024/25 budget by Cabinet and Council This will be reviewed alongside finalisation of the 2024/25 budget at Council 						Andy Evans, 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:		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:	April 2024	Change:	Static			Next Review Date:	July 2024
Risk Description		Primary Controls		Sources of Assurance		Key Performance Indicators	
<p>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.</p>		<ul style="list-style-type: none"> Newly established Digital and Intelligence Directorate to lead the digital transformation programme. 		<p>Level 1:</p> <p>Level 2: Hillingdon Information Assurance Group (HIAG) programme of work</p> <p>Level 3: Cyber360 assessment scheduled for 2024/25</p>		<p>CS02: Number of contacts that are self-service/digital</p> <p>TBC</p>	
Actions:							
<p>Developing the Digital and Intelligence leadership team to deliver the strategy and accelerate change</p> <p>Review the Digital and Intelligence directorate roadmap for change, including identifying key priority projects for 2024/25.</p>						<p>Matthew Wallbridge, March 2024</p>	

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						
CLr 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:	April 2024	Change:	Static			Next Review Date:	July 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 Level 2: Level 3: Internal Audits into contract management		ASC09: Social care providers in the Care Governance Process and formal provider of concern category at quarters end	
							TBC
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:	April 2024	Change:	NEW	C003 - High Needs SEN placements	D1	Next Review Date:	July 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"> Participation in the regional development of plans aimed at better meeting the demand. Review of the existing placements to ensure age-appropriate placements and maximising inhouse provision. Joined Pan London Vehicle that leads the development of a London Secure Home 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. Substantial increase of placements through building more SRPs, DUs, assessment base and improving local SEND provision 		<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:							
<ol style="list-style-type: none"> DSG Recovery Programme including banding and OAP Review and placement analysis across all provisions. Brokerage transformation project with ASC and transformation projects to review the Fostering offer and identify additional residential beds 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 							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:	April 2024	Change:	Static			Next Review Date:	July 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"> 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. A full upgrade of the client system will take place on 9th January,2024 to improve data and monitoring of the demand. 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. Work with NHS partners is ongoing to address acuity following issues that have escalated following the pandemic. 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. 		<p>Level 1: BCF and community based review of spending with GT</p> <p>Level 2:Output data from reablement & intelligent Lilli and ASCOF measure of still at home 91 days later</p> <p>Level 3: Completion of the upgrades to the client system</p>		<p>ASC01: Number of contacts from new clients per 100,000 population</p> <p>TBC</p>	
Actions:							
<ol style="list-style-type: none"> 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 Submit a fully complete BCF Assurance document within the required timelines [June 2024] Implement and monitor the outputs of Intelligent lilli pilot. 						<ol style="list-style-type: none"> Ongoing through 2024 June 2024 March 2024 	

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COUNTER FRAUD

Report to Audit Committee: 2023/24 Quarter 4

31st March 2024



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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 4(Q4) period (1st January 2024 to 31st March 2024). 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 Q4.
- 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 With demand led services under pressure due to the current economic climate, the CFT during Q4 has continued to support colleagues through its preventative and reactive activity in areas of high risk. This approach has seen significant positive outcomes across Housing, Social Care and Revenues. **In Q4 the CFT has achieved c£2m in savings across multiple risks bringing the year end total to c£11.2m.**
- 2.2 Over the financial year Tenancy Fraud has remained high risk and an area of focus for the CFT. The CFT has a dedicated sub-team that investigates Housing Fraud and proactively identifies fraud, loss and error through project work. Currently the CFT are investigating 126 cases of suspected tenancy fraud with this number likely to remain high throughout 2024/25. **In Q4 the CFT recovered a further 23 properties bringing the year to date total to 103.** This is highest property recovery in a single year the CFT has achieved.
- 2.3 Since the summer of 2023 the CFT has had two additional temporary Counter Fraud Officer posts filled with secondees from Housing Services. These posts are a proactive detection and investigative function to identify fraud and loss within emergency accommodation supplied by Housing Services. With the current cost of living crisis there has been an increased need for assistance from the Council by the public. With more people accessing services this leads to greater opportunity for fraud to occur. **In Q4 the CFT have identified and closed 16 emergency accommodation units due to non-occupation with savings in excess of £134k.**
- 2.4 Across multiple fraud risks in Council Tax and business rates the team have been proactive in their approach, using data and visiting properties to identify properties that have gone undetected for rates. This work is important to maximise the Council's opportunities for revenue collection. **In total 8 Businesses and 30 Beds in sheds have been billed for Council Tax and rates totalling c£543k.**

- 2.5 As part of Counter Fraud’s strategic approach and the wider Council’s Culture of investing in Staff a variety of training courses and qualifications have been undertaken by team members in Q4. All investigators joined colleagues in other enforcement team’s on a two day course on interview skills & technique, while one counter fraud manager participated in the Government’s Counter Fraud Professions risk assessor programme. This investment in staff will continue to ensure the team is up to speed with techniques, legislation and industry practices.

3. COUNTER FRAUD ACTIVITY IN QUARTER 4

3.1 Housing Fraud

- 3.1.1 Following on from previous quarters the CFT have remained consistent and successful in property recovery due to tenancy fraud. In Q4 the CFT **recovered a further 23 properties**, bringing the total **number of properties recovered to 103**. This is a notional saving of c£1.2m. The volume of property recovery demonstrates that tenancy fraud remains an area of high risk and the teams commitment to combatting tenancy fraud.
- 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 Q4 the CFT has again achieved above this KPI with **49% of tenancy fraud referrals resulting in property recovery**. As per **Table 1** below, the case type of property recovery shows that non-occupation is still the highest area of tenancy fraud risk.

