



HILLINGDON  
LONDON



# Audit Committee

## Members of the Committee

John Chesshire (Chair)  
Councillor Nick Denys (Vice-Chair)  
Councillor Tony Burles  
Councillor Henry Higgins  
Councillor June Nelson  
Councillor Philip Corthorne MCIPD

**Date:** WEDNESDAY, 28 AUGUST  
2024

**Time:** 5.10 PM

**Venue:** COMMITTEE ROOM 5 -  
CIVIC CENTRE

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Putting our residents first

Lloyd White  
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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

- |   |  |        |
|---|--|--------|
| 1 | Election of Chair (for this meeting)   | 1 - 2  |
| 2 | Apologies for absence  |        |
| 3 | Declarations of interest   |        |
| 4 | 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 |        |
| 5 | Minutes of the Meeting held on 30 April 2024   | 3 - 14 |

## **PART II - Private and Not for Publication**

*That the reports in Part 2 of this agenda be declared not for publication because they involve the disclosure of information in accordance with Section 100(A) and Part 1 of Schedule 12 (A) to the Local Government Act 1972 (as amended), in that they contain exempt information and that the public interest in withholding the information outweighs the public interest in disclosing it.*

- |   |   |         |
|---|---|---------|
| 6 | Interviews for the Independent Chair of the Audit Committee (to recommend to Council) | 15 - 58 |
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## **PART I - Public**

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| 8  | Audit Committee Annual Report           | 61 - 68   |
| 9  | Internal Audit Progress Report 24-25 Q1 | 69 - 92   |
| 10 | Risk Management report 24-25 Q1         | 93 - 104  |
| 11 | Strategic Risk Report 24-25 Q1          | 105 - 114 |

<b>12</b>	Counter Fraud Annual Report 23-24	115 - 138
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<b>14</b>	Work Programme	155 - 158

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## APPOINTMENT OF CHAIR OF THIS MEETING

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Ryan Dell, Democratic Services
<b>Papers with report</b>	None
<b>Ward</b>	All

### HEADLINES

This report is to enable the Audit Committee to appoint a Chair for the current meeting.

### RECOMMENDATION

**That the Audit Committee appoints a Chair for the current meeting.**

### SUPPORTING INFORMATION

None.

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## Minutes

### AUDIT COMMITTEE

30 April 2024

Meeting held at Committee Room 6 - Civic Centre,  
High Street, Uxbridge UB8 1UW



HILLINGDON  
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	<p><b>Committee Members Present:</b> John Chesshire (Chair), Councillors Reeta Chamdal (Vice-Chair), Nick Denys, Kishan Bhatt, June Nelson, and Tony Burles</p> <p><b>Officers Present:</b> Andy Evans – Corporate Director of Finance, James Lake – Director - Pensions, Treasury and Statutory Accounts, Claire Baker – Head of Internal Audit and Risk Assurance, Alex Brown – Head of Counter Fraud, and Ryan Dell – Democratic Services Officer</p> <p><b>Also Present:</b> Councillor Martin Goddard, Cabinet Member for Finance, Larisa Midoni, Ernst &amp; Young, Stephen Reed, Ernst &amp; Young, Kalthiemah Abrahams, Ernst &amp; Young, and Debbie Hanson, Ernst &amp; Young (virtual)</p>
88.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>Apologies were received from Councillor Henry Higgins with Councillor Kishan Bhatt substituting.</p>
89.	<p><b>DECLARATIONS OF INTEREST</b> (<i>Agenda Item 2</i>)</p> <p>None.</p>
90.	<p><b>TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE</b> (<i>Agenda Item 3</i>)</p> <p>It was confirmed that all items would be considered in public.</p>
91.	<p><b>MINUTES OF THE MEETING HELD ON 12 FEBRUARY 2024</b> (<i>Agenda Item 4</i>)</p> <p><b>RESOVLED:</b> That the minutes of the meeting held on 12 February 2024 be approved as a correct record</p>
92.	<p><b>EY EXTERNAL AUDITORS</b> (<i>Agenda Item 5</i>)</p> <p>There were a number of items in this report.</p>

### Consultation

The government consultation aimed to clear the national audit backlog. The consultation had a number of phases. Phase one would focus on clearing audits for 2022-23 and prior periods by September of this year. Close-to-completion audits would be prioritised, while others may require an audit disclaimer. It was noted that Hillingdon would not have a 2022-23 Council audit. The government had not yet issued any guidance on audit opinions but it was emphasised that disclaimers were due to system resets, not underlying Council problems.

Phase two set future audit deadlines, aiming for normalcy by 2028-29. It was suggested that the audit deadline should be May 2025 for the 2023/24 audit, however officers and EY did not think that this was sensible as the audit period was too long and it also conflicted with other key pieces of work that both teams were doing at that time. This had been fed back to the government. It had been agreed with EY that both parties would work towards completing the audit around the November 2024 deadline. The consultation also suggested that local authorities should still publish their draft accounts at the end of May 2024.

### 2022-23 Value For Money Report

Despite the national reset affecting financial statement audits, value for money work continued. The value for money assessment for 2022-23 had been completed. Challenges included budget pressures, savings requirements, and an increasing DSG deficit were noted in the assessment.

No significant risks or weaknesses were identified, but financial sustainability challenges were noted. Continued focus was needed to maintain sustainability and sufficient reserves.

Members asked for clarity on the position of the Dedicated Schools Grant (DSG). There was a £23.5m deficit brought forward from 2021-22. No DSG funding was paid by the Department for Education (DfE) to the Council in 2023-24. Officers noted that discussions with the DfE continued regarding the safety valve agreement and deficit coverage. This issue cut across both the DfE and Department for Levelling Up, Housing and Communities (DLUHC). This was noted and Members suggested that it would be useful to have an update, possibly at the next Committee.

### 2022-23 Pension Fund Audit Results Report

Draft audit results for the 2022-23 pension fund audit were nearly complete, with no significant further delays expected. Accounts were in draft format, providing a true and fair view. An unqualified opinion was planned, once government issue guidance.

The going concern assessment covered the pension fund up to March 2026, providing sufficient coverage.

Membership data testing had been challenging this year but was completed.

On audit differences, a £2.7m difference had been identified. This was due to timing – accounts based on estimates versus updated information during the audit. An adjusted fair value classification point of £4.3m was flagged; discussions were planned for EY and the Council to discuss classifications next year as these were subjective in nature. An adjustment relating to fair value hierarchy and minor disclosure differences were noted.

Membership data point testing had been conducted, focusing on age, gender and classification. There were discrepancies with five members, which were being followed up with Hampshire. These differences were not significant. The way membership numbers had been recorded had changed. Membership numbers were now disclosed as per the record without removing duplicates, aligning with the triennial report. Two members' declarations of interest were not received at the time of the audit but had since been received. Management should implement controls to ensure timely receipt of related party information. Overall, the report was positive, with only a small number of differences identified.

Members thanked officers for their work and congratulated them on completing the audit process.

#### Audit Certificate 2021-22

The 2021-22 audit certificate had been received. The audit had been completed in September 2023 but EY could not issue the certificate until the National Audit Office had confirmed that no further work was required by an auditor.

#### 2023-24 EY Council Audit Plan

There were two audit plans, one for the Council and one for the Pension Fund. Officers were working towards a November 2024 completion for the 2023-24 accounts for both audits.

The audit plan for the Council audit for 2023-24 was provisional for two reasons. First, it had been developed in the context of the national reset proposed by the government. Second, while the consultation had been completed, auditors had yet to receive any indication of the policy or guidance to support the government's intentions. The plan may need adjustments based on future developments. The planning work scope and strategy were well advanced, but subject to potential material amendments.

The plan outlined three phases: reset, recovery, and reform. The priority was the reset, which would be affected following the passing of legislation with a backstop date of September 2024. The recovery period will seek to rebuild assurances over a period of years to put the local audit system on a sustainable footing.

The Audit Committee, as those charged with governance for the Council, played a crucial role. The audit cannot be successfully completed without robust draft financial statements; good quality working papers; and sufficient resources to support the audit process. The external audit process often acted as a line of defence, but it was essential that internal controls caught issues before reaching external auditors.

The audit will focus on materiality and significant risks. Auditors will assess whether the Council had sufficient arrangements in place to receive assurance before the external audit.

EY gave an overview of the risks identified from the audit planning process for 2023-24. There had not been any significant changes in risk compared to the last audit in 2021-22.

The first risk was misstatements due to fraud and error. There were a range of procedures designed to respond to this. A specific risk under this umbrella was fraud risk related to revenue and expenditure recognition through inappropriate capitalisation of revenue expenditure. In local government, this related to Practice Note 10, which specified the need to consider fraud risks not only for revenue but also for expenditure.

Next, there was the significant risk of valuation of land and buildings valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method. Historically, there had been differences of specialist opinion in this area.

Next, there was the risk related to the recognition of infrastructure assets upon subsequent expenditure or replacement. This had been downgraded from 'significant' to 'inherent risk' in 2021-22. Although no misstatements were identified, the risk remained relevant due to implications for future arrangements as the Council transitioned from statutory instrument-based accounting to normal accounting for infrastructure assets.

The inherent risk around pension liability valuation was recurring and not new.

There was an inherent risk around valuation of council dwellings. While not typically identified as a significant risk, there was still an element of judgment involved in the valuation.

A new risk related to IFRS 16 disclosures. Although the new accounting standard for leases became effective from 2024-25, the Council was required to disclose its impact a year earlier. Qualitative and quantitative disclosures related to IFRS 16 would be assessed.

Planning materiality remained consistent with the 2021-22 audit, set at 1.8% of gross expenditure. Unaudited figures from 2023 were used as a starting point.

Performance materiality (applied at the account level) dropped from 75% in 2021-22 to 50% in 2023-24. This was primarily driven by the audit results from 2021-22 and it was taken into account that 2022-23 was not audited. The lowest level of materiality remained unchanged from 2021-22.

Members noted that they were interested in the disagreements between Internal Audit and External Audit and what those meant. Members noted that they were comfortable that those disagreements did not affect the fundamental financial reality of the Council. It was noted that all parties were happy to have any disagreements brought to the Audit Committee if necessary.

Members noted that a headline points or condensed summary in the report may be useful for substitute members.

Members asked when measuring financial performance and assessing risk factors, how did EY determine the yardsticks used to measure these, and how did the public know that these measures were fit for purpose. Officers summarised that there had been some debate on the materiality issue and the importance of setting that in context. Some of the issues that had arisen from previous audits, it was noted, did not actually impact on the Council's bottom line – the general fund. There were a lot of grey areas around valuations. It was hoped that once the reset had passed there may be a simplification of the statement of accounts so that the public could better understand them.

The Cabinet Member for Finance was in attendance and noted an upcoming meeting with the external auditors, noting the importance of the progress on the national reset, which was a subject of concern.

It would be important to discuss the audit opinion in advance of 30 September. The government's guidance on audit opinions was crucial, and early discussions would allow for better preparation and understanding. Ensuring transparency and timely communication with stakeholders was essential.

The deadline for finalising the 2022-23 audit was 30 September, while the 2023-24 accounts had a deadline of May 2025. Completing the 2023-24 audit by November would mitigate any potential damage from the 2023-23 opinion. The Cabinet Member asked if the 2023-24 audit could be finalised and issued by November 2024. However, practical considerations, workload, and coordination with relevant parties may impact the timeline. The plan aimed to conclude the 2023-24 audit and issue the report by November 2024. The backstop date in the consultation was initially set for May 2025, but it may be brought forward to March 2025 to avoid clashing with the NHS reporting season. Completing the audit by November 2024 would allow the authority to get closer to a normal cycle more quickly, considering other priorities like budget setting.

The form of the audit opinion was crucial. While boilerplate opinions cannot be used, guidance and early engagement would help tailor the opinion to each authority's specific circumstances. The audit results report, due to be issued in September, should provide more flexibility for auditors to articulate the reasons behind any disclaimer of opinion.

The Cabinet Member also asked if there was the option to include some work on opening balances within the scope of the 2023-24 audit, which may mitigate the impact of not having a 2022-23 audit. In a corporate environment, when a disclaimer of opinion was issued, it typically took three years to rebuild assurances, especially related to opening balances. For the 2023-24 financial statements, the auditor would not have assurance over those opening balances due to the lack of a 2022-23 audit. However, the authority can work toward rebuilding those assurances in subsequent years. Guidance was awaited from either the Financial Reporting Council (FRC) or Department for Levelling Up, Housing and Communities (DLUHC) or National Audit Office (NAO) around what the expectations were in terms of rebuilding that assurance over opening balances.

Members asked how prepared the Council was for the implementation of the new IFRS16 standard. The new standard required organisations to bring most leases (including embedded leases within service contracts) onto the balance sheet. The Council needed to assess all its contracts to determine if they contained leases. For straightforward leases (e.g., leasing photocopy machines), assessment was relatively easy. For service contracts with embedded leases (where an asset is used as part of the service), it was more complex. The team was working with procurement to identify these embedded leases. Approximately 99% of these leases were expected to go on the balance sheet. EY had given a checklist to assist with this. The September deadline (for 2022-23) would not be affected because this risk pertained to the following year. The November deadline (for 2023-24) should also remain unaffected because it was a disclosure note rather than affecting the accounts directly.

The inherent risk was marked as red in the report to draw attention to it as a new risk. Inherent risk was lower in gradation compared to a significant risk. Inherent risks were typically related to new accounting standards that may impact the Council's accounts. There was no immediate consequence, it was about ensuring compliance and transparency.

In September 2023, approximately 960 audit opinions were outstanding across local

government in England. This was the size of the backlog and is what prompted the government to address the issue. There were currently roughly 640 opinions outstanding. The point of the reset was that an incremental approach would not solve the backlog. Many other authorities likely faced similar challenges due to the system reset and the impact on audit timelines.

The audit team had a relatively stable structure, including a team that dealt with the statement of accounts. Over the last 12 months, the team had developed a succession strategy, including apprentices to reinforce administrative tasks. Collaboration with colleagues from EY helped streamline processes and preparatory work. Challenges in the recruitment market were considered, and efforts were made to retain and develop existing staff. While confident at this point, challenges may emerge during the audit process.

The November deadline for the 2023-24 audit was ambitious but feasible. The team had started the audit, and an agreed plan was in place. Ongoing engagement and constructive work with officers were essential. The audit team aimed to be as prepared as possible, but unforeseen issues could arise during the audit process.

The audit fee was set by the Public Sector Audit Appointments (PSAA) based on competitive tendering. The fee covered the necessary resources, including specialists, to provide a robust opinion. While the audit team did not set the fee, they ensured the team was appropriately resourced to address the authority's risks. The team that had been put in place was going to support a robust audit opinion.

#### 2023-24 EY Pension Fund Audit Plan

The next report discussed was the pension fund account outline plan for 2023-24.

There was a general risk of misstatement due to fraud and error. There was a slight change to this because it was previously linked to incorrect posting of journals related to asset values and investment income. It had been determined that manipulation of investment income was the more likely area because there was so much triangulation for the valuation. The triangulation of figures from custodian and fund managers' reports reduced the opportunity for manipulation.

The risk area of the valuation of complex Level 3 investments related to these investments being harder to value and they were considered higher risk due to their materiality. Increased judgement in the risk area of the classification of Level 2 and Level 3 investments lead to an elevated risk. Early work will be done to address this.

The risk area of actuarial disclosures (IISA 26) involved estimates and were highly material. Specialist actuaries will assist in assessing them.

Plan materiality was set at 1.8% of net assets, the highest level allowed for public sector pension funds. Performance materiality was set at 75% to account for relatively small errors.

There was a change in the EY audit pension fund manager for the 2023-24 audit.

**RESOLVED: That the Audit Committee noted this report**

93. **INTERNAL AUDIT ANNUAL REPORT 2023-24** (*Agenda Item 6*)

Officers presented the internal audit annual report for 2023-24. The report was brought forward from the August meeting to assist in drafting the annual governance statement.



A total of 47 pieces of internal audit work were fully delivered as part of the 2023-24 internal audit plan. Field work for all planned work was completed by the year-end, despite initial vacancies and a new team. The work included 33 assurance reviews, 7 consultancy, and 7 grant claims. Six planned audit reports were in draft form at year-end.

Of the 33 assurance reviews, 21% were substantial, 42% reasonable, and 36% limited. The opinion for 2023-24 was limited assurance. This was based on the assurance reviews completed throughout the year and considered the scope of each review. A lot of work had been done looking at high risk areas and looking at the action plans. It also took into consideration any significant findings from the draft reports.

Several areas of the limited assurance reviews were in key areas of governance such as the risk management, workforce planning and facilities management.

Common themes included inconsistent governance arrangements due to ongoing transformation work. Poor data quality was identified due to reliance on manual records and outdated systems. The Council was addressing data quality issues in 2024-25. The report also covered follow-ups on recommendations and performance against key indicators.

The internal audit team had achieved significant progress despite starting from scratch and facing vacancies. The limited assurance opinion reflected the current context of ongoing transformation and governance adjustments.

Members asked what would be done to improve the opinion going forward. There was a lot of work already underway in terms of data quality and governance arrangements. A lot of the reviews in the plan for next year were to look into the details of those areas. This included early reviews to address these areas and embed recommendations.

The Cabinet Member for Finance congratulated the audit team on a total rebuild given that previously the Council had relied on outsourcing of internal audit. It was noted that there was some inevitability around governance arrangements taking time to settle down following transformation. 36% limited assurance was a subject for concern but in the current context it was not particularly surprising.