Table 1 ~ Housing Tenancy Fraud Cases

Case Type	Q1	Q2	Q3	Q4*	Total for 23/24*	£k/value**
Abandonment	0	0	0	0	0	£0
Deceased	7	7	15	7	36	£2,016k
NFI Fraud Hub	5	1	3	6	15	£840k
Non-Occupation	9	11	11	6	37	£2,072k
Other	2	0	3	0	5	£280k
Sub-Let	1	0	0	1	2	£112k
Wrongful Succession	3	2	0	3	8	£448k
Total Properties Recovered	27	21	32	23	103	£5,768k

* As at end of Q4 (31st March 2024).

** Tenancy Fraud Forum valuation.

- 3.1.3 The CFT are currently investigating **126 cases relating to suspected cases of tenancy fraud** including, non-occupation, subletting, wrongful succession, and false homeless applications. From these investigations, **36 cases are currently with our legal team**, and 4 of these investigations are being considered for criminal prosecution.
- 3.1.4 In Q4 the CFT has continued with its proactive residency checks on all emergency accommodation units. The project has recorded a further **16 emergency accommodation units being closed due to non-occupation, resulting in savings of c£134k**. This brings the total number of B&Bs closed this financial year to 42. A further **3 cases have been referred to Housing for review** due to concerns of suspected non-occupation.
- 3.1.5 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 housing and revenues. In Q4 the CFT have **recovered 7 properties** in this area of work, **resulting in savings of c£392k**. The use of in-house data is important as it allows us to ensure that the Council’s housing stock is being used efficiently and highlights any discrepancies in council tax discounts.

- 3.1.6 During Q4 verification checks conducted on Right to Buy (RTB) applications led to 3 cases being cancelled due to the applicant(s) failing to provide sufficient documentation to satisfy the verification requirements. The CFT are currently investigating **9 cases for suspicion of sub-letting and non-occupation**, with 2 cases referred to our Legal department to commence criminal proceedings in relation to fraud offences.
- 3.1.7 In Q4 the CFT completed **318** verification checks on applicants who have registered for social housing. Outlined in **Table 2** below, the team successfully **closed a further 3 housing register applications**, totalling 29 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	Q4*	Total for 23/24*
Total number of cases reviewed	255	153	270	318	996
% Identified by CFT for rejection	25%	17%	21%	16%	20%
Total number of applications closed	12	7	7	3	29

* As at end of Q4 (31st March 2024).

- 3.1.8 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 Q4 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 Q4, as detailed in **Table 3** below, the CFT has **conducted 1561 inspections, with 1545 (99%) visited within the 10-day KPI target**.

Table 3 ~ Revenues Inspections Performance 2023/24

Revenues Inspections	Q1	Q2	Q3	Q4	Total for 23/24*
Total number of inspections completed	1,792	1855	1621	1561	6829
Percentage within 10 day target	99%	98%	99%	99%	99%

*As at end of Q4 (31st March 2024).

- 3.2.2 During Q4 the CFT has identified a further **30 previously unlisted properties** made up of **'Beds in Sheds'**. As a result, an additional **c£19k of loss prevention savings** has been identified following the issue of revised Council Tax bills to the liable parties.
- 3.2.3 During Q4 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 2 business premises which have been altered and improved**. These properties have been submitted to the VOA for a decision and will be reported in Q1 of 24/25.
- 3.2.4 The CFT have continued to work with external partners in carrying out proactive reviews of business rates which has identified significant new business premises in the borough along with other changes and improvements to properties which has provided additional business rates **billing in Q3 to the value of c£520k**.

3.3 Social Care

- 3.3.1 Social Care is the largest area of expenditure for the Council which creates an environment and opportunity for fraud to take place. To combat the risks in this area the CFT have embedded preventative measures into processes and react to any fraud referrals through its investigative function. As a result, the team have achieved **loss prevention savings of c£51,000**. To improve activity in this area the CFT will be undertaking a consultancy review into direct payments and commissioned care with colleagues in Internal Audit to understand current processes and fraud risks faced.
- 3.3.2 During Q4, the CFT undertook a review of one of the Councils commissioned domiciliary care providers. The review sought to provide assurance to Adult Social Care that payments made to the provider were in accordance with the service user’s social care assessment and that billed for care was aligned with the service users planned for hours. With the care provider invoicing the Council for actual care provided, the **CFT identified 28 service users who had been incorrectly charged**. This incorrect charge **amounted to c£12,000 in overpayments** that arose from 210 separate weekly submissions. To date, **£7,000 has been recovered and collection processes are being followed to recover the remaining £5,000**. The risks in this area were first highlighted from an Internal Audit consultancy piece and recommended that the work was followed up by the Counter Fraud Team.
- 3.3.3 In Q4, the CFT completed 171 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£29,000 in savings** have been achieved, with a further **17 cases undergoing additional checks**.
- 3.3.4 The CFT have completed the Section 17 residency check project following the completion of the last outstanding case. This saw the CFT manage multiple fraud risks in the areas of Childrens Social Care and Revenues. The investigation identified that the service user had left the UK despite being placed in council accommodation and receiving CTR. Working collaboratively with key stakeholders in Social Care, the accommodation was subsequently closed and the CTR ended. **This collaborative approach resulted in c£10,000 in loss prevention savings** and the accommodation made available to a family in genuine need. The conclusion of this case brings the teams **total loss prevention savings for the Section 17 project to a total of c£28,000**.

Table 4 ~ Section 17 Verification Cases 2023/24

Section 17 Cases	Q1	Q2	Q3	Q4	2023/24
Total number of cases reviewed	4	2	5	4	15
Total number verified as accurate	1	0	1	2	4
Total number of cases closed	0	1	1	2	4
Total number of cases undergoing further checks	3	1	3	2	9
Loss Prevention Savings	0	0	0	0	0

* As at end of Q4 (31stth March 2024).

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** on the page above, illustrates the outcomes derived from the preventive measures in place that ensure services provided are only accessed by those who meet the eligibility criteria.

3.4 Blue Badge

3.4.1 Following the teams proactive Blue Badge projects held during International Fraud Awareness Week in November, the team have concluded 13 out of the 14 investigations into the suspected misuse of a disabled persons badge. As a direct result of these investigations **11 are currently with Legal Services with the outcomes expected to be reported in Q1 of 2024/25.**

3.5 Onsite Immigration Official

3.5.1 During Q4, the teams OSIO has **identified loss prevention savings of c£22k.** These savings spanned across two cases within Childrens Social Care and Housing Services. In the case of Childrens Social Care a change in immigration status for one service user enabled the service user to be supported with making a claim for benefit. The claim for benefit has allowed the cost of providing accommodation and subsistence to be funded by the welfare system. In the case of Housing Services, enquiries made by the OSIO resulted in a homeless applicant being ineligible for support due to the applicant having no status within the UK. This preventive work has helped reduce the financial impact on the Council and the pressure to provide emergency accommodation.

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. **Six council properties** have been recovered and returned to use as a result of information provided by the LCFH during Q4.

3.6.3 Processing these referrals has been streamlined within the CFT with Counter Fraud Analysts leading on these cases which has increased capacity in other areas to deal with more complex cases.

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 for a pan London data match regarding internal fraud has now been released and is being assessed with results now expected in Q1.

3.7 National Fraud Initiative

3.7.1 During Q4 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 CFT have recovered **one** council property following investigation of a NFI referral which had matched council data to HMRC information.

3.7.3 The council has identified a total of **£112k** across all match types from the main NFI exercise and an additional during 2023/2024. There will be no new main exercise matches during 2024/2025 as this is a bi-annual exercise.

3.7.4 The CFT have however received refreshed data from the annual NFI Single Person Discount matching exercise and these matches will be reviewed during Q1 in the new financial year.

3.8 Other Counter Fraud Activities

3.8.1 During Q4 the CFT arranged and hosted very successful joint training sessions with staff from Public Protection & Enforcement covering refreshed knowledge on procedural legislation and interviewing skills. These sessions were well received and have led to improved working relationships between the various departments.

3.8.2 During Q4 the CFT delivered bespoke fraud awareness training within Tenancy Management providing dedicated training in high-risk areas relating to fraudulent succession applications and deceased cases.

3.8.3 The CFT has continued to demonstrate its commitment to staff learning and development during Q4 with a number of staff attending the Public Sector Counter Fraud Conference in February and the London Boroughs' Fraud Investigators' Group general meeting in March.

3.8.4 A successful preliminary meeting during Q4 has led to the resumption of joint working with the Department for Work and Pensions (DWP) in Council Tax Reduction Scheme cases where state funded benefits are also in payment. Initial cases have been identified which will be jointly progressed in Q1.

3.8.5 The agreement with ACRO The Criminal Records Office has now been completed and fully implemented in Q4. This will allow the CFT to access additional information to support criminal prosecutions.

4. COUNTER FRAUD PERFORMANCE IN Q4

4.1 Attached at **Appendix A** is **Table 5** which sets out the Q4 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 Q4 within each of the main areas of counter fraud activity. The CFT's financial performance should be considered against a target of £5m for 2023/24.

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

5. FORWARD LOOK

5.1 The CFT will complete its review and update of the current fraud risk register during Q1. The team will work closely with key stakeholders to ensure the register reflects all current fraud risks and any mitigation that is in place. Once complete, the risk register will be transferred on to JCAD for services to manage their own fraud risks in line with traditional risk management procedures.

- 5.2 As we move into a new financial year the Counter Fraud Management Team have taken the opportunity to refresh its E-Learning package and fraud awareness presentation. Both will now include detailed information on whistleblowing, bribery and money laundering as well as fraud. These offers are designed to educate and create awareness across paid service to create a culture of reporting.
- 5.3 As agreed at the Q3 Audit Committee future progress reports will move towards dashboard reporting. In Q1 The management will design and implement these dashboards across workstreams with a refreshed looking progress report to be in place for the Q1 Audit Committee.
- 5.4 With the CFT fully embedded into the fraud risks around Housing, some of the team's focus will now turn to Social Care fraud risks. Management has engaged with key stakeholders to develop an action plan for the financial year ahead. Firstly, the CFT will be delivering face to face fraud awareness sessions to all Social Workers in Adult Social Care. This is to create an understanding among staff of fraud risks, indicators and how to report. The HCF expects this to lead to an increase in referrals in this area.
- 5.5 The CFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the Council during this quarter. There are no other counter fraud matters that the HCF needs to bring to the attention of CMT or the Audit Committee at this time.

Alex Brown APCIP
Head of Counter Fraud
31st March 2024

APPENDIX A: Table 5 - CFT KPIs and Actual Performance

CFT KPIs	Target	Q1	Q2	Q3	Q4*	23/24*	22/23
1. Percentage of fraud referrals risk assessed within 3 working days	95%	99%	100%	99%	100%	99%	99%
2. Verification work timescales for completion:							
a. Housing Allocations completion within the target date set by Housing	95%	99%	100%	100%	100%	99%	99%
b. Right to Buy case completion within 28 working days	95%	100%	100%	100%	100%	100%	100%
c. Financial Assessments completion within 7 working days	95%	100%	100%	100%	100%	100%	100%
d. Section 17 reviews completion within 7 working days	95%	100%	100%	100%	100%	100%	100%
3. Investigation plan completion within 5 working days of case allocation	95%	99%	100%	95%	100%	98%	99%
4. Tenancy fraud referrals received resulting in property recovery	30%	42%	36%	58%	49%	46%	40%
5. Investigations resulting in loss prevention/financial saving outcome	40%	42%	41%	58%	60%	48%	39%
6. Revenue inspections completed within 10 working days of referral date	95%	99%	98%	99%	99%	99%	99%

* As at end of Q4 (31st March 2024).