Members noted previous discussion around the new data system and asked how this was working out. Officers noted better responses on more recent reports due to quicker follow-ups. Previously there had been a backlog with a lot of change happening, and when people left their roles, sometimes recommendations were not handed over.

Officers put on record their thanks to the internal audit team for their swift takeover of audit matters.

On the face of it, limited assurance was not a good place to be. However, it was recognised that the audit service was identifying areas for improvement and also moving into areas that they may previously not have been involved in, adding their skills set to, for example, the transformation programme and the Oracle project.

It was noted that the Council had committed £10m in terms of the digital programme.

The Chair summarised that it had been a good year considering where the audit service had started in terms of resourcing. They had delivered more work than in

	<p>previous years and more rigorous internal audit work. When digging into higher risk areas, there was an inevitability of some limited assurance. The Chair further noted that it would have been good to have a table with the end of year KPI positions.</p> <p><b>RESOLVED: That the Audit Committee noted the IA Annual Report for 2023-24</b></p>
94.	<p><b>INTERNAL AUDIT PROGRESS REPORT Q4 2023-24</b> (<i>Agenda Item 7</i>)</p> <p>This report outlined the work completed since the previous Audit Committee. A lot of this fed into the annual report as it was currently only one month into the new financial year.</p> <p>Nine reviews had been completed since the last Audit Committee meeting. These reviews included one substantial (building safety standards), four reasonable (Payment Card Data Security Standard, Building Control Action Plan, Neglect (Children’s), and Private Sector Housing), one advisory (fraud risk assessment in procurement), and three limited (social housing applications, fleet damage, and pool cars).</p> <p>Key findings in the limited assurance reports related to missing key documentation, reliance on manual processes, duplicate systems, and insufficient checks and challenges within different services.</p> <p>Seven draft reports were also prepared at year-end.</p> <p>The report outlined the planned work for the remainder of the year. The internal audit team was already ahead of last year’s progress in terms of planning for audits. Six weeks in advance, planning for all audits had commenced.</p> <p>The team was working on a quality improvement action plan. This plan will address the new internal audit standards coming into effect. The new standard came into effect from January 2025, and specific guidance for the public sector will be incorporated by the end of March next year.</p> <p>The Chair asked what the scope of the substantial assurance report was. This was around building safety standards and looking at the action plan that was in place.</p> <p>The pool cars audit focused on the processes related to pool car usage. Concerns arose due to reliance on individual officers completing documentation (e.g. consent forms, damage assessments). Weaknesses were found in the documentation, including inconsistencies and incorrect recording of damage. Progress on fixing these issues was being monitored.</p> <p>Some items dropped off the 2023-24 internal audit work plan but were postponed to 2024-25. It was common practice to move items into Q1 due to year-end busyness. Areas like personal appraisals, overtime payments, and partnership working were still being addressed.</p> <p>The follow-up process was ongoing, and meetings will be held to get updates. There were no immediate concerns about the unknown status items. The capital program item with high and medium actions would be monitored.</p> <p><b>RESOLVED: That the Audit Committee noted the IA progress since the last meeting</b></p>

95. **RISK MANAGEMENT ANNUAL REPORT 2023-24** (*Agenda Item 8*)

This report provided a summary of the risk management work that was completed during 2023-24. It was brought forward from the August meeting and included a summary of the risk register at year-end. There was a significant change at the beginning of the year with a big refresh of the corporate risk register and moving to a new risk management system.

The new risk management system was now up and running. Place Directorate, Finance Directorate and the Digital Directorate had all had demonstrations. There were requests to complete the demonstrations with Children's Services Directorate, Adult Services & Health Directorate and the Central Services Directorate.

Risk management was crucial for managing opportunities and threats to objectives. The Council's risk management policy provided a framework for: clear accountabilities and roles; prompt identification and assessment of risks; employee knowledge and skills in risk management; informed decision-making considering relevant risks; and evaluation of risk management impact.

Several updates had been made to the risk register: Microsoft Word versions of Directorate Risk Registers had been replaced with a central Excel Risk Register. There was improved access for risk owners. A Digital Directorate Risk Register had been added, with services reallocated between directorates. Corporate risks had been aligned with strategic objectives through a Strategic Risk report. A new risk management system (JCAD) had been introduced for increased accountability and collaboration. Training and guidance were being prepared for system implementation.

At year-end, there were 16 red-rated risks in the Corporate Risk Register. Place Directorate had the highest number of risks (though was not necessarily the most risky). 13 unscored risks (down from 24) were being addressed. 5 risks not reviewed within the last 6 months were raised at the Corporate Risk Management Group and were being addressed.

Members asked what was being done to enhance consistency across the authority. Officers were not transferring everything from the excel spreadsheet to JCAD straight away and were running training sessions within individual services to make sure that they were reflecting their risks. While currently, a lot of risks were recorded at a very high level, such as one big risk around cyber security, these could be broken down into a larger number of smaller risks.

The report noted an aspiration to move to a risk defined level of maturity, and Members asked if there would be a more formal plan to achieve this. Currently the focus was on getting risks recorded on the register. Officers were also looking at how to embed KPI information.

Members asked for clarity on the corporate risks brought forward from 2022-23 and new risks in 2023-24. There was a big refresh moving from Q1 to Q2 of 2023-24. A further three risks were added at the end of Q4. When the risk management progress report was presented at each Audit Committee, this would list all new risks that had been added since the previous meeting.

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

96.	<p><b>STRATEGIC RISK REPORT</b> (<i>Agenda Item 9</i>)</p> <p>The final paper was the Strategic Risk report. This was introduced at the previous Audit Committee. There had been no significant changes since the last meeting. The risks had been added to JCAD and officers were training up members of CMT on the system. Furthermore, officers were working with digital and business intelligence to incorporate risk KPIs into the dashboard, and other service level KPIs were embedded as well.</p> <p><b>RESOLVED: That the Audit Committee noted the Strategic Risk Report and provided feedback on the content and level of assurance received.</b></p>
97.	<p><b>COUNTER FRAUD PROGRESS REPORT Q4 2023-24</b> (<i>Agenda Item 10</i>)</p> <p>It was noted that an addendum had been issued to update Appendix B.</p> <p>The Counter Fraud team continued to focus on areas of high risk, particularly around frontline demand-led services. Proactive and reactive activities during Q4 had led to approximately £2 million in savings, bringing the year-to-date total savings to £11.2 million.</p> <p>In housing, efforts had focused on tenancy fraud, resulting in the recovery of 23 properties in Q4 (total of 103 for the year) and the closure of 16 emergency accommodation units due to non-occupation (total of 42 for the year). Both of these year-end figures were the highest the team had ever achieved in a single year.</p> <p>Efforts to maximise income included identifying eight businesses undeclared for rates and 30 “beds in sheds” not listed for council tax, resulting in approximately £543,000 of additional income.</p> <p>Refreshing the fraud risk register was a key priority. A fraud awareness campaign would commence, starting in Adult Social Care, equipping staff to spot and report fraud. Sustaining performance from last year into this year was crucial. Transitioning from narrative progress reports to dashboard reporting using tools like Power BI was underway.</p> <p>Members asked and officers noted that quantifying overall liabilities or losses due to fraud or cyber fraud was challenging. A common rule of thumb suggested that fraud or loss within a budget could range from 0.5% to 5%. While proactive activity and process improvements help, accurately assessing unknown losses remained difficult.</p> <p>Members congratulated the team on their achievements.</p> <p>It was noted that the Counter Fraud team was currently the highest contributor to the housing stock.</p> <p>It was encouraging that the Counter Fraud and Internal Audit teams were working well together.</p> <p>The team collaborated with other departments (e.g. private sector housing, planning enforcement) to address beds in sheds and other fraud-related issues. Further discussions with officers were planned to enhance efforts in this area.</p> <p><b>RESOLVED: That the Audit Committee:</b></p>

	<ol style="list-style-type: none"> <li>1. <b>Noted the Counter Fraud Progress Report for 2023-24 Quarter 4; and</b></li> <li>2. <b>Suggested any comments/ amendments</b></li> </ol>
98.	<p><b>COUNTER FRAUD OPERATIONAL WORK PROGRAMME 2024-25</b> (<i>Agenda Item 11</i>)</p> <p>The report provided an overview of how the counter-fraud team operated, including its strategic approach and operational functions. It highlighted alignment with internal audit and collaborative efforts. The refreshed fraud risks faced by the Council were outlined in Appendix A. Appendix B set out the operational work plan.</p> <p>The work plan focused on three main frontline service areas: Revenue, Social Care, and Housing. Synergies existed between Counter Fraud efforts and Internal Audit activities. A key priority was ramping up activity in social care, including fraud awareness discussions and consultancy work.</p> <p>Members asked and officers noted that Social Care was a complex area, and the Counter Fraud team acknowledged that it was not the expert in this field. Stakeholder engagement, fraud awareness, and consultancy work will help understand risks and identify necessary actions. Decisions related to criminal cases or protecting against loss will involve collaboration with Social Care experts.</p> <p>Members asked and officers noted that the London Counter Fraud Hub collaborated with other councils in the region. There was also a London Borough Fraud Investigation Group, which included an executive board that had three members from Hillingdon. The hub shared information, worked jointly, and shared resources with other councils.</p> <p>The hub had set high standards and received awards. It focused on fraud prevention, detection, and recovery. Challenges included aligning priorities across different boroughs.</p> <p>In-house data matching and sharing contributed to detecting fraud (e.g., identifying deceased tenants).</p> <p>The team structure was stable, with one Counter Fraud apprenticeship vacancy. The plan was to transition a trainee into the apprenticeship role after completing their accountancy degree.</p> <p>The focus was on doing effective work rather than just meeting targets. The team aimed to sustain its successful performance from the previous year.</p> <p><b>RESOLVED: That the Audit Committee:</b></p> <ol style="list-style-type: none"> <li>1. <b>Noted the Counter Fraud Annual Operational Plan for 2024-25; and</b></li> <li>2. <b>Suggested any amendments/ comments.</b></li> </ol>
99.	<p><b>WORK PROGRAMME</b> (<i>Agenda Item 12</i>)</p> <p>Officers noted that the work programme outlined the meeting dates for 2024-25.</p> <p>Officers would draft a work programme for the year, which would be shared ahead of the next meeting.</p>

	<b>RESOLVED: That the Audit Committee:</b>  <b>1. Confirmed the dates for Audit Committee meetings; and</b>  <b>2. Made suggestions for future agenda items, working practices and/ or reviews</b>
	The meeting, which commenced at 5.10 pm, closed at 7.00 pm

These are the minutes of the above meeting. For more information on any of the resolutions please contact Democratic Services on 01895 250636 or email: [democratic@hillingdon.gov.uk](mailto: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.**

STRICTLY NOT FOR PUBLICATION

Exempt information by virtue of paragraph(s) 1 of Part 1 of Schedule 12A  
of the Local Government Act 1972 (as amended).

# Agenda Item 6

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## EXTERNAL AUDIT UPDATE

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	James Lake, Finance
<b>Papers with report</b>	None
<b>Ward</b>	All

### HEADLINES

This report gives the latest position regarding the progress of the 2023/24 Statement of Accounts along with updates relating to external audit activities and the recent ministerial announcement regarding the national audit backlog and suggested remedies.

### RECOMMENDATIONS:

**That the Committee note the report.**

### SUPPORTING INFORMATION

#### Draft 2023/24 Accounts

The Council published the draft 2023/24 Statement of Accounts on the 28 June 2024. As no guidance or information was received regarding an extension to the statutory 31 May deadline, a delay notice was published in the intervening period. The 30-day Public Inspection period began on 1 July 2024.

#### 2023/24 External Audit

The 2023/24 external audit commenced in line with the proposed timetable on 22 July 2024.

#### Regulatory Update

On the 30 July 2024 a series of proposed backstop dates with a provision for disclaimed opinions was announced by minister of state for local government, Jim McMahon. This followed on from the consultation relating to the national audit backlog that was published before the general election.

The revised and newly proposed backstop dates are:

- FY up-to-and-including 2022/23: 13 December 2024
- FY2023/24: 28 February 2025
- FY2024/25: 27 February 2026
- FY2025/26: 31 January 2027
- FY2026/27: 30 November 2027
- FY2027/28: 30 November 2028

The minister also noted that for financial years 2024/25 to 2027/28, the date by which draft accounts should be published will change from 31 May to 30 Jun.

As noted in previous reports, where auditors have been unable to complete audits, they will issue a 'disclaimed' or 'modified' audit opinion. The communication also noted that local bodies should not be unfairly judged based on disclaimed or modified opinions caused by the introduction of backstop dates that are largely beyond their control and auditors will be expected to clearly set out the reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face

EY are aiming to complete the 2022/23 and 2023/24 audits in line with the revised backstop date.

### **2022/23 Housing Benefit Assurance Process**

The field work has been completed for the 2022/23 Housing Benefit Assurance Process and is currently at the Partner review stage. EY expect this to be completed in September 2024.

### **Financial Implications**

Where relevant Included within the body of this report.

### **Legal Implications**

Where relevant Included within the body of this report.

## AUDIT COMMITTEE ANNUAL REPORT FOR 2023/24

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Claire Baker, Head of Internal Audit
<b>Papers with report</b>	Draft Audit Committee Annual Report for 2023/24
<b>Ward</b>	All

### HEADLINES

This draft report summarises the work of the Audit Committee during 2023/24 and how it has undertaken its responsibilities for reviewing the key areas within its remit.

In line with good governance, the Audit Committee should ensure that the wider Council is aware of the breadth and extent of the work completed by the Committee on its behalf.

This draft report contains the information that is proposed to be presented to Council, so that it can be assured that the Audit Committee is acting appropriately on its behalf.

### RECOMMENDATION:

**That the Audit Committee reviews and approves the Draft Audit Committee Annual Report for 2023/24 and/ or suggests any amendments that should be made, where necessary, before the report is presented to Council.**

### SUPPORTING INFORMATION

None.

### BACKGROUND PAPERS

None.

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# DRAFT ANNUAL REPORT OF THE AUDIT COMMITTEE

2023/24

## Report Distribution

- Audit Committee: 28<sup>th</sup> August 2024
- Council: TBC 2024



**HILLINGDON**  
LONDON

## 1. INTRODUCTION

- 1.1 In line with best practice guidance, the Audit Committee is required to submit an annual report to Council outlining the Committee's activities over the previous year. This report summarises the work of the Audit Committee during 2023/24 and how it has undertaken its responsibilities for reviewing the key areas within its remit. Specifically, these include:
- Internal Audit
  - External Audit
  - Counter Fraud
  - Risk Management
  - Financial reporting process of the Statement of Accounts.
- 1.2 In compliance with the Accounts and Audit (Amended) (England) Regulations 2021 the Audit Committee has reviewed the effectiveness of the systems of internal control by receiving regular reports from these areas above that contribute to the control framework. This report provides an opportunity for Council Members to review the work of the Audit Committee and comment on its contribution and performance.

## 2. Key Activities of the Audit Committee

- 2.1 The Terms of Reference (ToR) of the Committee are attached at [Appendix A](#). These were last amended at the Council meeting held on 11 May 2017, following an Internal Audit review of the Effectiveness of the Audit Committee.
- 2.2 During the 2023/24 municipal year the Audit Committee met on four occasions: 27 April 2023, 8 August 2023, 22 November 2023 and 12 February 2024.
- 2.3 Membership and attendance of the Audit Committee comprised as follows:

Member Name	Member Appointment	2023/24 Meeting Attendance
Mr John Chesshire (Independent Chairman)	Initially appointed on 2 November 2017 to present	Attended all four meetings
Cllr Reeta Chamdal	Appointed May 2022 to present	Attended all four meetings
Cllr Tony Burles	Appointed May 2022 to present	Attended all four meetings
Cllr Nick Denys	Appointed May 2022 to present	Attended April 23, November 23 and February 24
Cllr Henry Higgins	Appointed August 2023 – present	Attended all four meetings (April 2023 as a Substitute)
Cllr June Nelson	Appointed August 2023 - present	Attended November 23 and February 24
Cllr Stuart Mathers	Non-Member	Attended in April 2023 as a Substitute
Cllr Kishan Bhatt	Non-Member	Attended in August 2023 as a Substitute

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

2.5 The role delegated by the Council to the Audit Committee is to provide independent assurance over the governance, risk management and the system of internal control in operation at the Council. The Audit Committee has fulfilled this role by undertaking the following key activities:

**a) Oversight of Internal Audit**

- The Audit Committee oversaw the activity of the Council's Internal Audit service to assist it in its role of monitoring the internal control, risk management and governance arrangements of the Council's operations. During 2023/24, the Audit Committee reviewed the 2022/23 Annual Internal Audit Report and Head of Internal Audit Opinion Statement, the 2023/24 Annual Internal Audit Plan, and quarterly progress reports and operational plans;
- The Audit Committee also reviewed the key findings from Internal Audit reviews and sought explanations from the Head of Internal Audit about the recommendations emanating from 'Limited' or 'No' assurance audits.
- The Committee continued to monitor the performance of the Internal Audit Service. All actions from the External Quality Assessment of the Internal Audit Service, completed at the end of 2022/23, were confirmed to have been completed during 2023/24.