APPENDIX B: Table 6 - CFT Quarter 4 2023/24 Financial Performance

Work Area	Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4*	2023/24*
Housing	Right to Buy discounts	£0	£0	£0	£0	£0
	Property Recovery (notional savings)	£1,512,000	£1,176,000	£1,792,000	£1,288,000	£5,768,000
	Other savings/loss prevention	£33,649	£134,596	£67,298	£143,008	£378,551
Social Care	Section 17 and UASC**	£13,586.50	£0	£18,676	£9,388	£41,650.50
	Financial Assessments	£11,959.40	£115,511.40	£1,545.70	£28,866	£157,882.50
	SGO	£79,150.60	£0	£22,139.20	£0	£101,289.80
	Direct Payments	£0	£0	£108.40	£12,934	£13,042.40
Revenues	Single Person Discount	£14,148	£75,001.70	£2,571.30	£6,610	£98,331
	Council Tax Reduction & arrears	£12,070.60	£9,775.60	£893.10	£2,901	£25,640.30
	Unlisted Buildings/bed in sheds	£18,740.77	£28,106.40	£18,380.50	£19,271	£84,498.67
	Housing Benefit Overpayments	£985.50	£24,511.50	£1,850.90	£7,202	£34,549.90
	NNDR	£44,661	£141,667	£3,629,335	£524,174	£4,339,838
Blue Badge	Simple Caution & Financial Penalty	£2,518	£1,742	£1,030	£0	£5,290
Immigration Officer	Housing Homelessness Applications**	£8,412.30	£0	£0	£8,412	£16,824.30
	Social Care Savings	£68,881	£28,477	£38,201	£14,024	£157,996
Totals	Loss Prevention Savings	£207,226.80	£278,584.60	£147,968.90	£216,632	£850,412.30
	Notional Savings	£1,512,985.50	£1,200,511.50	£1,793,850.90	£1,295,202	£5,802,549.90
	Cashable Savings	£56,292	£134,133	£566,245	£0	£756,670
	Costs awarded and penalties	£2,958	£2,182	£1,690	£0	£6,830
	Total	£1,779,462.30	£1,615,411.10	£2,509,772.80	£1,511,834	£7,416,462.20

* As at end of Q4 (31st March 2024).

** 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.

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2023/24 QUARTER 4 COUNTER FRAUD PROGRESS REPORT

Committee name	Audit Committee
Officer reporting	Alex Brown, Head of Counter Fraud
Papers with report	2023/24 Quarter 4 Counter Fraud Progress Report
Ward	All

HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2023/24 Quarter 4 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 4; and**
- 2. Suggests any comments/amendments.**

SUPPORTING INFORMATION

The Counter Fraud Team supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the team underpins the Council's commitment to a zero tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.

BACKGROUND PAPERS

The Counter Fraud Team holds various background research documents in relation to the Counter Fraud Plan.

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COUNTER FRAUD ANNUAL OPERATIONAL PLAN

2024/25

31st March 2024



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Alex Brown	1. INTRODUCTION	3
Head of Counter Fraud	2. THE COUNTER FRAUD STRATEGIC APPROACH	3
t: 01895 556811	3. THE FRAUD UNIVERSE	4
e: abrown@hillington.gov.uk	4. THE COUNTER FRAUD PLAN 2024/25	4
	5. COUNTER FRAUD SKILLS & RESOURCES	5
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1. INTRODUCTION

The Role of the Business Assurance Counter Fraud Team

- 1.1 The Counter Fraud Team (CFT) is responsible for delivering the Counter Fraud Strategy and Annual Operational Plan to ensure that the Council meets its statutory objectives in relation to fraud and corruption. The Annual Operational Plan gives key stakeholders an overview of the CFT operational activity for the coming financial year, as well as a summary of the key fraud risks the Council faces.
- 1.2 As well as a range of counter fraud activities, the CFT has historically conducted a range of other types of investigative work which do not necessarily have a criminal or fraud element to them i.e. revenue inspections, disciplinary investigations, other loss prevention work, etc. It also includes preventative work such as fraud awareness training, advising management on fraud risks and counter fraud controls as well as ensuring the Council has up-to-date and appropriate investigation policies and procedures.

The Purpose of the Counter Fraud Annual Operational Plan 2023/24

- 1.3 The Annual Operational Plan 2024/25 outlines the Council's approach to effectively tackle both the internal and external risk of fraud through its planned counter fraud activity. This planned approach is produced based upon the fraud landscape set out within the 'Fraud Universe', to ensure that CFT resources are effectively deployed into areas of the highest fraud risk. The Annual Operational Plan also features a variety of proactive and reactive activity including investigative, project and verification work.

2. THE COUNTER FRAUD STRATEGIC APPROACH

- 2.1 The published Counter Fraud Strategy for 2022-25 details the approach and core principles of how the CFT will tackle and combat fraud and corruption over the next 3 years. It also highlights the CFT's strategic objectives and provides assurance to key stakeholders by setting out how the Council's exposure to fraud is minimised.
- 2.2 The main principles of the Counter Fraud Strategy are:
 - **Risk Based Approach** – The deployment of resources into the highest areas of fraud risk based upon the fraud universe and the risk assessment process.
 - **Partnership & Engagement** – Communicating with service areas and key stakeholders to understand the risks the Council faces whilst creating a counter fraud culture. Offer support to stakeholders by undertaking work streams to identify fraud.
 - **Prevent, Detect, Pursue & Deter** – The cornerstone of the counter fraud approach, with a focus on prevention, as preventative measures are more effective than cure.
 - **Innovation & Modernisation** – A focus on delivering an efficient and effective counter fraud service through greater use of technology and data.
- 2.3 To ensure the CFT can operate effectively in preventing, detecting, and pursuing fraud, a wide range of policies are in place providing a corporate framework to support staff. These corporate policies outline the Council's approach to countering fraud and corruption. Further details on these policies are included in the Counter Fraud Strategy 2022-25.

3. THE FRAUD UNIVERSE

- 3.1 In line with the Counter Fraud Strategy, the CFT deploys a risk-based approach which is embedded into all forms of counter fraud activity, including the triaging of referrals. Specifically, a risk assessment is carried out assessing the available evidence to ensure resources are allocated effectively.
- 3.2 During the risk assessment process, the CFT will score the assessment based on the following categories:
- **Financial risk** – What is the potential value of the fraud? What impact does it have on the Council and its residents?
 - **Reputational risk** – How does this damage the Councils reputation? How would residents and the wider public perceive the referral if the Council took no action?
 - **Operational risk** – How does this allegation, if true effect the day to day running of the Council? Is there a need to strengthen processes to mitigate fraud?
 - **Systemic risk** – Is this a new or emerging risk based on environmental, Social or economic factors? Is this a fraud risk we will likely continue to be exposed to? Do we need to change working practices to combat the risk?
- 3.3 The Fraud Universe for the Council and the Counter Fraud Team's risk assessment of those risks are set out in **Appendix A**. These highlights environmental pressures faced by the Council which includes national and local influences. The combined impact of the pandemic, as well as the significant rise in the cost of living, continues to create a perfect storm for opportunistic fraud to thrive.
- 3.4 As the fraud landscape within the public sector is ever changing, it is important that the CFT keeps up to date with industry news and communicates with key stakeholders to recognise the pressures and risks the Council will encounter. This will give the CFT the ability to adapt and combat the changing fraud risk landscape.

4. THE COUNTER FRAUD PLAN 2024/25

- 4.1 Set out in **Appendix B**, is the draft Counter Fraud Annual Operational Plan for 2024/25. The plan has been devised in liaison with key stakeholders and takes into consideration the Risk Assessment/Fraud Universe as set out at in **Appendix A**. The planned operational activity covers proactive and reactive work across a wide range of fraud risks, whilst also retaining the flexibility for the CFT to tackle any emerging risks.
- 4.2 The plan explains the work the CFT will carry out by fraud risk and includes outcomes achieved previously in these areas, as well as the overall risk assessment rating. The plan for 2024/25 includes a variety of activity, which is listed below by type:
- **Criminal Investigations** – Investigations that have a criminal element undertaken by qualified investigators. These investigations normally fall within services areas, where a fraud is alleged to have taken place by a person or business accessing services or funds. Typically, the CFT will investigate offences relating to fraud, theft, bribery and forgery but may where it is in the interest of the Council and its residents, investigate other offences.
 - **Civil Investigations** – These investigations are often where the burden of proof for criminal proceedings cannot be met, or it is not in the public interest to prosecute. These matters are dealt with by way of compliance and may require civil proceedings to bring the case to a resolution.

- **Disciplinary Investigations** – At times key stakeholders in conjunction with HR may require the assistance of the CFT in disciplinary matters. The Special Investigations Unit is well equipped to pursue these cases where required to do so.
- **Verifications** – A workstream conducted by the CFT to verify the eligibility of service users before accessing a particular scheme. These verification workstreams are embedded into processes within Housing and Social Care. This type of work is the core function behind the CFT's preventative measures.
- **Proactive Projects** – A series of projects conducted throughout the financial year, targeting the highest risk areas within the Council to drive down fraud, loss and error.
- **Data Matching** – Exercises designed to identify fraud, loss or error by matching internal and external data sets. Returned matches are analysed to verify the veracity of the potential outcomes identified.
- **Consultancy Work** – Upon request the CFT can carry out a review of service processes highlighting recommendations to improve fraud controls.

4.3 Another key feature of the 24/25 plan is for the continued collaborative approach to risk and governance between Internal Audit (IA) and the CFT. The CFT will provide greater support to IA in identifying and mitigating fraud risks as part of undertaking consultancy reviews. This will lead to the CFT being alerted to fraud risks at the earliest opportunity and supporting IA in developing measures to prevent and detect fraud.

5. COUNTER FRAUD SKILLS & RESOURCES

- 5.1 Every member of staff in the Counter Fraud Team is either professionally qualified in counter fraud or is actively studying for a relevant professional qualification supported by the Council. This helps to ensure that the CFT provides a fully professional and effective service. A skills matrix approach is also used as part of monthly one to one meeting as well as at 6 monthly performance reviews.
- 5.2 The CFT's current substantive structure is available in **Appendix C** which was implemented in May 2023. Though in more recent times the CFT has operated under interim arrangements due to the increased risks presented in Housing Services. These arrangements are still in place, so that the CFT has the required operational capabilities to combat the fraud risks in this area.

6. COUNTER FRAUD REPORTING

- 6.1 The CFT reports its progress to Corporate Management Team (CMT) and the Audit Committee (AC) on all matters of counter fraud activity on a quarterly basis. These reports provide an update on performance against KPIs, strategic and operational objectives and delivery against the financial loss prevention target for the year. In addition to this, an annual report is presented to CMT and AC providing a summary overview of counter fraud activity for the financial year including a detailed analysis on team performance and outcomes. This enables CMT and the AC to hold the Head of Counter Fraud to account.
- 6.2 The CFT also liaises with services managers on an ongoing basis to ensure regular dialogue in relation to counter fraud activities (where appropriate) as well as delivery of service level agreements. This high level of engagement plays a significant part in the CFT meeting its core principles set out in the Counter Fraud Strategy 2022-25.