***The Audit Committee is satisfied that Internal Audit is effective and adds value to the Council.***

**b) Oversight of External Audit**

- The Committee has reviewed the activity of the Council's External Auditors (Ernst & Young) to assist it in its role of monitoring the internal control, risk management and governance arrangements of the Council's operations. The Committee has received and considered the external audit plan, progress updates and reviewed EY performance.
- The Committee confirmed the completion of the 2021/22 annual accounts audit and acknowledged the ongoing national delays in relation to the 2022/23 accounts audit which are consistent with other local authorities. The Committee also monitored the completion of the draft Value for Money and Pension Fund audit results for 2022/23, which were presented in April 2024.

***The Audit Committee is satisfied with the Council's External Audit arrangements during 2023/24***

**c) Prevention and Detection of Fraud and Corruption**

- The Council operates a zero-tolerance policy towards all fraud and corruption. The Counter Fraud Team (CFT) is embedded into all major fraud risks across the three largest areas of expenditure Revenues, Social Care and Housing. The team conducts proactive and reactive counter fraud activity to highlight fraud, loss and error. This minimises the Council's exposure to fraud and maximises its preventative savings.
- The National Fraud Initiative (NFI), is embedded in practice in the CFT through detecting potential fraud by matching electronic data sets within and between public and private sector bodies. Relevant service areas across the Council review the initial data matches and then refer them to the CFT for investigation (where appropriate to do so).

- The Audit Committee has received consolidated quarterly progress reports from the CFT, a detailed 2023/24 Annual Plan and Annual Report for 2022/23. The team has responsibility for the oversight of the effectiveness of the Council's policies and procedures to prevent and detect fraud and corruption.
- In 2023/24 the CFT had achieved a number of successful outcomes including a total of c£11.2m in loss prevention savings across Council services. These savings included the recovery of 103 council properties due to tenancy fraud.

***The Audit Committee is satisfied with the effectiveness of the Council's counter fraud arrangements during 2023/24.***

#### **d) Risk Management & Corporate Governance**

- The Audit Committee monitored the implementation of the new Risk Management system and processes throughout 2023/24 as part of the Committee's role to independently assess the Council's corporate risk management arrangements.
- They received quarterly risk management reports, including the Corporate Risk Register, and a new Strategic Risk Report in February 2024. These provided assurance that action was being taken on risk related issues.
- The Audit Committee also oversee the production of the Council's Annual Governance Statement (AGS). The AGS for 2022/23 was drafted and submitted to External Audit during the year, however as the 2022/23 audit of the annual accounts has been delayed the final accounts were not presented to the Committee during the year.

***The Audit Committee is satisfied that the Risk Management arrangements enable it to provide sufficient challenge to officers around the identification and management of the key risks to the Council.***

#### **e) Approval of Financial Accounts**

- Throughout 2023/24 the Audit Committee was provided with audit progress reports on the Council's annual statement of accounts for 2021/22. This included considering whether appropriate accounting policies have been followed in relation to the 2022/23 accounts.
- Due to national delays finalising the audit of the 2022/23 annual accounts the Audit Committee had not received the final audit of the accounts by the end of 2023/24. This will be taken forward during 2024/25.

## **3. Conclusion**

- 3.1 The Audit Committee considers that it has continued to make a significant contribution to ensuring that the key elements of the governance framework are given proper consideration and are appropriately challenged. It will continue to develop this role and contribute to strengthen internal control, risk management and governance throughout the authority.



## **APPENDIX A: AUDIT COMMITTEE TERMS OF REFERENCE**

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

The Audit Committee's role is to:

- Review and monitor the Council's audit, governance, risk management framework and the associated control environment, as an independent assurance mechanism;
- Review and monitor the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment;
- Oversee the financial reporting process of the Statement of Accounts.

Decisions in respect of strategy, policy and service delivery or improvement are reserved to the Cabinet or delegated to Officers.

### Internal Audit

- 1) Review and approve (but not direct) the Internal Audit Strategy to ensure that it meets the Council's overall strategic direction.
- 2) Review, approve and monitor (but not direct) Internal Audit's planned programmes of work, paying particular attention to whether there is sufficient and appropriate coverage.
- 3) Through quarterly Internal Audit summary reports of work done, monitor progress against the Internal Audit Plan and assess whether adequate skills and resources are available to provide an effective Internal Audit function. Monitor the main Internal Audit recommendations and consider whether management responses to the recommendations raised are appropriate with due regard to risk, materiality and coverage.
- 4) Make recommendations to the Leader of the Council and Cabinet Member for Finance on any changes to the Council's Internal Audit Strategy and plans.
- 5) Review the Annual Report and Opinion Statement and the level of assurance this provides over the Council's corporate governance arrangements, risk management framework and system of internal controls.
- 6) Consider reports dealing with the activity, management and performance of internal audit services.
- 7) Following a request to the Corporate Director of Finance and, subject to the approval of the Leader of the Council or Cabinet Member for Finance, to request work from Internal Audit.

### External Audit

- 8) Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
- 9) Monitor management action in response to issues raised by External Audit.
- 10) Receive and consider specific reports as agreed with the External Auditor.
- 11) Comment on the scope and depth of External Audit work and ensure that it gives value for money, making any recommendations to the Corporate Director of Finance.

- 12) Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
- 13) Following a request to the Corporate Director of Finance and, subject to the approval of the Leader of the Council or Cabinet Member for Finance, to commission work from External Audit.
- 14) Monitor arrangements for ensuring effective liaison between Internal Audit and External Audit, in consultation with the Corporate Director of Finance.

#### Governance Framework

- 15) Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations and, where necessary, bring proposals to the Leader of the Council or the Cabinet for their development.
- 16) Review any issue referred to it by the Chief Executive, Corporate or Executive Director, any Council body or external assurance providers including inspection agencies.
- 17) Monitor and review (but not direct) the authority's risk management arrangements, including regularly reviewing the corporate risk register and seeking assurances that appropriate action is being taken on managing risk.
- 18) Review and monitor Council strategy and policies on anti-fraud and anti-corruption including the 'Raising Concerns at Work' policy making any recommendations on changes to the Leader of the Council and relevant Corporate / Executive Director.
- 19) Oversee the production of the authority's Annual Governance Statement and recommend its adoption.
- 20) Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on suggested actions to improve alignment with best practice.
- 21) Where requested by the Leader of the Council, Cabinet Member for Finance or Corporate Director of Finance, provide recommendations on the Council's compliance with its own and other published standards and controls.

#### Accounts

- 22) Review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council.
- 23) Consider the external auditor's report to those charged with governance on issues arising from the external audit of the accounts.

#### Review and reporting

- 24) Undertake an annual independent review of the Audit Committee's effectiveness and submit an annual report to Council on the activity of the Audit Committee.

## INTERNAL AUDIT PROGRESS REPORT

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Claire Baker, Head of Internal Audit & Risk Assurance
<b>Papers with report</b>	Internal Audit Progress Report: August 2024 Internal Audit Briefing on the new Internal Audit Standards
<b>Ward</b>	All

### HEADLINES

The attached Progress Report presents the Audit Committee with a summary of the Internal Audit (IA) work covered since the last Committee meeting. It also provides an opportunity for the Head of Internal Audit to highlight to the Audit Committee any significant issues that they need be aware of that have arisen since the last IA Progress Report.

Further, it enables the Audit Committee to hold the Head of Internal Audit to account on delivery of the IA work plan, and Officers to account for managing risk and control weaknesses identified during the course of IA activity.

Also attached is a short report outlining the new Global Internal Audit Standards which will come globally effective from 9 January 2025. The Head of Internal Audit has undertaken a self-assessment against the new Standards and any potential areas for improvement will be developed into a formal Quality Improvement Action Plan once Public Sector specific guidance is published.

### RECOMMENDATION:

**That the Audit Committee notes the IA Progress since the last Committee meeting and the new Global Internal Audit Standards.**

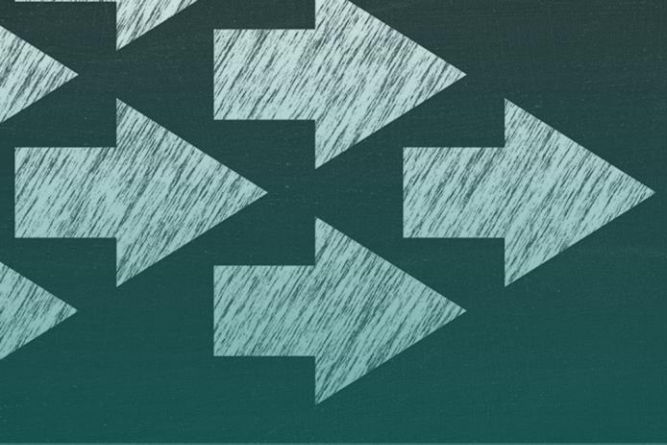
### SUPPORTING INFORMATION

IA provides an independent appraisal and consultancy service that underpins good governance, which is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon.

### BACKGROUND PAPERS

None.

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# INTERNAL AUDIT PROGRESS REPORT

14 August 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

Internal Audit are continuing to progress a number of reviews in the 2024/25 IA workplan. Since the last Audit Committee meeting, **ten** reviews were completed to final report stage. These include:

- **two SUBSTANTIAL** assurance reports: ARCH Social Work Outputs and Statutory Servicing, Engineering & Maintenance Contracts
- **four REASONABLE** assurance reports: Oracle Programme, Neglect (Adults), Cyber Security and Voids Processes
- **one ADVISORY** review: Organisation Culture
- **one LIMITED** assurance report and two **NO** assurance reports relating to the following areas:

SEND Data Quality (No Assurance)	<p>This review was included in the IA plan as concerns were raised in relation to the SEND data. Overspends against planned targets within the DfE's Dedicated Schools Grant Safety Valve agreement highlighted the original data used to set the targets was significantly underestimated.</p> <p>This review was completed in December 2023 when further variances between the SEND Service and systems were still being uncovered. However, the SEND service and Finance had already carried out extensive amount of work to improve the data quality and were developing an action plan to address the issues going forward.</p> <p>Several issues were raised through this review, including annual reviews not taking place, banding information not being in place for on the EHM system, financial data stored on EHM did not always correlate to committed spend on the ContrOCC system, and Decision Record Sheets are not completed and stored on SharePoint.</p> <p>Work by the SEND and Finance Teams has been ongoing since this review was completed, and we understand new processes have been implemented to prevent issues reoccurring.</p>
Uninspected B&B's (No Assurance)	<p>The Council currently utilises a range of Bed and Breakfast properties (B&amp;Bs) to house residents in need of temporary accommodation. To ensure these B&amp;Bs meet required standards the Housing Team conduct inspections and due diligence checks on landlords before they are added to the new Dynamic Purchasing System.</p> <p>Internal Audit reviewed the checks undertaken for a sample of 13 new landlords and 36 properties. We identified insufficient evidence was retained in the case files to evidence the checks undertaken, including missing safety certificates, signed contracts, and risk assessments. Findings were also raised in relation to insufficient</p>

	policies and procedures, no monitoring arrangements for the use of B&Bs, and no formal escalation processes if properties do not meet the required standards.
Performance Information (Limited Assurance)	<p>This audit reviewed how individual Directorates set key performance indicators in line with their objectives.</p> <p>We reviewed a sample of five teams from across the Council and confirmed there was a general understanding of the importance of KPIs and all five services had KPIs in place. However, the KPIs were not consistently documented and aligned to Service and Directorate objectives and were not formally discussed during team meetings.</p> <p>This was a known area of improvement and the Business Intelligence team are currently introducing Power BI software to service areas, to allow teams to visualise KPIs and track KPI's in real time. However, this relies on service areas identifying effective KPIs and sourcing high quality data to feed into PowerBI.</p>

Three 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 grant claim verification work for the Q1 Supported Families return, and provided significant consultancy support to the Housing Management Team when calculating the Tenancy Satisfaction Measures before the annual return was submitted in June. 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**

There have been a number of changes to the Internal Audit Plan since the last Audit Committee. New Heads of Service in key risk areas have requested additional reviews, and there has been reduced capacity within other services to support reviews due to ongoing strategic projects.

Two assurance reviews have been added to the plan since the last Audit Committee. Reviews into Section 202 & 204 Appeals and B&B Rent Arrears were added to the plan at the request of the previous Head of Housing Needs when he joined the Council. The HRA Rent arrears audit was also removed from the plan, but has subsequently been re-instated at the request of the new Head of Housing Needs.

Two consultancy reviews were also added to the plan at the request of the relevant service. One into Business Continuity Plans and another to validate the Tenancy Satisfaction Measures against the Technical Requirements.

The Internal Audit team have also delayed a number of audits at the request of key contacts within the relevant services. The Partnership Working Audit has been moved to Q4 and the Data Quality review of Liquid Logic has been delayed until 2025/26 due to ongoing work by the service in these areas. The Directorate Governance review was also delayed slightly to allow for the Zero Based Budgeting Challenge sessions in July.

**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 46/79 (58%) management actions due to have been implemented were marked as verified or complete. 13 were marked as not complete and new implementation dates are being set when these actions will be followed up again.

At the time of this report 20 were marked as unknown as we have not received confirmation from the responsible officer. In several cases the responsible officer has left the Council



and meetings are being arranged with the relevant services to agree a new responsible officer to provide an update before the Audit Committee.

## 4. FORWARD LOOK

Over the next quarter the IA team will continue to focus on fieldwork for the 2024/25 reviews.

The Team will also continue to review their Quality Improvement Action Plan to ensure any new requirements following the new Global Internal Audit Standards are implemented. A summary of the new Global Internal Audit Standards is presented separately to the Audit Committee.

IA would like to take this opportunity to formally thank all staff throughout the Council with whom IA had contact. 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	Assurance Level	Actions & Risk Rating			
				H	M	L	O
23.S04	Organisation Culture	Final report issued 03 July 2024	N/A: ADVISORY	-	-	-	-
23.C03	SEND Data Quality	Final report issued 30 July 2024	NO	4	1	1	-
23.C06	Thematic Schools Audit	Draft report issued 22 February 2024	TBC once final report issued				
23.F04	Oracle Programme	Final report issued 28 May 2024	REASONABLE	-	1	-	-
23.A08	ARCH Social Work Outputs	Final report issued 13 June 2024	SUBSTANTIAL	-	-	-	-
23.A06	Neglect (Adults)	Final report issued 11 July 2024	REASONABLE	-	2	2	-
23.P09	Uninspected B&Bs	Final report issued 2 August 2024	NO	2	3	1	-
23.P10	Statutory Servicing, Engineering & Maintenance Contracts	Final report issued 22 July 2024	SUBSTANTIAL	-	-	1	-
23.S08	Performance Information	Final report issued 31 July 2024	LIMITED	1	3	-	-
24.D02	Cyber Security (1)	Final report issued 26 June 2024	REASONABLE	-	3	2	-
24.S07	Voids processes	Final report issued 06 August 2024	REASONABLE	-	5	3	-
24.P04	Asset Management (Corporate Properties)	Draft report issued 05 August 2024	TBC once final report issued				
24.S17	Section 202 & 204 Appeals	Draft report issued 09 August 2024	TBC once final report issued				
24.S18	B&B Rent Arrears	Report Drafting	TBC once final report issued				
24.S15	Overtime, Expenses & Mileage Payments	Report Drafting	TBC once final report issued				
24.S16	Personal Appraisals	Fieldwork	TBC once final report issued				
24.X01	Directorate Governance	Fieldwork	TBC once final report issued				
24.C03	Schools Admissions	Fieldwork	TBC once final report issued				
24.A01	Commissioned & Direct Payments	Fieldwork	TBC once final report issued				
24.S01	Organisation Culture (Part Two)	Fieldwork	TBC once final report issued				
24.A02	Transport provider	Fieldwork	TBC once final report issued				

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IA Ref.	IA Review Area	Current Status	Assurance Level	Actions & Risk Rating			
				H	M	L	O
24.A03	Telecare (Intelligent Lilli)	Fieldwork	TBC once final report issued				
24.C02	Schools Finances	Fieldwork	TBC once final report issued				
24.A04	Partnership Working (Health)	Fieldwork (Delayed to Q4)	TBC once final report issued				
24.P03	Leasehold Management & Service Charges	Planning	TBC once final report issued				
24.S03	Recruitment & Pre-employment checks	Planning	TBC once final report issued				
24.S13	HRA Rent arrears	Planning	TBC once final report issued				
24.F04	Debtors	Planning	TBC once final report issued				
24.S05	Decent Homes Standards	Planning	TBC once final report issued				
24.S09	Dangerous Structures	Planning	TBC once final report issued				
24.D05	Hillingdon First Card	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 & Induction	Planned for Q3 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.F06	Budgetary Controls	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				
24.S11	Temporary Accommodation	Planned for Q3 2024	TBC once final report issued				
24.S12	Private Sector Housing Procurement	Planned for Q3 2024	TBC once final report issued				

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IA Ref.	IA Review Area	Current Status	Assurance Level	Actions & Risk Rating			
				H	M	L	O
24.X02	Cabinet Engagement	<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>				
<b>Total Number of IA Management Actions Raised</b>				<b>7</b>	<b>18</b>	<b>10</b>	<b>0</b>

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

IA Ref.	IA Review Area	Current Status
24.G1	Supported Families Q1	<i>Complete - Memo Issued 12 June 2024</i>
24.G1	Supported Families Q2	<i>Planned for Q2</i>
24.G1	Supported Families Q3	<i>Planned for Q3</i>
24.G1	Supported Families Q4	<i>Planned for Q4</i>
24.G2	Housing Benefit Grant	<i>Initial Planning Completed</i>
24.G3	Mayors Charity Accounts	<i>Planned for Q3</i>
24.G4	Bus Subsidy Grant Claim	<i>Planned for Q2</i>
24.Z01	FM Code Self-Assessment	<i>Planned for Q3</i>
24.Z02	Business continuity plans	<i>Fieldwork</i>
24.Z03	TSM Technical Requirements	<i>Memo Issued 12 June 2024</i>