7. MEASURING COUNTER FRAUD PERFORMANCE

- 7.1 As the CFT is a support function that works closely with the majority of service areas across the Council, there are a wide range of stakeholders to satisfy, as well as key stakeholders such as CMT and the AC.
- 7.2 To monitor counter fraud performance across service areas, outcomes and objectives a suite of KPIs were refreshed and agreed in the Counter Fraud Strategy 2022-25. Regular updates on performance against these KPIs will be provided in each quarterly progress report.
- 7.3 The Counter Fraud Strategy 2022-25 sets out nine strategic objectives for the CFT to pursue, which includes the **financial loss prevention target for the year**. Taking into consideration the change in fraud landscape and the team's performance in 2023/24, **the financial loss prevention target for 2024/25 has been set at £6.6m.**

8. ACKNOWLEDGEMENT

- 8.1 The CFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the Council's management as part of the risk-based planning process.

Alex Brown APCIP

Head of Counter Fraud

31st March 2024

APPENDIX A – FRAUD, LOSS & ERROR RISK ASSESSMENT

The fraud risks specific to LBH are set out below, which is a summary of the organisational Fraud Risk Assessment (the Fraud Universe) for the Council.

Fraud Risk Area	Fraud, Loss & Error Risk Assessment
<p>General Fraud Risks</p>	<ul style="list-style-type: none"> • Increased financial pressure associated with the rise in the cost of living on individuals and concerns over money and fear of redundancy due to economic climate leading to higher likelihood and pressure to commit fraud by those internally and externally. • Increased demand within services leading to reduced due diligence over operational matters and overriding of controls creating a greater opportunity for fraud. • An increase in vacancies due to a challenging recruitment market leads to lack of resources and impacts the operation of preventative controls, decreased monitoring activity and increasing risk of fraud going undetected. • Decreased face-to-face meetings with service users, less verification of original documentation with reliance on scanned or copies of documentation. More provision of services remotely leading to higher likelihood of fraud not being detected. • An inflated recruitment market, leading to a higher number of vacancies with a heavy reliance on agency. A lack of due diligence with a priority of meeting resourcing demands, leaving the organisation exposed to recruiting unsuitable candidates. • The negative impact of the rise in the cost of living and inflation on residents and businesses, leads to a greater risk of non-payment for services, increasing the Council’s debt and reduces the opportunity for recovery. • Decrease in support from back office services due to lean operating models requiring front lines services to perform additional tasks leading to reduced resources to carry out due diligence within processes creating a greater opportunity for fraud to thrive. • Fast pace and significant transformational change to meet budget pressures and provide efficient modern services sees process change with limited consideration to fraud risk and control. • Poor data quality in services used for decision making at a strategic or operational level can leave departments susceptible to fraud or loss.
<p>IT & Procurement of Goods and Services</p>	<ul style="list-style-type: none"> • An increased need to win government contracts because of financial pressures on businesses due to the cost of living leading to the fraudulent manipulation of procurement processes. • Higher financial pressure on Council contractors creating increased desire to maximise profit from contracts leading to higher likelihood of misrepresentation of services, goods and materials supplied. • Increased cyber-crime activity nationally and globally and the higher likelihood of a cyber-attack against the Council such as ransomware, malware, viruses, tap jacking, quishing and a continually adapting external cyber-threat environment.

Fraud Risk Area	Fraud, Loss & Error Risk Assessment
	<ul style="list-style-type: none"> • Demand to shift more of Council activities onto online platforms to access services can expose the organisation to programmed bots that break into user accounts to redirect payments/refunds, steal contact information and other harmful activities that could also lead to negative GDPR and reputational ramifications. • A reduction in oversight for contract management due to front line demand led pressures, creating an environment for contractors to commit fraud through claiming additional income and sub standard services, good or materials.
Port Authority	<ul style="list-style-type: none"> • Higher numbers of Unaccompanied Asylum Seekers (UAS) approaching the Council compared to non-port authorities, leading to greater levels of fraudulent approaches to the Council for services. • Increases in services used by individuals where service provision is subject to immigration status, leading to more likelihood of misrepresentation of circumstances to access services where there is No Recourse to Public Funds (NRPF).
Statutory Duty to Provide Social Housing	<ul style="list-style-type: none"> • Higher levels of housing need and homelessness claims in the borough linked to ongoing cost of living pressures, leading to increased levels of fraud within housing. • Public perception of availability of low-cost social housing leads to greater numbers of individuals seeking housing from the Council and the opportunity to misrepresent circumstances within the process to obtain housing fraudulently. • Increased pressure on housing services requiring greater use by the Council of temporary accommodation. With the likelihood of the accommodation used being outside of the borough which in turn reduces the ability to monitor use and occupation and increases likelihood of misuse going undetected.
Social Care Provider	<ul style="list-style-type: none"> • High costs of social care provisions lead to greater pressure to misrepresent circumstances in relation to assets and income in the financial assessment process. • Inability of vulnerable individuals to properly manage Direct Payments meaning greater involvement of family members and third parties to manage payments, leading to increased risk of opportunistic misappropriation of funding by a third party. • Absence of appropriate financial controls or appropriate monitoring, leading to the increased risk of unwarranted Direct Payments expenditure and misappropriation of funding. • Access to Council services by individuals subject to immigration status checks leads to risk of misrepresentation of status to access services where there is NRPF.
Revenue Collection Authority	<ul style="list-style-type: none"> • High cost of rateable value of business premises leads to the risk of fraudulent misrepresentation of circumstances to take advantage of reliefs. • Pressure to reduce individual costs against the cost of Council Tax leads to the wrongful claiming of single person discount and/or other exemptions and discounts, leading to lost revenue across a large number of residential addresses.