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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	-	-	-	-	-	-	-	-	-	CLOSED
19.A01	Schools Payroll Arrangements	-	8	-	4	-	-	-	-	-	-	4	-	-	No response due to change of officer
20.A03	Cemeteries: Bereavement Service and Ground Maintenance	2	4	-	-	-	-	2	4	-	-	-	-	-	Waiting on IT review. New due date to be set.
20.A06	Estates - Lease Management	1	1	-	1	-	-	1	-	-	-	-	-	-	New Date: November 2024
20.A31	Exclusions or Education Cases for Vulnerable Young People	-	4	-	3	-	1	-	-	-	-	-	-	-	
21.A03	ICT Service Desk	-	2	-	1	-	-	-	-	-	-	1	-	-	
21.A07	Fostering Service	-	3	-	-	-	3	-	-	-	-	-	-	-	
21.A14	Birth Registration Service	-	3	-	-	-	-	-	-	-	-	-	-	3	
21.A16	Procurement – Contract Compliance Management	1	1	-	-	-	-	-	-	-	-	-	1	1	
22.A39	Stronger families HUB	1	1	-	-	1	1	-	-	-	-	-	-	-	
22.A42	Fraud prevention controls in tendering & contacts	-	4	-	-	-	-	-	1	-	3	-	-	-	New Date: to be set
22.A43	Registrars cash handling	-	1	-	-	-	-	-	-	-	1	-	-	-	No response due to change of officer
22.A45	Adult social care referrals and assessment	-	2	-	1	-	-	-	1	-	-	-	-	-	New Date: to be set
22.A46	Colham road	-	2	-	1	-	1	-	-	-	-	-	-	-	
22.A50	Purchase cards	-	4	-	4	-	-	-	-	-	-	-	-	-	CLOSED
22.A58	Merrimans Respite Care Unit	-	1	-	-	-	1	-	-	-	-	-	-	-	
22.C59	Care Leavers Allowances	1	1	-	-	1	1	-	-	-	-	-	-	-	
22.C61	Thematic Review: Pupil Premium	-	4	-	4	-	-	-	-	-	-	-	-	-	
22.F63	Robotic Process Automation	-	1	-	1	-	-	-	-	-	-	-	-	-	CLOSED
22.P52	Trading Standards POCA	1	2	-	-	-	-	-	-	-	-	-	1	2	
23.A03	Goshawk Gardens & Chapel Lane	1	3	1	3	-	-	-	-	-	-	-	-	-	CLOSED
23.A04	Contract Management	-	3	-	-	-	-	-	-	-	3	-	-	-	

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23.C04	Neglect (Children's)	-	2	-	-	-	-	-	-	-	2	-	-	
23.F01	Risk Management	1	5	1	4	-	-	-	1	-	-	-	-	New Date: March 2025
23.F03	Effectiveness of the Pension Committee	-	2	-	2	-	-	-	-	-	-	-	-	
23.P01	Private Sector Housing	-	1	-	-	-	1	-	-	-	-	-	-	
23.P02	Capital Programme	1	2	-	-	-	-	1	2	-	-	-	-	New Date: September 2024
23.P03	Parking Service Income	-	3	-	-	-	-	-	-	-	-	-	3	
23.P05	Climate Action	1	1	-	-	-	-	-	-	-	-	1	1	
23.P06	Facilities Management	-	3	-	-	-	-	-	-	-	-	-	3	
23.S01	IT Application - ContrOCC	-	2	-	-	-	-	-	-	-	-	-	2	
23.S02	Workforce Planning, Establishment & Recruitment	2	2	-	-	-	-	-	-	2	2	-	-	No response due to change of officer
23.S10	Homeless Housing Applications	1	1	-	-	-	-	-	-	1	1	-	-	
23.S12	Social Housing Applications	1	1	1	-	-	1	-	-	-	-	-	-	
23.F02	Payment Card Data Security Standard (PCI DSS)	1	-	-	-	-	-	-	-	-	-	1	-	
23.P11	Building Control Action Plan	-	1	-	-	-	1	-	-	-	-	-	-	
23.F07	Fleet Damage	-	4	-	-	-	-	-	-	-	-	-	4	
23.S13	Pool Cars	2	3	-	-	-	-	-	-	-	-	2	3	
	<b>SUBTOTAL</b>	18	89	3	30	2	11	4	9	3	17	6	22	
	<b>TOTAL</b>	107		33		13		13		20		28		

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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 2024/25 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%	100%
KPI 3	Final Reports to be issued one week after the final approval received from the Audit Sponsor.	80%	100%	100%
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%	63%
KPI 7	Final approval of the management responses to be received two weeks after the updated report is issued	80%	77%	70%
KPI 8	HIGH and MEDIUM risk IA Management Actions completed within the agreed timescale	80%	65%	58%
KPI 9	HIGH and MEDIUM risk IA Management Action where positive management action is proposed	95%	100%	100%
KPI 10	Client Satisfaction Rating from Feedback Questionnaires	85%	85%	100%

**Key for future reporting on actual KPI performance:**

- **RED** = currently this performance target is not being met (significantly [ $>5\%$ ] short of target performance).
- **AMBER** = currently not meeting this performance target (just short [ $<5\%$ ] of target performance).
- **GREEN** = currently meeting or exceeding this performance target

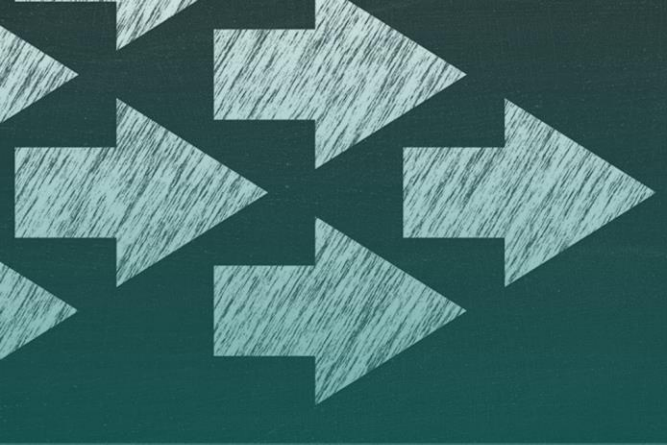


## APPENDIX E: ASSURANCE LEVELS AND ACTION RISK RATINGS

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

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

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# NEW INTERNAL AUDIT STANDARDS

24 July 2024



## 1. INTRODUCTION

In January 2024 the Global Institute of Internal Audit (GIIA) published new Professional Standards for Internal Auditors following a draft publication in March 2023 and worldwide consultation. The Institute of Internal Auditors (IIA) confirmed the Standards will become globally effective from 9 January 2025, and will replace the International Professional Practice Framework which are the basis for the current UK Public Sector Internal Auditing Standards (the PSIAS).

The Standards are organised into five domains:

- Domain I: Purpose of Internal Auditing.
- Domain II: Ethics and Professionalism.
- Domain III: Governing the Internal Audit Function.
- Domain IV: Managing the Internal Audit Function.
- Domain V: Performing Internal Audit Services.

The UK Public Sector Internal Auditing Standards Advisory Board (IASAB) are currently undertaking a review of the new standards and will produce public sector specific interpretations to make them suitable for UK public sector use. It is expected the IASAB will issue consultation material in September 2024, with the final material and guidance issued later this year for implementation by 1 April 2025.

The Head of Internal Audit and Risk Assurance (HIA) has undertaken a self-assessment review against the new Standards to identify any potential areas for improvement in advance of the national guidance. A high-level summary of the individual standards and current compliance is outlined in Appendix A. The areas for improvement will be developed into a formal Quality Improvement Action Plan once the final public sector specific guidance is published.

## 2. ESSENTIAL CONDITIONS

The Audit Committee and Corporate Management Team (CMT) are essential to support Internal Audit's ability to meet the Purpose of Internal Auditing. Therefore, the new Standards include a range of obligations under *Domain III: Governing the Internal Audit Function* for the Audit Committee and CMT to fulfil when overseeing and directing internal audit. These are referred to as "Essential Conditions" and listed in Section 3 below.

The Standards state the HIA must discuss the Essential Conditions at least annually with the Audit Committee and CMT. This will be completed when the Internal Audit Charter and Annual Plan is presented, and will focus on the following points required by the Standards:

- The Purpose of Internal Auditing as articulated in *Domain I: Purpose of Internal Auditing*.
- The Essential Conditions outlined under each of the standards in *Domain III: Governing the Internal Audit Function*.
- The potential impact on the effectiveness of the internal audit function if the Audit Committee or CMT does not provide the support outlined in the essential conditions.

The Standards also require the HIA to highlight the Essential Conditions with the Audit Committee and CMT if:

- The Standards change significantly or a new internal audit function is created.
- The HIA is new to the role or organisation.
- There are significant changes in the relationship between the Audit Committee and the HIA, such as a new chairperson to whom the HIA reports or a change in the structure or composition of the Audit Committee that affects this reporting relationship.
- There are significant changes in the structure or composition of CMT that affect the HIA's positioning within the organisation.

Through the Essential Conditions the Standards require the Audit Committee to have significantly more operational oversight on the HIA than currently. In several instances these expectations may conflict with roles Members have under the Council's Constitution. Where the Audit Committee or CMT cannot, or will not, agree to implement any Essential Condition, the HIA must document these decisions (likely in the Internal Audit Charter), and set out the impact on the work of the internal audit service.

### 3. CMT & AUDIT COMMITTEE ESSENTIAL CONDITIONS

#### **Standard 6.1 Internal Audit Mandate**

##### **Audit Committee:**

- Discuss with the HIA and CMT the appropriate authority, role, and responsibilities of the internal audit function.
- Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services.

##### **CMT:**

- Participate in discussions with the Audit Committee and HIA and provide input on expectations for the internal audit function that the Audit Committee should consider when establishing the internal audit mandate.
- Support the internal audit mandate throughout the organisation and promote the authority granted to the internal audit function.

#### **Standard 6.2 Internal Audit Charter**

##### **Audit Committee:**

- Discuss with the HIA and CMT other topics that should be included in the internal audit charter to enable an effective internal audit function.
- Approve the internal audit charter.
- Review the internal audit charter with the HIA to consider changes affecting the organisation, such as the employment of a new HIA or changes in the type, severity, and interdependencies of risks to the organisation.

##### **CMT:**

- Communicate with the Audit Committee and HIA about management's expectations that should be considered for inclusion in the internal audit charter.

#### **Standard 6.3 Audit Committee and CMT Support**

##### **Audit Committee:**

- Champion the internal audit function to enable it to fulfil the Purpose of Internal Auditing and pursue its strategy and objectives.
- Work with the CMT to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfil the internal audit mandate.
- Support the HIA through regular, direct communications.
- Demonstrate support by:
  - Specifying that the HIA reports to a level within the organisation that allows the internal audit function to fulfil the internal audit mandate.
  - Approving the internal audit charter, internal audit plan, budget, and resource plan.
  - Making appropriate inquiries of CMT and the HIA to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.
  - Meeting periodically with the HIA in sessions without CMT present.

##### **CMT:**

- Support recognition of the internal audit function throughout the organisation.
- Work with the Audit Committee and management throughout the organisation to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfil the internal audit mandate.

#### **Standard 7.1 Organisational Independence**

##### **Audit Committee:**

- Establish a direct reporting relationship with the HIA and the internal audit function to enable the internal audit function to fulfil its mandate.
- Authorize the appointment and removal of the HIA.
- Provide input to CMT to support the performance evaluation and remuneration of the HIA.
- Provide the HIA with opportunities to discuss significant and sensitive matters with the Audit Committee, including meetings without CMT present.
- Require that the HIA be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management. This positioning provides the organizational authority and status to bring matters directly to CMT and escalate matters to the Audit Committee when necessary.
- Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the HIA that are beyond the scope of internal auditing.
- Engage with CMT and the HIA to establish appropriate safeguards if HIA roles and responsibilities impair or appear to impair the internal audit function's independence. Engage

##### **No Changes Required**

The IA Mandate is included in the IA Charter. As planned, the Charter will be updated by the HIA for 2025/26, shared with CMT to obtain their input, then brought to the Audit Committee for review and approval in February.

##### **No Changes Required**

As above, the IA Charter will be updated by the HIA for 2025/26, shared with CMT to obtain their input, then brought to the Audit Committee for review and approval in February.

##### **Minor Changes Required**

More information on the IA budget, reporting structure and resources will be included in the IA Plan for the Audit Committee's approval in February. Any proposed changes to the IA service throughout the year will also be presented to the Audit Committee for approval.

##### **Changes Required**

Under this standard the Audit Committee is required to be directly involved in the recruitment, performance management and remuneration of the HIA. These requirements will need to be considered with Democratic services and HR to ensure they are in line with the Committee's wider responsibilities and Council Policies.

with CMT to ensure that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results

**CMT:**

- Position the internal audit function at a level within the organisation that enables it to perform its services and responsibilities without interference, as directed by the Audit Committee.
- Recognise the HIA's direct reporting relationship with the Audit Committee.
- Engage with the Audit Committee and the HIA to understand any potential impairments to the internal audit function's independence caused by non-audit roles or other circumstances and support the implementation of appropriate safeguards to manage such impairments.
- Provide input to the Audit Committee on the appointment and removal of the HIA.
- Solicit input from the Audit Committee on the performance evaluation and remuneration of the HIA

**Standard 7.2 HIA Qualifications****Audit Committee:**

- Review the requirements necessary for the HIA to manage the internal audit function, as described in Domain IV: Managing the Internal Audit Function.
- Approve the HIA's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.
- Engage with CMT to appoint a HIA with the qualifications and competencies necessary to manage the internal audit function effectively and ensure the quality performance of internal audit services.

**CMT:**

- Engage with the Audit Committee to determine the HIA qualifications, experience, and competencies.
- Enable the appointment, development, and remuneration of the HIA through the organisation's human resources processes.

**Standard 8.1 Audit Committee Interaction****Audit Committee:**

- Communicate with the HIA to understand how the internal audit function is fulfilling its mandate.
- Communicate the Audit Committee's perspective on the organization's strategies, objectives, and risks to assist the HIA with determining internal audit priorities.
- Set expectations with the HIA for: The frequency with which the Audit Committee wants to receive communications from the HIA.
- The criteria for determining which issues should be escalated to the Audit Committee, such as significant risks that exceed the Audit Committee's risk tolerance.
- The process for escalating matters of importance to the Audit Committee.
- Gain an understanding of the effectiveness of the organisation's governance, risk management, and control processes based on the results of internal audit engagements and discussions with CMT.
- Discuss with the HIA disagreements with CMT or other stakeholders and provide support as necessary to enable the HIA to perform the responsibilities outlined in the internal audit mandate.

**CMT:**

- Communicate senior management's perspective on the organization's strategies, objectives, and risks to assist the HIA with determining internal audit priorities.
- Assist the Audit Committee in understanding the effectiveness of the organization's governance, risk management, and control processes.
- Work with the Audit Committee and the HIA on the process for escalating matters of importance to the Audit Committee.

**STANDARD 8.2 RESOURCES**

- Collaborate with CMT to provide the internal audit function with sufficient resources to fulfil the internal audit mandate and achieve the internal audit plan.
- Discuss with the HIA, at least annually, the sufficiency, both in numbers and capabilities, of internal audit resources to fulfil the internal audit mandate and achieve the internal audit plan.
- Consider the impact of insufficient resources on the internal audit mandate and plan.
- Engage with CMT and the HIA on remedying the situation if the resources are determined to be insufficient.

**CMT:**

- Engage with the Audit Committee to provide the internal audit function with sufficient resources to fulfil the internal audit mandate and achieve the internal audit plan.
- Engage with the Audit Committee and the HIA on any issues of insufficient resources and how to remedy the situation.

**Changes Required**

As above, the Audit Committee should be involved in setting the specification for the HIA role and their recruitment and appointment. How this will be completed in practice will need to be discussed with Democratic services and HR.

**No Changes Required**

This information is included in the IA Charter. As planned, the Charter will be updated by the HIA for 2025/26, shared with CMT to obtain their input, then brought to the Audit Committee for review and approval in February.

**Minor Changes Required**

More information on the IA resources will be included in the IA Plan for the Audit Committee's approval in February. Any proposed changes to the IA service throughout the year will also be presented to the Audit Committee for approval.

**STANDARD 8.3 QUALITY**

- Discuss with the HIA the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function.
- Approve the internal audit function's performance objectives at least annually.
- Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes: Reviewing the internal audit function's performance objectives, including its conformance with the Standards, laws and regulations; ability to meet the internal audit mandate; and progress towards completion of the internal audit plan.
- Considering the results of the internal audit function's quality assurance and improvement program.
- Determining the extent to which the internal audit function's performance objectives are being met.

**CMT:**

- Provide input on the internal audit function's performance objectives.
- Participate with the Audit Committee in an annual assessment of the HIA and internal audit function.

**STANDARD 8.4 EXTERNAL QUALITY ASSESSMENT**

- Discuss with the HIA the plans to have an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team.
- Collaborate with CMT and the HIA to determine the scope and frequency of the external quality assessment.
- Consider the responsibilities and regulatory requirements of the internal audit function and the HIA, as described in the internal audit charter, when defining the scope of the external quality assessment.
- Review and approve the HIA's plan for the performance of an external quality assessment. Such approval should cover, at a minimum:
  - The scope and frequency of assessments.
  - The competencies and independence of the external assessor or assessment team.
  - The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.
- Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.
- Review and approve the HIA's action plans to address identified deficiencies and opportunities for improvement, if applicable.
- Approve a timeline for completion of the action plans and monitor the HIA's progress.

**CMT:**

- Collaborate with the Audit Committee and the HIA to determine the scope and frequency of the external quality assessment.
- Review the results of the external quality assessment, collaborate with the HIA and Audit Committee to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans.

**Minor Changes Required**

More information on the IA compliance with the Standards and IA quality assurance and improvement programme will be included in the IA Annual Report to enable to Audit Committee to assess the performance of the IA service.

**No Changes Required**

We completed the last External Quality Assessment in 2023/24. Information on the frequency of assessments is included in the IA Charter which will be presented to the Audit Committee in February.

## APPENDIX A - IIA GLOBAL STANDARDS

The table below is a self-assessment of the Internal Audit Team's current compliance with the Standards (excluding the Essential Conditions listed separately above).

Please note, the complete Standards document covers 120 pages, therefore this is a very high-level summary of the requirements. The detailed areas for improvement will be developed into formal actions once the final public sector specific guidance is published. This will help us to achieve our main area of improvement which is the ongoing quality improvement action plan (Principle 12).

SUMMARY OF REQUIREMENTS	RAG
<b>Domain I: Purpose of Internal Auditing</b>	
<b>Domain II: Ethics and Professionalism</b>	
<b>Principle 1 Demonstrate Integrity</b>	
• Standard 1.1: Internal auditors must perform their work with honesty and professional courage.	G
• Standard 1.2: Internal auditors must understand, respect, meet, and contribute to legitimate and ethical expectations of the organisation.	G
• Standard 1.3: Internal auditors must not engage in or be a party to any activity that is illegal or discreditable to the organisation or the profession of internal auditing that may harm the organisation or its employees.	G
<b>Principle 2 Maintain Objectivity</b>	
• Standard 2.1: Internal auditors must maintain professional objectivity when performing all aspects of internal audit services.	G
• Standard 2.2: Internal auditors must recognise and avoid or mitigate actual, potential, and perceived impairments to objectivity.	G
• Standard 2.3: If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.	G
<b>Principle 3 Demonstrate Competency</b>	
• Standard 3.1: Internal auditors must possess or obtain the competencies to perform their responsibilities successfully.	G
• Standard 3.2: Internal auditors must maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services.	G
<b>Principle 4 Exercise Due Professional Care</b>	
• Standard 4.1: Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards.	A
• Standard 4.2: Internal auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided.	G
• Standard 4.3: Internal auditors must exercise professional scepticism when planning and performing internal audit services.	G
<b>Principle 5 Maintain Confidentiality</b>	
• Standard 5.1: Internal auditors must follow the relevant policies, procedures, laws, and regulations when using information.	G
• Standard 5.2: Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for their confidentiality, privacy, and ownership of information acquired when performing internal audit services or as the result of professional relationships.	A
<b>Domain III: Governing the Internal Audit Function</b>	
<b>Principle 6 Authorised by the Audit Committee</b>	
• Standard 6.1: The HIA must provide the Audit Committee and CMT with the information necessary to establish the internal audit mandate.	G
• Standard 6.2: The HIA must develop and maintain an internal audit charter that specifies the internal audit functions.	A
• Standard 6.3: The HIA must provide the Audit Committee and CMT with the information needed to support and promote recognition of the internal audit function throughout the organisation.	G
<b>Principle 7 Positioned Independently</b>	
• Standard 7.1: The HIA must confirm to the Audit Committee the organisational independence of the internal audit function at least annually.	G
• Standard 7.2: The HIA must help the Audit Committee understand the qualifications and competencies of a HIA that are necessary to manage the internal audit function.	G
<b>Principle 8 Overseen by the Audit Committee</b>	
• Standard 8.1: The HIA must provide the Audit Committee with the information needed to conduct its oversight responsibilities.	G
• Standard 8.2: The HIA must evaluate whether internal audit resources are sufficient to fulfil the internal audit mandate and achieve the internal audit plan.	G
• Standard 8.3: The HIA must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function.	A
• Standard 8.4: The HIA must develop a plan for an external quality assessment and discuss the plan with the Audit Committee.	G
<b>Domain IV: Managing the Internal Audit Function</b>	
<b>Principle 9 Plan Strategically</b>	
• Standard 9.1: To develop an effective internal audit strategy and plan, the HIA must understand the organisation's governance, risk management, and control processes.	A



- Standard 9.2: The HIA must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the Audit Committee, CMT, and other key stakeholders. G
- Standard 9.3: The HIA must establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the standards. A
- Standard 9.4: The HIA must create an internal audit plan that supports the achievement of the organisation’s objectives. A
- Standard 9.5: The HIA must coordinate with internal and external providers of assurance services and consider relying upon their work. A

**Principle 10 Manage Resources**

- Standard 10.1: The HIA must manage the internal audit function’s financial resources. G
- Standard 10.2: The HIA must establish an approach to recruit, develop, and retain internal auditors who are qualified to successfully implement the internal audit strategy and achieve the internal audit plan. G
- Standard 10.3: The HIA must strive to ensure that the internal audit function has technology to support the internal audit process. G

**Principle 11 Communicate Effectively**

- Standard 11.1: The HIA must develop an approach for the internal audit function to build relationships and trust with key stakeholders. G
- Standard 11.2: The HIA must establish and implement methodologies to promote accurate, objective, clear, concise, constructive, complete and timely internal audit communications. G
- Standard 11.3: The HIA must communicate the result of internal audit services to the Audit Committee and CMT periodically and for each engagement as appropriate. G
- Standard 11.4: If a final engagement communication contains a significant error or omission, the HIA must communicate corrected information promptly to all parties who received the original communication. G
- Standard 11.5: The HIA must communicate unacceptable levels of risk. G

**Principle 12 Enhance Quality**

- Standard 12.1: The HIA must develop and conduct internal assessments of the internal audit function’s conformance with the Global Internal Audit Standards and progress towards performance objectives. R
- Standard 12.2: The HIA must develop objectives to evaluate the internal audit function’s performance. A
- Standard 12.3: The HIA must establish and implement methodologies for engagement supervision, quality assurance, and the development of competencies. A

**Domain V: Performing Internal Audit Services**

**Principle 13 Plan Engagements Effectively**

- Standard 13.1: Internal auditors must communicate effectively throughout the engagement. G
- Standard 13.2: Internal auditors must develop an understanding of the activity under review to assess the relevant risks. G
- Standard 13.3: Internal auditors must establish and document the objectives and scope for each engagement. G
- Standard 13.4: Internal auditors must identify the most relevant criteria to be used to evaluate aspects of the activity under review defined in the engagement objectives and scope. G
- Standard 13.5: When planning an engagement, internal auditors must identify the types and quantity of resources necessary to achieve the engagement objectives. G
- Standard 13.6: Internal auditors must develop and document an engagement work program to achieve the engagement objectives. G

**Principle 14 Conduct Engagement Work**

- Standard 14.1: To perform analyses and evaluations, internal auditors must gather relevant and reliable information. G
- Standard 14.2: Internal auditors must analyse relevant, reliable, and sufficient information to develop potential engagement findings. A
- Standard 14.3: Internal auditors must evaluate each potential engagement finding to determine its significance. G
- Standard 14.4: Internal auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions. G
- Standard 14.5: Internal auditors must develop an engagement conclusion that summarises the engagement results relative to the engagement objectives and management’s objectives. G
- Standard 14.6: Internal auditors must document information and evidence to support the engagement results. A

**Principle 15 Communicate Engagement Results and Monitor Action Plans**

- Standard 15.1: For each engagement, internal auditors must develop a final communication that included the engagement’s objectives, scope, recommendations and/or action plans, and conclusions. G
- Standard 15.2: Internal auditors must confirm that management has implemented internal auditors’ recommendations or management’s action plans following an established methodology. G

G	No changes required to meet the standard
A	Small actions required, such as adding more information into the IA Plan or Annual Report, or adding a reference to the new Standards in key documentation.
R	Area of improvement required. Will be addressed by developing an action plan in line with the Standard.

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## Q1 RISK MANAGEMENT REPORT

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Claire Baker, Head of Internal Audit
<b>Papers with report</b>	Q1 Risk Management Report
<b>Ward</b>	All

The Q1 Risk Management Report presents to the Audit Committee a summary of the Council's risks from the Risk Management System at the end of June 2024.

This includes key performance indicators to support the Committee gain assurance risks are being managed effectively across the Council and mitigating actions are being implemented.

The report also includes a summary of the Council's red rated risks, also known as the Corporate Risk Register as at the end of June.

### **RECOMMENDATION:**

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

### **SUPPORTING INFORMATION**

None.

### **BACKGROUND PAPERS**

None.

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# RISK MANAGEMENT REPORT

Q1 2024/25

30 June 2024



**HILLINGDON**  
LONDON

# CONTENTS

The key contacts in connection with this document are:

**Claire Baker**

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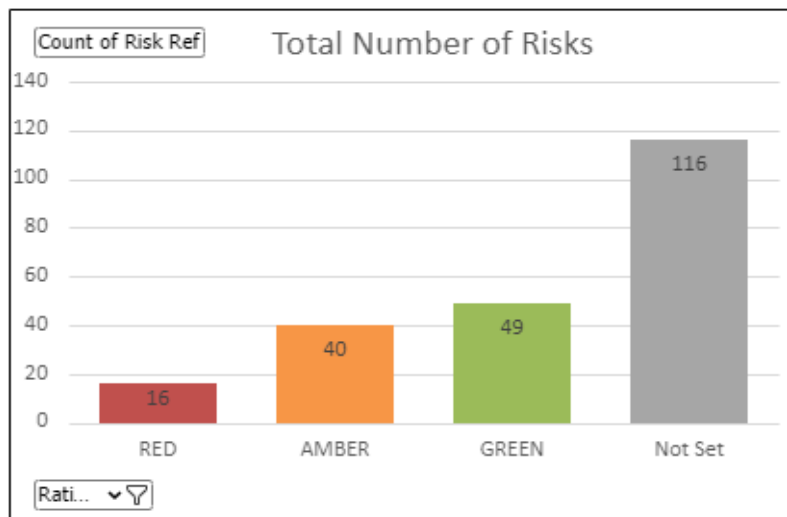
## 1. INTRODUCTION

- 1.1 Hillingdon Council has a statutory responsibility to ensure arrangements are in place for managing risks. Risk management is about managing opportunities and threats to objectives to help create an environment of “no surprises”. It is a crucial element of good management and a key part of corporate governance. Although risks can never be entirely eliminated, proportionate and targeted action can be taken to reduce risks to an acceptable level.
- 1.2 Managing risk should be viewed as a mainstream activity and something that is an integral part of everyday management. Risk Management involves the early identification of risks, assessing their potential consequences, and determining the most effective way to reduce the likelihood and/or impact of the risk. The Council’s Risk Management Policy provides a framework to ensure there are clear roles, responsibilities and methodologies for identifying, recording and managing risks.
- 1.3 This report summarises the Council’s Risk Register as at the end of the quarter and outlines the work undertaken during the quarter to improve risk management arrangements. It is intended to support the Audit Committee to monitor and review (but not direct) the authority’s risk management arrangements, as per the Committee’s terms of reference.

## 2. DIRECTORATE RISK REGISTER UPDATE

- 2.1 During Q1 the new risk management system, JCAD, was fully rolled out across the Directorates through the Senior Management Teams.

- 2.2 There were **221 total risks** recorded on the Risk Management System at the end of June 2024. This is a significant increase from 107 risks at the end of March and demonstrates the increased focus on implementing the new risk system at all levels of the organisation.



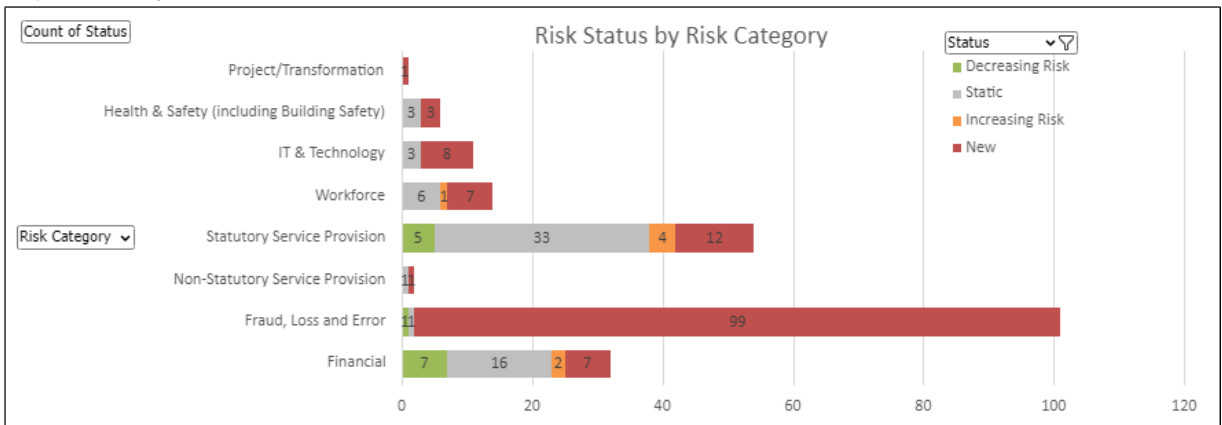
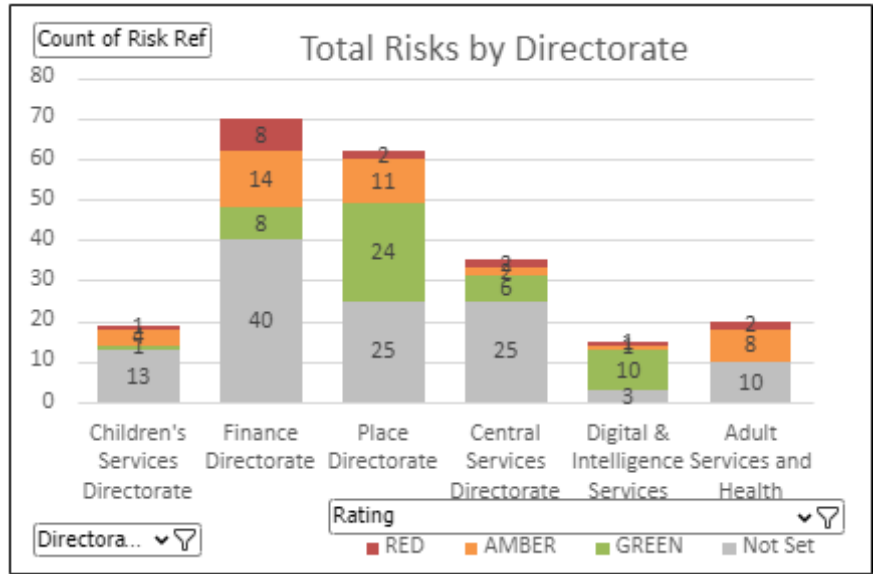
- 2.3 There were **16 red rated risks** on the risk register, which are shown on the corporate risk register in section four of this report.

- 2.4 There were **116 unscored risks** at the end of the quarter. All risks should be scored in line with the Council’s Risk Scoring Methodology in Appendix B, which helps prioritise actions against the risks with the highest likelihood or impact. The large number of unscored risks was due to the transfer of all Counter Fraud risks onto the risk management system at the end of the quarter. These risks were previously held in a separate risk register by the Counter Fraud Team however the new system allows them to be allocated to the relevant services across the Council. They were deliberately added to the system without a risk score to ensure the relevant service undertake their own assessment taking into consideration the mitigating controls they have in place.

- 2.5 The unscored risks were also highlighted at the June Corporate Risk Management Group. They must be addressed as soon as possible to ensure any significant risks are appropriately escalated to the relevant directorate or corporate risk register.

2.6 The Finance Directorate had the highest number of risks per directorate at the end of Q1. This was due to the fraud risks added to the system at the end of the quarter, as a large proportion were allocated to the Finance Directorate.

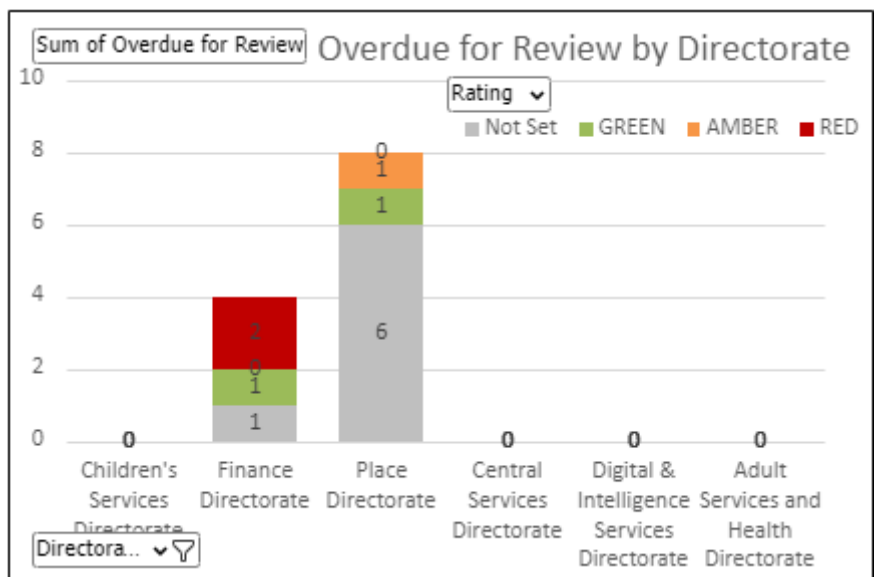
2.7 The high number of new fraud risks are also highlighted in the risk category graph shown below. When these risks are reviewed by the relevant service areas we expect many will be closed.