Fraud Risk Area	Fraud, Loss & Error Risk Assessment
	<ul style="list-style-type: none">• Increases in the cost of living leads to residents misrepresenting their circumstances in order to qualify for the Council Tax Reduction scheme.• Council Tax and Business Rates costs leads to the risk of deliberate avoidance of completion of new build properties by developers and owners meaning lost revenues for the Council.

Appendix B - Counter Fraud Annual Operational Work Plan 2024/25

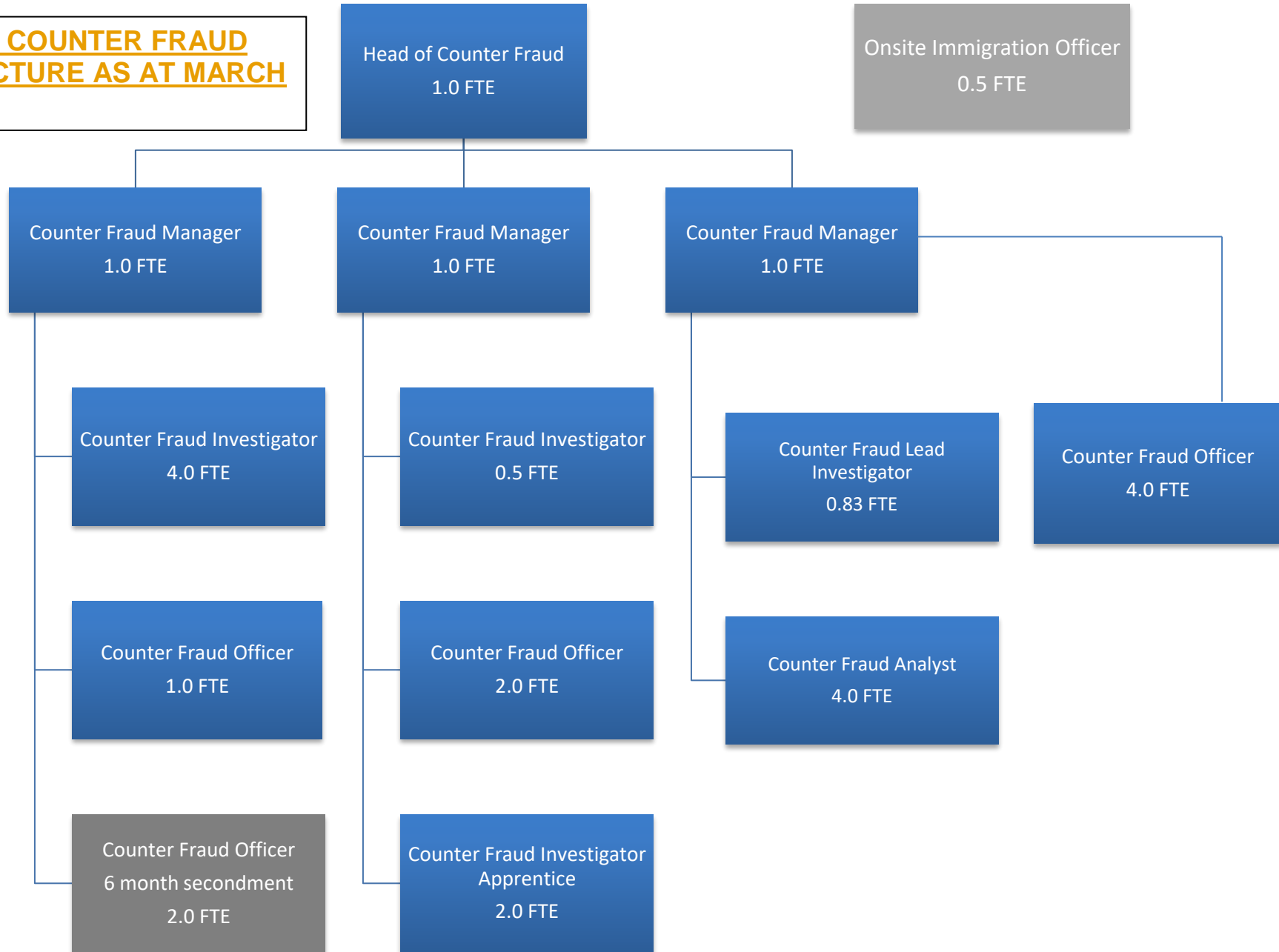
Set out below is the draft Counter Fraud Annual Operational Work Plan for the key proactive projects and investigative work due to be conducted in 2024/25.

Counter Fraud Activity	Planned Work	Outcomes 2023/24	Risk
Tenancy Fraud & Housing Investigations	The CFT will continue to detect illegal sub-letting and non-occupation of Council properties as referred by colleagues and residents. This also includes false applications for housing, assignment and succession. The CFT will also recover properties in cases where Housing Services have faced challenges in their investigations to gain lawful possession of Council properties.	103 properties recovered, £5,768k notional savings	HIGH
Social Housing & Temporary Accommodation Residency Checks	A risk-based approach to tenancy residency checks working with the Housing team and using tenancy fraud data to identify hotspots. This will be delivered as part of proactive projects work.	3 applications closed, 2 cases referred to Legal for prosecution	HIGH
Housing Right to Buy (RTB)	The CFT will continue to provide a risk-based verifications service of all RTB applications to identify fraud and where appropriate actively investigate applications found to contain suspected misrepresentation.	42 cases closed, £353k in loss prevention savings	HIGH
B&B Residency Checks	The CFT will continue with proactive residency checks on all emergency B&B accommodation. The checks will identify suspected non-occupation and subletting of emergency housing, and false applications.	£50k in loss prevention savings	HIGH
Social Care S.17 Emergency Funding	Desk based checks to confirm eligibility of applicants requiring emergency accommodation and support from Social Care. An annual proactive project identifying suspected subletting or non-occupation of accommodation provided by the Council.	£90k loss prevention savings identified	HIGH
Unaccompanied Asylum Seeking Children (UASC) Status Checks	The embedded Onsite Immigration Official will periodically check the status of all UASC clients, this helps identify those who's status allows them to access national scheme funding and no longer require funding by the Council.	1 case under investigation	HIGH
UASC Project	An annual proactive project identifying suspected subletting or non-occupation of accommodation provided by the Council. A referral process is in place for cases of misrepresentation to be passed to the CFT for investigation.	£13k actual savings	HIGH
Direct Payments	Cases of funds not being used appropriately, and or misrepresentation of circumstances to access funding towards care costs will be referred to the CFT for investigation.		