2.8 All risks on the Risk Management System are allocated a review date, and automated reminders are sent to the responsible officer when the risk becomes due for review. All red rated risks should be reviewed monthly, amber rated risks quarterly and green rated risks every six months.

2.9 At the end of Q1 where were **12 risks overdue for review on the system**. Two of these were red rated risks which were scheduled for review at the end of the quarter, these were updated shortly after the quarter end.

2.10 All risks overdue for review are highlighted through the Corporate Risk Management Group and Corporate Management Team.



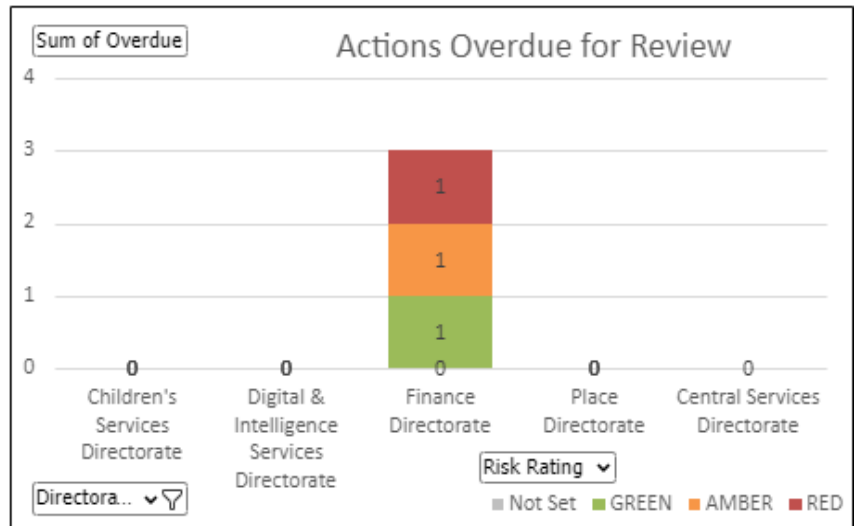
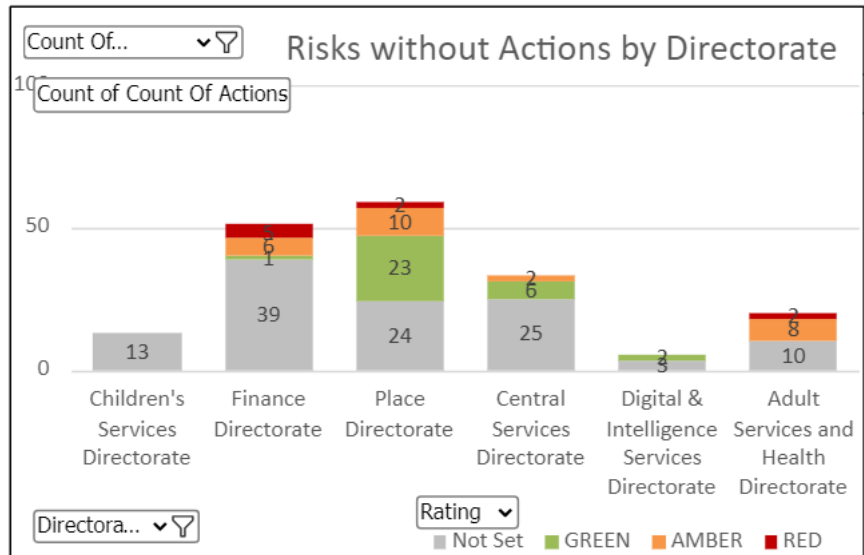


2.11 All risks on the Risk Management System should also be actively managed to reduce the risk to a tolerated level (recorded on the system as the target risk score). Therefore, all risks on the system should have actions assigned to them with responsible officers and review dates.

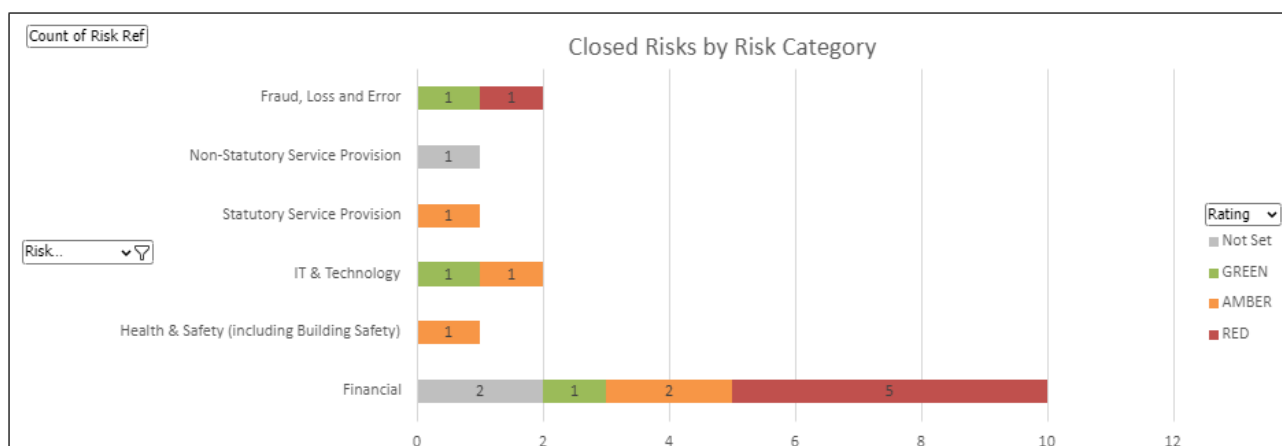
2.12 At the end of Q1 there were **183 risks on the system without actions assigned to them** (83% of all risks). This included

nine red rated risks. It is expected officers are taking actions to reduce the risks in practice, however these are not documented on the Risk Management system. The focus for Q1 was to add risks to the system, further training sessions are taking place with Directorates to ensure actions are added and this will be monitored through the Corporate Risk Management Group.

2.13 Where actions have been allocated to risks on the system, they are allocated an implementation date when the action should be reviewed. At the end of the quarter there were three actions overdue for review, all within the Finance Directorate. One of the actions was allocated to a red rated risk, this was reviewed and marked as complete following the end of the quarter.



- 2.14 Since the new system was introduced at the end of 2023/24 **17 risks have been closed** on the system. This includes six red rated risks (one overarching fraud risk and five from the Pension Committee Risk Register which were added and then closed as tolerated).



- 2.15 Overall feedback on the new Risk Management System has been very positive. Requests have been received from across the Directorates for additional users and risk registers to be added to the system, which demonstrates they are proactively considering how the system can be embedded within their Directorates. Additional training sessions have also been requested by Directorates and individual services, which are being led by the Head of Internal Audit and the Head of Counter Fraud in relation to the Fraud risks.

### 3. CORPORATE RISK REGISTER UPDATE

- 3.1 The Council's Corporate Risk Register (CRR) is an essential part of the Council's Risk Management arrangements. The CRR includes any operational risks from the Risk Management System graded 'red' due to their potential likelihood and impact.
- 3.2 The live CRR and Risk Management Key Performance Indicators were shared with the Corporate Risk Management Group on the 24 June to review any outstanding changes before the end of Q1. They are responsible for monitoring the identified risks to ensure they are being managed within the relevant directorate and service, and mitigating actions are being implemented.
- 3.3 During Q1 all Directorates reviewed their risks as part of the implementation of the new system. This has led to a number of changes to the risks on the CRR when compared to the end of 2023/24.
- 3.4 Eight risks previously included in the CRR have been removed at the end of Q1. Five of the eight have been replaced by alternative risks on the risk management system, the remaining three were closed. Eight red rated risks have also been added to the CRR (See *Appendix A*).
- 3.5 Red rated risks should be reviewed monthly however seven of the risks had not been reviewed in June therefore were considered overdue for review. The risks overdue for review were raised through the Corporate Risk Management Group.

### 4. FORWARD PLAN

- 4.1 Over the next quarter the Head of Internal Audit will continue to monitor the use of the new Risk Management System on behalf of the Audit Committee and provide additional training where requested to ensure it is embedded effectively. The Key Performance Indicators will also be shared with the Corporate Risk Management Group and Corporate Management Team.

## APPENDIX A: SUMMARY OF CORPORATE RISKS AS AT JUNE 2024

<b>LIKELIHOOD</b>	<b>Very High (A)</b>		(4) (13) (14)	(11)	(5)
	<b>High (B)</b>				(6) (12)
	<b>Significant (C)</b>			(1) (3) (7) (8) (9) (15)	(2)
	<b>Medium (D)</b>				(4) (10) (16)
	<b>Low (E)</b>				
	<b>Very Low (F)</b>				
		<b>Small (4)</b>	<b>Medium (3)</b>	<b>Large (2)</b>	<b>Very Large (1)</b>
<b>IMPACT</b>					

CRR Risk:		2023/24 Q4		2024/25 Q1	
		Review Date	Rating	Review Date	Rating
1	PROCUR0002 - Financial Resilience of Contracts	13/02/2024	Increase B2	12/03/2024	Decrease C2
2	TECH0001 - Cyber Security	25/03/2024	Static C1	17/06/2024	Static C1
3	LEARN0001 - Community DOL	26/03/2024	Static C2	18/06/2024	Static C2
4	FINMAN0016 - Maintained Schools Funding	13/12/2023	Static D1	21/06/2024	Static D1
5	STRAF0002 - Ability to Deliver a Balanced Budget in the Short and Medium Term	17/10/2023	Static D1	15/05/2024	Increase A1
6	ASSETS0006 - Decent Homes/ Thermal efficiencies	24/03/2024	New B1	12/04/2024	Static B1
7	ASSETS0009 - Decarbonisation	24/03/2024	New C2	12/04/2024	Static C2
8	DIRECC0005 - Home to School Transport	25/03/2024	New C2	20/06/2024	Static C2
9	HOUSNE0001 - High Levels of Homelessness Demand	N/A	N/A	29/06/2024	New C2
10	TRSA0003 - Liquidity Risk	N/A	N/A	10/06/2024	New D1
11	HOUMAN0016 - Housing Landlord Service - Not Meeting Regulatory Requirements	N/A	N/A	29/06/2024	New A2
12	FINMAN0003 - The risk that our child level data in EHM may not be correct	N/A	N/A	22/04/2024	New B1
13	TRSA0004 - Failure to publish draft accounts within statutory deadline	N/A	N/A	10/06/2024	New A3
14	PENS0014 - Failure of employers to deliver accurate and timely employee administration information	N/A	N/A	30/05/2024	New A3
15	CHILSC0012 - Increasing cost of external residential provision and reduced internal resilience	N/A	N/A	25/06/2024	Increase C2
16	FINMAN0005 - Uncertainty over the Safety Valve Agreement and impact if it is not held by DfE	N/A	N/A	15/05/2024	New D1
-	The General Data Protection Regulations	26/03/2024	Static D1	Closed/Tolerated	
-	Capital Programmes	06/03/2024	Static C2	Closed/Tolerated	
-	Rent arrears	26/03/2024	Static A3	Closed/Tolerated	

-	Meeting Housing Needs	26/03/2024	<b>Static A1</b>	Closed - Replaced
-	Workforce Sufficiency	08/03/2024	<b>Static C2</b>	Closed - Replaced
-	Children's Care placements	08/03/2024	<b>Static C2</b>	Closed - Replaced
-	High Needs SEN placements	08/03/2024	<b>Decrease D1</b>	Closed - Replaced
-	Increased levels of fraud	19/03/2024	<b>Static B1</b>	Closed - Replaced

**APPENDIX B: RISK SCORING METHODOLOGY**

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

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## STRATEGIC RISK REPORT

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

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.

Since the last Audit Committee meeting these risks have been added to the Council's new Risk Management System, which ensures they are reviewed regularly in line with the operational risk management arrangements. The Key Performance Indicators have also been updated to reflect the new Corporate Management Team Dashboard KPIs.

Following changes to the Corporate Management Team the Strategic Risks within this report will be re-allocated and re-reviewed before the next Audit Committee.

### **RECOMMENDATION:**

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

### **SUPPORTING INFORMATION**

None.


### **BACKGROUND PAPERS**

None.

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# STRATEGIC RISK REGISTER

Strategic Objective	Strategic Risk	Current Risk Rating
	HLBC0005: High Levels of Homelessness and Housing Needs Demand	C2
	HLBC0006: Ability to Deliver a Balanced Budget in the Short and Medium Term	C1
	HLBC0007: Digital Transformation & Cyber Security	B3
	HLBC0008: Resilience of Contractors	D2
	HLBC0009: Meeting Care Placements and SEND Support	C1
	HLBC0010: Adult Social Care Demand	D2
	<i>No Strategic Risks Recorded</i>	N/A
	<i>No Strategic Risks Recorded</i>	N/A

Strategic Objective:	<b>Safe and strong communities</b> - Hillingdon is a safe place with resilient, strong communities with access to good quality, affordable housing.				
Strategic Risk:	HLBC0005: High Levels of Homelessness and Housing Needs Demand				
Cllr Lead:	Cllr. E. Lavery	Initial Rating:	B1	Linked Operational Risks:	CRR Rating
Exec Lead:	Dan Kennedy	Current Rating:	C2	ASSETS0002: Legal Disrepair – HRA	C3
Date Added:	01/11/2023			ASSETS0005: Damp and Mould	C3
Last Review:	21 June 2024	Target Rating:	E2	ASSETS0006: Decent Homes/ Thermal efficiencies	B1
Next Review Date:	21 September 2024	Change:	Static		
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.</p> <p>The lack of affordable housing puts significant pressure on the Council's finances and ability to meet its statutory responsibilities in this area, however inadequate housing can lead to a detrimental impact on the health, wellbeing, and educational attainment of residents. The risk is also increased due to Heathrow Airport located within the borough leading to significant numbers of individuals seeking asylum within the area.</p>	<ul style="list-style-type: none"> <li>The Council has implemented a programme of new developments and buying back former 'Right to Buy' (RTB) and vacant properties.</li> <li>As part of the Council's transformation programme we are implementing, additional measures to help reduce demand on services. This includes providing more intensive advice and signposting at an earlier stage.</li> <li>Decent homes improvement programmes are in place and a significant fire safety works programme is nearing completion.</li> </ul>	<p>Level 1: Housing Action plan</p> <p>Level 2: Housing Steering Group Reports, Housing Board, KPIs</p> <p>Level 3: Internal Audit reviews into Private Sector Housing Procurement, Utilisation of Housing Stock and Decent Home Standards</p>	Homelessness Advice this month: <b>719</b>	193 increase from last month	
			Housing Supply this month: <b>20</b>	4 increase from last month	
Actions:			Review Date:		
<p>Transformation programme in place to review the delivery of the project plan. Key actions:</p> <ul style="list-style-type: none"> <li>- acquire 300 additional social rented LBH homes by 31 March 2025</li> <li>- increase procurement of Private Rented Sector accommodation by 31 March to reduce B&amp;B numbers to 233 (budget plan)</li> <li>- review / implement changes to the homelessness pathway and triage process</li> </ul>			Dan Kennedy: 16 September 2024		

Strategic Objective:	<b>A digital-enabled, modern, well-run council</b> - We are a well-run, sustainable council with sound financial management, achieving positive outcomes for residents.			
Strategic Risk:	HLBC0006: Ability to Deliver a Balanced Budget in the Short and Medium Term			
Cllr Lead:	Cllr. M. Goddard	Initial Rating:	C1	Linked Operational Risks:
Exec Lead:	Andy Evans	Current Rating:	C1	None
Date Added:	01/11/2023	Target Rating:	E1	CRR Rating
Last Review:	21 June 2024	Change:	Static	
Next Review Date:	21 September 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, the legacy impact of Covid-19, high interest rates, inflation and wider demand-led and demographic pressures on statutory services</p> <p>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 delivered. The Council ended 2023/24 with usable reserves of £35.2m only slightly above the recommended minimum and lower than forecast when setting the 2024/25 budget. The cumulative DSG deficit now stands at £48m which is greater than the usable reserves.</p>	<ul style="list-style-type: none"> <li>Governance arrangements for the Council's Business Transformation Programme have been agreed by the Leader of the Council. Business Transformation projects are now captured in one place to help ensure they are all closely aligned to the MTFF.</li> <li>Budget holders engaged in budget setting process and ongoing budget monitoring.</li> </ul>	<p>Level 1: MTFF</p> <p>Level 2: Monthly budget monitoring reports</p> <p>Level 3: Internal Audit of the budget monitoring arrangements</p>	TBC	
Actions:				Review Date:
None				

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: HLBC0007: Digital Transformation & Cyber Security

Cllr Lead:	Cllr. D. Mills	Initial Rating:	B3	Linked Operational Risks:	CRR Rating
Exec Lead:	Matthew Wallbridge	Current Rating:	B3	None	
Date Added:	01/11/2023	Target Rating:	D3		
Last Review:	27 June 2024	Change:	Static		
Next Review Date:	27 September 2024				

Risk Description	Primary Controls	Sources of Assurance	Key Performance Indicators								
ICT systems becoming unfit to meet the Council's needs, due to insufficient momentum, collaboration or funding to implement the digital transformation programme. This impacts on service delivery, staff morale and governance arrangements due to poor data quality. Outdated ICT architecture and poor security also increases the risk of ransomware, malware, viruses and external cyber-threats. These can lead to data breaches and potential reputational, operational, and financial damage if attacks to our network are successful and the Council's ICT systems are adversely affected for a significant time-period.	<ul style="list-style-type: none"> <li>Digital and Intelligence Directorate digital transformation programme.</li> </ul>	Level 1:  Level 2: Hillingdon Information Assurance Group (HIAG) programme of work  Level 3: Cyber360 assessment scheduled for 2024/25	<table border="1"> <tr> <td>Email demand this month: <b>8756</b></td> <td>620 increase from last month</td> </tr> <tr> <td>Phone demand this month: <b>93k</b></td> <td>4k increase from last month</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> </table>	Email demand this month: <b>8756</b>	620 increase from last month	Phone demand this month: <b>93k</b>	4k increase from last month				
Email demand this month: <b>8756</b>	620 increase from last month										
Phone demand this month: <b>93k</b>	4k increase from last month										

Actions:	Review Date:
None	

Strategic Objective:	<b>A digital-enabled, modern, well-run council</b> - We are a well-run, sustainable council with sound financial management, achieving positive outcomes for residents.		
Strategic Risk:	HLBC0008: Resilience of Contractors		
Cllr Lead:	Cllr. I. Edwards	Initial Rating:	D2
Exec Lead:	Tony Zaman	Current Rating:	D2
Date Added:	01/11/2023	Target Rating:	E3
Last Review:	13 June 2024	Change:	Static
Next Review Date:	13 September 2024	Linked Operational Risks:	CRR Rating
		PROCUR0002 - Financial Resilience of Contracts	C2
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.	<ul style="list-style-type: none"> <li>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.</li> </ul>	Level 1: contract management arrangements at a service level  Level 2:  Level 3: Internal Audits into contract management	
Actions:			Review Date:
Ongoing procurement transformation programme, including strengthening the training for contract managers to raise any concerns in relation to potential concerns with contractors.			Andy Evans: 21 September 2024

Strategic Objective:		Thriving, healthy households - Children, young people, their families and vulnerable adults and older people live healthy, active and independent lives.			
Strategic Risk:		HLBC0009: Meeting Care Placements and SEND Support			
Cllr Lead:	Cllr. S. O'Brien	Initial Rating:	C1	Linked Operational Risks:	CRR Rating
Exec Lead:	Julie Kelly	Current Rating:	C1	None	
Date Added:	24/01/2024	Target Rating:	D2		
Last Review:	28 June 2024	Change:	Static		
Next Review Date:	28 September 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.</p> <p>Although there is a smaller number of children requiring care, there is an increased complexity of needs and a reduction in post Covid numbers of foster carers equipped to meet the needs of children with complex needs. The change to regulatory requirements for 16-17 year olds is also likely to reduce further availability for this group</p>	<ul style="list-style-type: none"> <li>Participation in the regional development of plans aimed at better meeting the demand.</li> <li>Review of the existing placements to ensure age-appropriate placements and maximising inhouse provision.</li> <li>Joined Pan London Vehicle that leads the development of a London Secure Home</li> <li>SEND Sufficiency plan developed, including improved projections and forecasting of need and improved rigour to use more local mainstream provision where appropriate so only the most complex have high cost INMSS placements.</li> <li>Substantial increase of placements through building more SRPs, DUs, assessment base and improving local SEND provision</li> </ul>	<p>Level 1:</p> <p>Level 2: Monitoring placement requests through HARP and Complex HARP and High-Cost panel.</p> <p>Level 3:</p>	<p>SEN Placement Costs this Month: <b>£2.8M</b></p> <p>LAC Placement Costs this month <b>£2M</b></p>	<p>£13k decrease from last month</p> <p>£71k decrease from last month</p>	
Actions:				Review Date:	
<ol style="list-style-type: none"> <li>Two new properties registered with Ofsted, and support for semi-independent providers to register with Ofsted</li> <li>Brokerage transformations projects with ASC, reviewing the Fostering offer and identify additional residential beds</li> <li>Review of the existing placements to ensure age-appropriate placements and maximising inhouse provision.</li> <li>DSG Recovery Programme including banding and OAP Review and placement analysis across all provisions.</li> </ol>				<p>Completed 28/06/2024</p> <p>Completed 28/06/2024</p> <p>Completed 28/06/2024</p> <p>Abi Preston: 30 September 2024</p>	

Strategic Objective:		Thriving, healthy households - Children, young people, their families and vulnerable adults and older people live healthy, active and independent lives.			
Strategic Risk:		HLBC0010: Adult Social Care Demand			
Cllr Lead:	Cllr. J. Palmer	Initial Rating:	D2	Linked Operational Risks:	CRR Rating
Exec Lead:	Sandra Taylor	Current Rating:	D2	None	
Date Added:	01/11/2023				
Last Review:	1 August 2024	Target Rating:	E2		
Next Review Date:	22 March 2025	Change:	Static		
Risk Description	Primary Controls	Sources of Assurance	Key Performance Indicators		
<p>This risk arises from the increasing demand across Adult Social Care services due to changing demographics in the population, the transition of children into adult social care, and the raised expectations from residents for high quality social care services. This is all within the context of the major changes to the legislative framework including the Care Act, Better Care Fund and Deprivation of Liberty Safeguards. This increase in demand is impacting on the Council's ability to provide the statutory services within the available resources and funding available.</p>	<ul style="list-style-type: none"> <li>• Work to develop a new social care 'front door' using AI to answer calls for social care and first level triage has proved successful.</li> <li>• A full upgrade of the client system will take place on 9th January,2024 to improve data and monitoring of the demand.</li> <li>• Targeted early intervention through reablement and the introduction of 'Intelligent Lilli' to give better insights into care needs address demand through the front door for adults. Additionally, the development of reablement for people with mental health needs is being worked up.</li> <li>• Work with NHS partners is ongoing to address acuity following issues that have escalated following the pandemic.</li> <li>• Intensive work on the BCF and reviewing and aligning system funding and priorities to ensure that these address the needs of residents in the community.</li> </ul>	<p>Level 1: BCF and community based review of spending with GT</p> <p>Level 2: Output data from reablement &amp; 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>	ASC Placement Costs this month: <b>£7.2M</b>	£739k increase from last Month	
Actions:					Review Date:
<ol style="list-style-type: none"> <li>1. Progress the transformation of the front door, but increasing the capability and presence of third sector providers to support residents before they enter social care</li> <li>2. Submit a fully complete BCF Assurance document within the required timelines</li> <li>3. Implement and monitor the outputs of Intelligent lilli pilot.</li> </ol>					<p>Sandra Taylor: 1 November 2024</p> <p>Sandra Taylor: 2 November 2026</p> <p>Sandra Taylor: 1 November 2024</p>

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



## 2023/24 COUNTER FRAUD ANNUAL REPORT

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Alex Brown – Head of Counter Fraud
<b>Papers with report</b>	2023/24 Counter Fraud Annual Report
<b>Ward</b>	All

### HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2023/24 and assurance in this respect. It also provides an opportunity for the Head of Counter Fraud to highlight to the Audit Committee any significant Counter Fraud issues that have arisen which they need to be aware of. Further, the report enables the Audit Committee to hold the Head of Counter Fraud to account on delivery of the Counter Fraud Strategic Plan and facilitates in holding management to account for managing issues identified during the course of the Counter Fraud Team activity.

### RECOMMENDATIONS:

**That the Audit Committee:**

- 1. Note the Counter Fraud Annual Report for 2023/24; and**
- 2. Suggests any comments/ amendments.**

### SUPPORTING INFORMATION

The Counter Fraud Team supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the team underpins the Council's commitment to a zero tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.

### BACKGROUND PAPERS

The Counter Fraud team holds various background research documents in relation to the Counter Fraud Strategic Plan.

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# COUNTER FRAUD ANNUAL REPORT TO AUDIT COMMITTEE: 2023/24

1<sup>st</sup> April 2024



HILLINGDON  
LONDON

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The Counter Fraud key contacts in connection with this report are:		Page
Alex Brown	<b>1. INTRODUCTION</b>	<b>3</b>
Head of Counter Fraud	<b>2. EXECUTIVE SUMMARY</b>	<b>3</b>
t: 01895 556811	<b>3. COUNTER FRAUD ACTIVITY 2023/24</b>	<b>6</b>
e: abrown@hillingsdon.gov.uk	<b>4. COUNTER FRAUD PERFORMANCE 2023/24</b>	<b>12</b>
	<b>5. FORWARD LOOK 2024/25</b>	<b>12</b>
	<i>APPENDIX A - Loss Prevention Performance 2023/24</i>	<i>14</i>
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## 1. INTRODUCTION

### 1.1 The Role of the Counter Fraud Team

1.1.1 The Counter Fraud Team (CFT) supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the CFT underpins the Council's commitment to a zero tolerance approach to fraud, bribery, corruption and other irregularities, including any money laundering activity.

1.1.2 As well as counter fraud activity, the CFT also conduct a range of other types of investigative work which do not necessarily have a criminal element to them i.e. revenue inspections, disciplinary investigations, etc. There is also a range of preventative work that the team is responsible for carrying out, such as fraud awareness training and ensuring the Council have up-to-date and appropriate corporate investigation policies and procedures. The CFT also leads on the Council's assessment of the risk of fraud and corruption across all council services.

### 1.2 The Purpose of the Counter Fraud Annual Report

1.2.1 The Counter Fraud Annual Report 2023/24 provides the Council's Corporate Management Team (CMT) and the Audit Committee with information on the counter fraud work carried out during 2023/24. It summarises for CMT and the Audit Committee the key findings from the quarterly progress reports presented during the year. In addition, it provides an opportunity for the Head of Counter Fraud (HCF) to highlight any significant issues arising from the counter fraud work in 2023/24.

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

## 2. EXECUTIVE SUMMARY

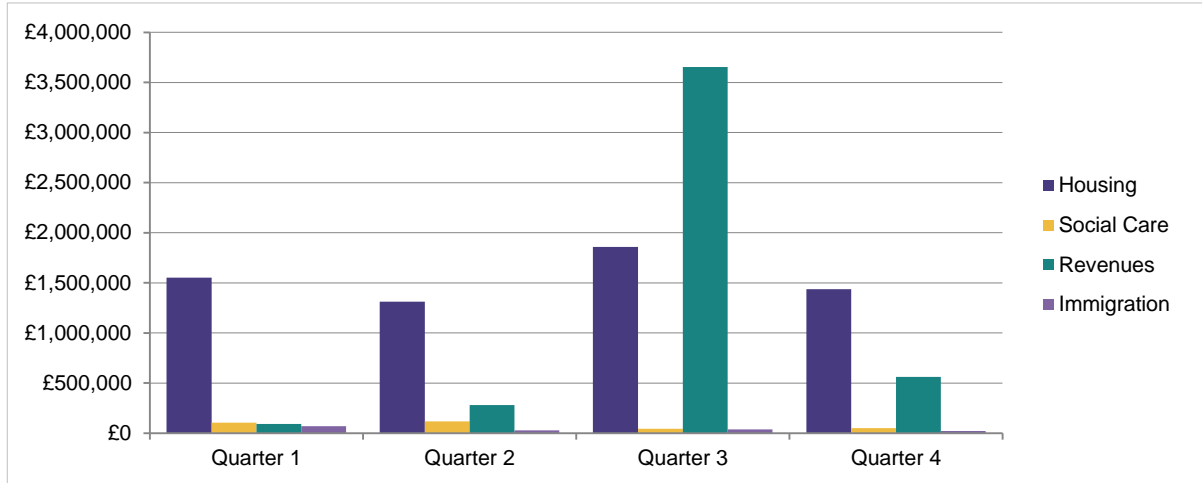
2.1 2023/24 has once again been a challenging year for the Council and its fight against fraud. Front line services continuing to see surges in demand and resources being under pressure creates an environment for opportunistic fraud to thrive. The Council are not alone in this scenario with all of the public sector seeing increases in fraud due to the current economic climate. **However, with the CFT fully resourced and strategically placed across fraud risks the team have achieved c£11.2m in savings during 23/24.** This success can largely be attributed to the work in Housing and Business rates.

2.2 2023/24 has been another successful year for the CFT, in particular with the team being nationally recognised for its achievements and efforts combating fraud. Following on from the CFT's shortlisting for the Outstanding Fraud Prevention, Detection and Recovery award the team attended the awards evening on 28<sup>th</sup> November in London. Though facing a strong shortlist of fraud teams, **Hillingdon Councils Counter Fraud Team won the award for best in class**, alongside the prestigious **Grand Prix award** which was selected from all of the category winners. The judging panel drawn from industry experts commented that the Counter Fraud Team had "A very strong nomination that showed results over and above target. The team took a holistic approach to audit, creating an organisation-wide counter fraud culture led from the top down." The panel were also impressed by the creation of a fraud risk register, which provides real-time reviews on emerging risks and allows them to deploy resources in an agile way, and the embedded mandatory verification processes across social housing, right to buy and succession applications.

- 2.3 In the first quarter of 2023/24 the CFT embarked on a small scale restructure to ensure the service had the resources to combat fraud for the year ahead. The service reduced its junior management and increased its operational staff to create capacity to undertake further counter fraud activity. This structure change supported the team in meeting its strategic objectives and delivering the financial savings listed above.
- 2.4 Housing fraud, in particular tenancy fraud, has remained the highest fraud risk to the Council and an area of focus for the CFT, with the team conducting civil and criminal investigations into suspected cases of housing fraud, alongside proactive loss prevention projects. This has achieved overall **loss prevention savings of c£6.1m** in 23/24. These savings included the **recovery of 103 Council properties** due to tenancy fraud, this represents a **23% increase** on the previous year's outcomes (22/23). The increase represents the highest property recovery achieved in a single year.
- 2.5 With the cost of living crisis Housing services have seen a significant rise in those requiring support due to homelessness over recent years. This has led to increased numbers currently in emergency accommodation. This increased demand presents the Council with a higher risk of fraud. The CFT currently have two secondees from Housing to residency check all emergency accommodation to highlight any occurrences of non-occupation or subletting. **In total 42 cases of accommodation placements were cancelled saving c£353k.** With these additional resources demonstrating significant loss prevention savings, this work will continue into 2024/25.
- 2.6 The CFT has focused its efforts into improving its coverage and activity within Social Care in 2023/24. In total **c£313k of financial savings have been identified**, demonstrating an **increase of 33%** on the previous year's outcomes. Though this demonstrates a positive move in the direction of travel in combating social care fraud, the HCF and the management team are making arrangements to improve outcomes and risk coverage in this area.
- 2.7 In the area of **Revenues**, the team has delivered **6,829 inspection visits** during 2023/24, which is a **21% reduction** from 2022/23. Though this represents a decrease in the number of visits completed, the CFT has adapted its approach to improve efficiency using data and intelligence to support decision making. This effective way of working has led to the **CFT to generating c£4.3m in additional business rates billings.**
- 2.8 The Head of Internal Audit (HIA) and the HCF have continued to collaborate in their approach to risk, governance and assurance. Following on from the success of 23/24 the teams have worked in partnership on consultancy reviews in areas such as procurement, aligned approaches in risk management and supported each other in identifying fraud risks and fraud controls.
- 2.9 The CFT has operated with a **Home Office Onsite Immigration Official (OSIO)** integrated within the Counter Fraud Team since 2018. The OSIO supports the Council in decision making for those that require assistance for Housing or Social Care by providing real-time Home Office data. **In 2023/24 the OSIO contributed savings of c£158k to the overall counter fraud financial target.**
- 2.10 The CFT has continued to carry out focused proactive projects as part of its strategic approach to tackle fraud in the Council's highest risk areas. These areas are considered to be susceptible to fraud and financial loss. Per the table at **Appendix C** the CFT conducted **nine** proactive projects in 2023/24. The proactive drives provide assurance across the Council and highlights, where needed, any further preventative measures.
- 2.11 Part of the CFT's remit is to create awareness internally and externally of fraud including promoting positive outcomes from its work. Across 23/24 the team has worked closely with the Communications Team to educate on the risk of fraud, how to report fraud and share some of the successes of the CFT. **Appendix F** showcases some of the media work delivered in 23/24.