Counter Fraud Activity	Planned Work	Outcomes 2023/24	Risk
Revenues Inspections and Investigations	In 2023/24 the CFT will continue to deliver all inspections for Business Rates and Council Tax and develop an investigative approach to Business Rates and Council Tax avoidance and illegal evasion.	6829 inspections conducted in 2023/24	HIGH
Revenue Maximisation	Proactive project work utilising data to identify previously unlisted or modified domestic or commercial properties that are not paying the correct amount of tax or rates.	£4.3m of previously uncollected NNDR identified	HIGH
Council Tax Discounts & Exemptions	A proactive desk top data review of discounts and exemptions utilising data matching and in-house data. All discounts found to be fraudulent will be referred to the Revenues Team for removal of discounts/exemptions and investigated for fraud where appropriate by the CFT. Joint working with the Department for Work and Pensions to identify and pursue Council Tax Reduction fraud investigations.	£158k in loss prevention savings	HIGH
London Counter Fraud Hub	Working in conjunction with other London based local authorities to create proactive data matching exercises to identify fraud and error in known risk areas leading to loss prevention outcomes. Further case types are expected to be available during 24/25 including social care data following a Legislative Reform Order and support for individuals with No Recourse to Public Funds.	15 properties recovered, (included in the property recovery total above)	MEDIUM
Social Care Financial Assessments	The CFT will continue to verify all applicants who apply for Social Care funding via Financial Assessments to ensure eligibility. The CFT will conduct a proactive project with the Financial Assessment Team to identify loss prevention savings during the annual review process and review all NRPF service users' immigration status to assess eligibility to access public funds.	£157k of loss prevention identified	MEDIUM
Housing Verifications	The CFT will continue to verify applicants who apply for social housing or succession/assignment. This assurance work is a preventative measure to ensure fraud or loss does not enter workstreams with Housing.	22 applications closed and 14 cases referred for investigation	MEDIUM
'Beds in Sheds' - Unregistered Residential Dwellings	The Revenues Investigations Unit will identify unlawful and unregistered residential dwellings in order that properties are brought within Council Tax banding and evasion pursued as investigations. Any enforcement action on planning issues will be referred to Planning Enforcement and Housing Standards.	72 cases identified, revenue of £85k	MEDIUM

Counter Fraud Activity	Planned Work	Outcomes 2023/24	Risk
Debt Tracing Enquires	A relatively new initiative that will see the CFT trace debtors that are uncontactable, or identify hidden assets and capital, to support debt recovery.	£14k recovered through tracing enquiries	MEDIUM
Blue Badge Operations	Annual Blue Badge enforcement projects to confirm lawful use of badges in identified misuse hotspots. A visual presence to provide assurance to residents that the Council takes this fraud seriously and deter misuse across the borough.	3 Criminal prosecutions	LOW
Fraud Awareness & Engagement	<p>The CFT will continue to provide a program of fraud awareness internally to champion a counter-fraud culture and encourage service provider engagement over fraud risks. This will include a refreshed fraud awareness campaign including whistleblowing, money laundering and bribery concerns.</p> <p>This will also include periodic social media communications released to the public to promote awareness and raise the profile of counter fraud activity within the borough.</p>	Delivered 8 awareness sessions and 5 interview training sessions.	LOW

**Appendix C - COUNTER FRAUD
TEAM STRUCTURE AS AT MARCH
2024**



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COUNTER FRAUD ANNUAL OPERATIONAL PLAN FOR 2024/25

Committee name	Audit Committee
Officer reporting	Alex Brown, Head of Counter Fraud
Papers with report	Counter Fraud Annual Operational Plan for 2024/25
Ward	All

HEADLINES

The attached report presents the Audit Committee with the planned Counter Fraud approach and activity for the forthcoming financial year and seeks to:

- Provide assurance to all key stakeholders that the risk of fraud is being managed effectively;
- Demonstrate the Council's commitment to good governance through minimising the risk of fraud; and
- Set out the Counter Fraud Teams resources to meet its strategic objectives.

RECOMMENDATIONS:

That the Audit Committee:

1. Notes the Counter Fraud Annual Operational Plan for 2024/25; and
2. Suggests any amendments/ comments.

SUPPORTING INFORMATION

The Counter Fraud Team supports the Council's risk and governance arrangements by taking a zero-tolerance approach to fraud and corruption. In order to deliver this assurance, the Counter Fraud team produce an Annual Operation Plan detailing activity across high risk areas of fraud. The plan is formulated based on the Counter fraud Strategy, Fraud Universe and takes into consideration, both, the IA Plan and strategy.

BACKGROUND PAPERS

The Counter Fraud Teams holds various background statistical management documents in relation to the production of the Counter Fraud Annual Operational Plan 2024/25.

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WORK PROGRAMME 2023/24

Committee name	Audit Committee
Officer reporting	Ryan Dell, Democratic Services
Papers with report	None
Ward	All

HEADLINES

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

A work programme for 2024/25 will be drafted and shared ahead of the next meeting.

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 01 August 2024 will start at 17:10.

Meetings	Room
01 August 2024	CR5
18 November 2024	CR5
11 February 2025	CR6
14 May 2025	CR5

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