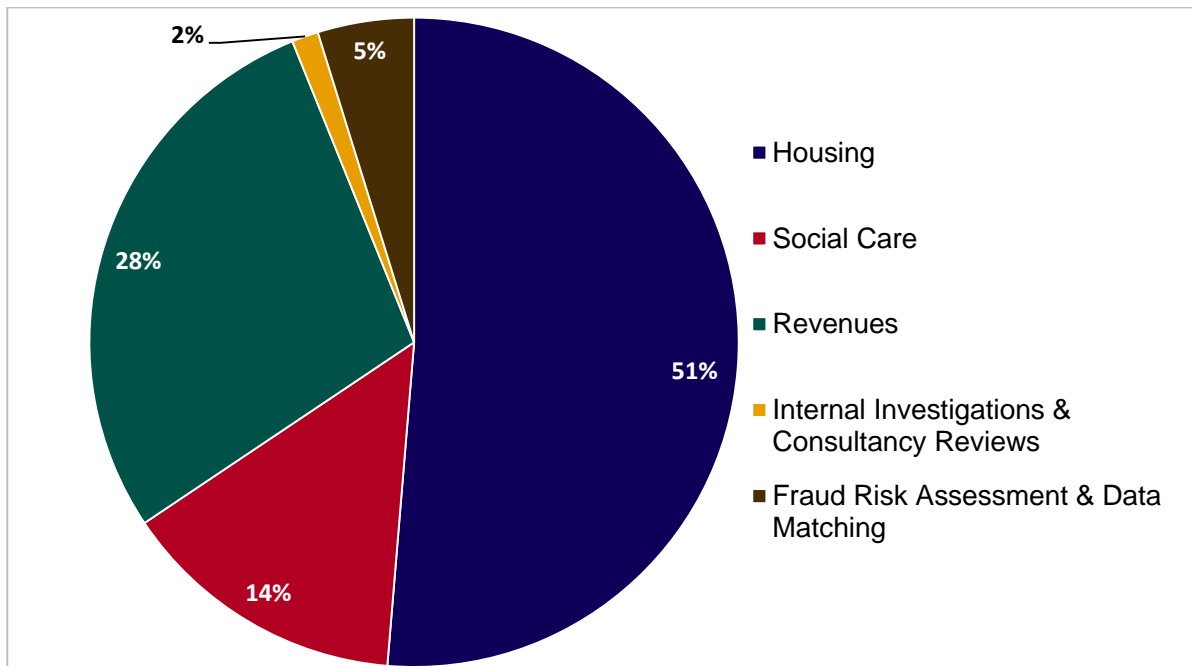
2.12 **Chart 1** below summarises the areas in which the CFT has achieved loss prevention savings (cost reductions) in 2023/24 by each quarter. The majority of loss prevention savings have been achieved by the CFT within Housing due to the team’s work in tenancy fraud. However, Chart 1 also illustrates the consistent level of financial achievements in the area of Revenues compared to previous years. A full breakdown of all CFT loss prevention savings can be found at **Appendix A**.

**Chart 1 - CFT Loss Prevention Savings Achieved in 2023/24**



2.13 **Chart 2** below summarises the allocation of CFT resource in 2023/24. Similar to previous years, the team has spent the majority of its time working within the area of Housing. The implementation of a new structure in 2023/24 which saw the CFT increase its operational resources has delivered an additional 35% capacity. Due to this increase, it is difficult to draw any correlation in time allocation against previous years.

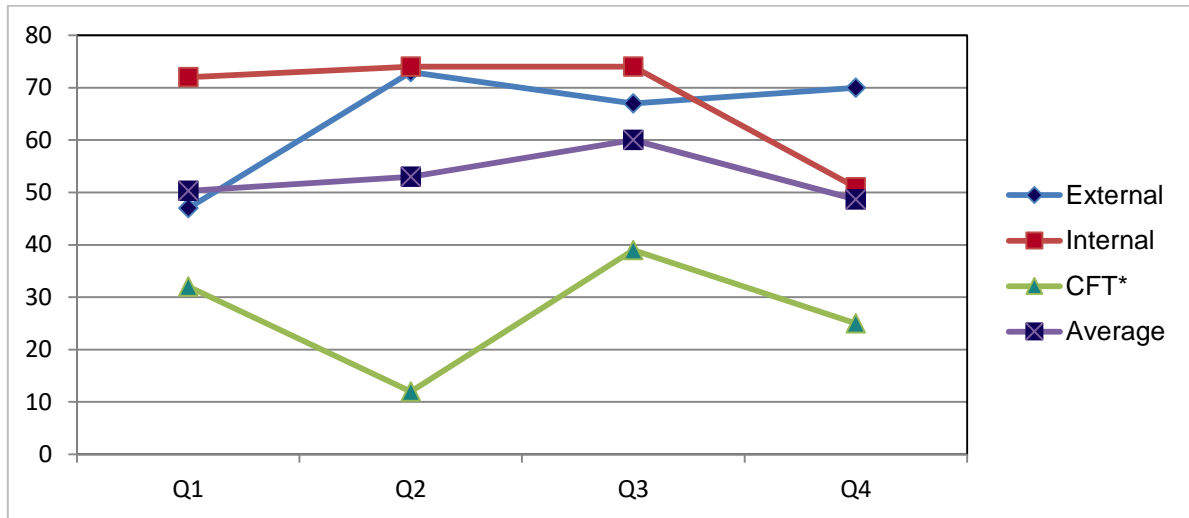
**Chart 2 - CFT Allocated Resource in 2023/24**



2.14 In 2023/24 the CFT received a total of 638 referrals for investigation from both internal and external sources (compared to 628 in 2023/24). **Chart 3** provides a summary of the trend in referrals over the year. In Q1 the CFT received a sharp increase in external referrals which remained consistent for the rest of the financial year, this can be attributed to the external communications and media coverage of counter fraud activity and awareness.

2.15 The HCF notes that referrals in Q4 were in a slow decline from internal sources. To combat this the CFT is preparing a new fraud awareness package to engage with staff in 24/25 which will be consistent throughout the financial year, with the anticipation of increased fraud referrals from a variety of service areas across the Council.

**Chart 3 - Number of 2023/24 Referrals by Quarter**



\*Referrals generated through CFT proactive projects or data matching exercises

**3. ANALYSIS OF COUNTER FRAUD ACTIVITY IN 2023/24**

3.1 This section provides a more detailed analysis of the activities of the CFT during 2023/24, detailing specific work streams and the trends within each area for comparison and contrast. The activities of the CFT were predominantly focused on three main fraud areas of work: **Housing, Social Care and Revenues**. The CFT also conducted proactive **Blue Badge** operations during the year as well as investigating allegations of Blue Badge misuse.

**3.2 Housing Fraud**

3.2.1 Throughout 2023/24 tenancy fraud investigations, housing verifications and proactive project work in homelessness has continued to be the key areas of work for the CFT. By undertaking verification checks in a variety of different areas, the applicants' eligibility for housing services are properly verified prior to being offered a tenancy and provides assurance to key stakeholders that the risk of fraud in this area is being managed effectively. The CFT continues to proactively identify and investigate instances of tenancy fraud. This combined approach has enabled the team to deliver effective loss prevention savings and recover a substantial amount of Council properties.

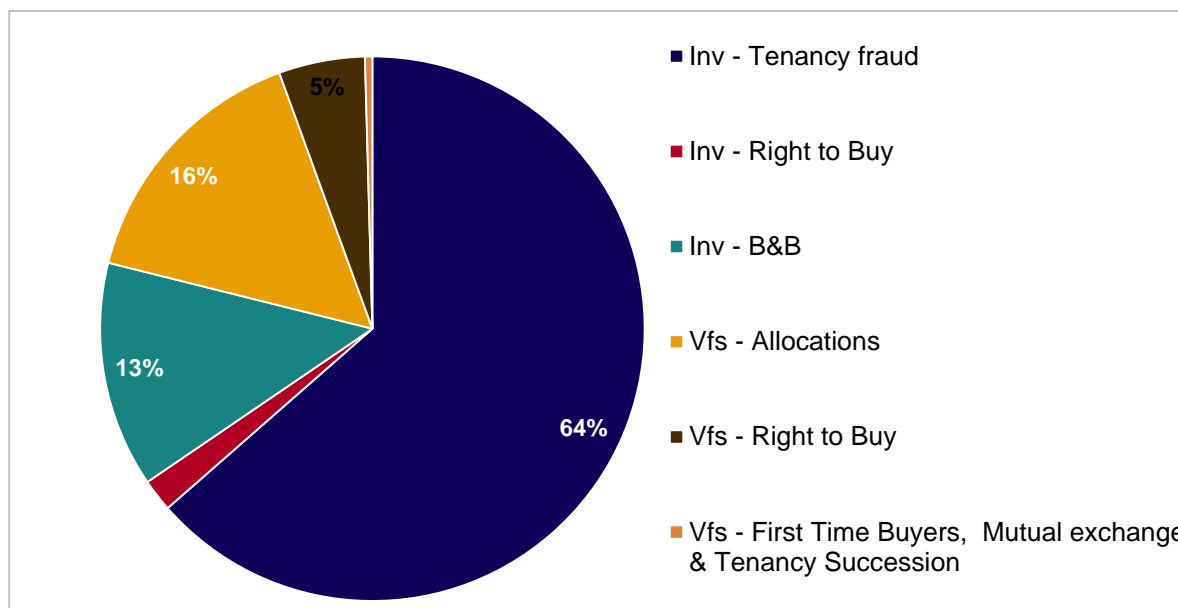
3.2.2 During the year the Counter Fraud Management Team worked closely with stakeholders in Housing to improve the counter fraud culture and provide tailored support. Management provided guidance on potential fraudulent cases and interviewed clients in conjunction with housing staff to provide learning opportunities and demonstrate first hand interviewing techniques. In addition, the CFT has trained over 90 staff in interview techniques to support officers in their duties. This close support from the CFT has given housing staff the tools and confidence to challenge suspected fraudulent applications with further training to be rolled out in 24/25.

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



3.2.4 With additional resources available to combat tenancy fraud following a restructure in year, the CFT has allocated an additional 10% of capacity compared to previous years. Following an increase in risk relating to homelessness, resourcing capacity has also increased in B&B fraud.

**Chart 4 - CFT Work Within Housing Services in 2023/24**



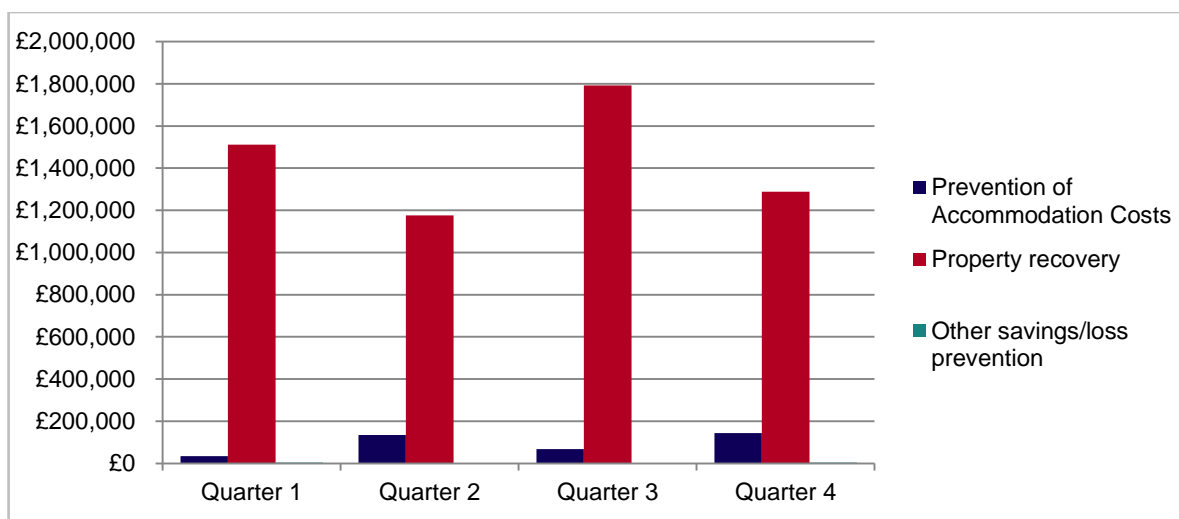
3.2.5 Per **Table 1** below, in 2023/24 the CFT successfully recovered **103 Council properties**. This is a **23% increase on outcomes** from 2022/23 and represents the highest property recovery figure ever achieved by the CFT. The increased risk of tenancy fraud following the pandemic and cost of living crisis, combined with the improvement in referral quality and the effective processing of investigations by the CFT has contributed to this success.

**Table 1 ~ Housing Tenancy Fraud Cases**

Housing Tenancy Fraud	2023/24		2022/23		2021/22	
	Cases	£k/value*	Cases	£k/value	Cases	£k/value
Total number of recovered properties	103	£5,768k	84	£4,704k	42	£756k

\*Calculated using the new Tenancy Fraud Forum valuation.

3.2.6 **Chart 5** (over the page) summarises the loss prevention outcomes of the team by area of counter fraud activity within Housing. The team’s high levels of property recovery have contributed to the majority of the savings. However, prevention of accommodation savings increased in Q2 onwards due to the teams work in identifying tenancy fraud within emergency accommodation. **The CFT identified and closed 42 emergency accommodation placements saving c£353k.** With the success of uncovering fraud within emergency accommodation the HCF expects further positive outcomes in this area during 24/25 following the introduction of a rolling programme of visits.

**Chart 5 - CFT Loss Prevention Outcomes in Housing 2023/24**

3.2.7 In 2023/24 the CFT continued to carry out verifications as part of the housing allocations process. As per **Table 2** below, 997 housing cases were processed for verification. These enhanced checks give assurance to management that housing applicants are genuine, entitled to be housed prior to allocation and highlight potential fraudulent applications for further investigation.

3.2.8 Of the **997 housing verifications** carried out in 2023/24, the CFT identified **20% for rejection**, including the closure of **29 applications**. There are various reasons for a verification to be rejected or closed, and these include significant rent or Council Tax arrears, property ownership, no immigration status, or misrepresentation of circumstances. With a high demand for social housing assistance these checks continue to demonstrate their importance, as applicants may have been successful in obtaining a council property that they were not entitled to.

**Table 2 ~ Housing Tenancy Verification Cases 2023/24**

Housing Tenancy Verification Cases	Q1	Q2	Q3	Q4	Total
Total number of cases reviewed	255	153	270	319	<b>997</b>
% Identified by CFT for rejection	25%	17%	21%	16%	<b>20%</b>
Total number of applications closed	12	7	7	3	<b>29</b>

### 3.3 Revenues

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

3.3.2 **Table 3** below, outlines the performance of the Revenues Inspection function against the previous year. The CFT has slightly improved its performance against its KPI in providing an effective and efficient service. Though the volumes of inspections have decreased by 20%, the team has remained focused in its approach prioritising income generation through the Revenues Maximisation project.

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

Revenues Inspections	2023/24	2022/23	Improvement
Total number of inspections completed	<b>6,829</b>	8,638	-1,809 / - 21%
Percentage within 10 day target	<b>99%</b>	99%	N/A

3.3.3 The CFT continued to proactively identify Beds in Sheds within the borough and a **total of 72 unregistered dwellings** during the year have been added to the Council Tax list. These previously unlisted properties resulted in **loss prevention savings of c£84.5k**. The identification of Beds in Sheds will continue to be a priority for the CFT with further work planned for 2024/25.

### 3.4 Revenue Maximisation

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

3.4.2 With positive financial outcomes across 2022/23 and 2023/24, the CFT has obtained Cabinet Member approval to engage with suppliers for an additional year. The HCF believes this partnership coupled with our own in-house work will lead to further positive outcomes in the new financial year.

### 3.5 National Fraud Initiative

3.5.1 The National Fraud Initiative (NFI) is a bi-annual data matching exercise overseen by the Cabinet Office. Data is to be provided at the end of Q2 with results from the 2024/25 exercise due at the start of Q4.

3.5.2 The NFI also produces an annual review of Council Tax Single Person Discount claims which are matched against Electoral Roll records which identified savings of **£79,545.30** during 2023/24. Matches for the new financial year were received during Q4 and are being reviewed.

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

3.5.4 During 2023/24 the LCFH has provided fortnightly data matching between council tenancy records and death registration information. This has identified **17 properties** where the council was unaware of the death of the tenant and which has led to the properties being recovered and returned to use earlier and more efficiently that would otherwise be the case. This has provided a notional financial saving of **£952,000**.

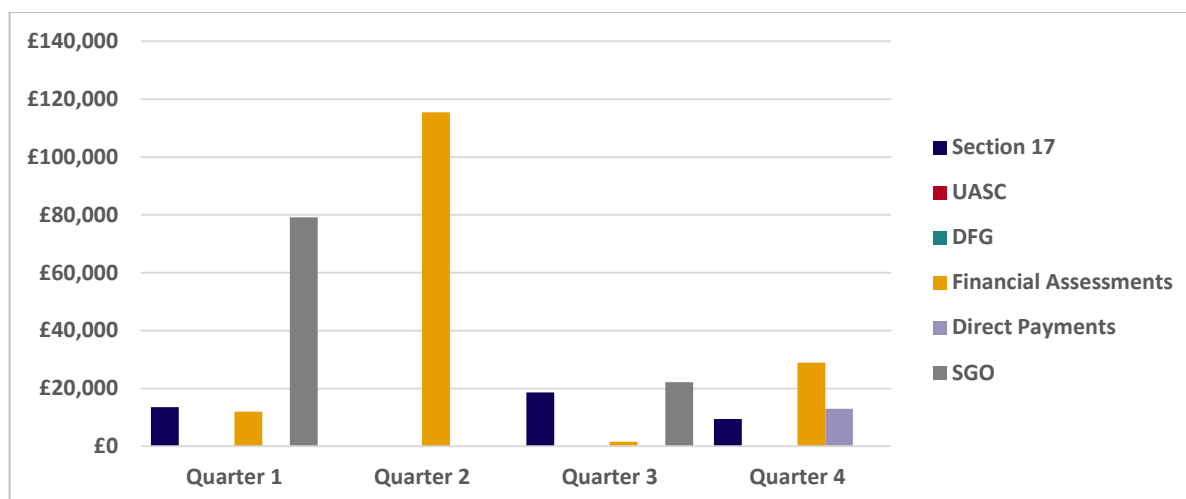
### 3.6 Blue Badge Fraud

- 3.6.1 Although the direct monetary value of Blue Badge fraud is relatively low, the reputational risk to the Council is significant. The CFT's commitment to protect some of the boroughs most vulnerable residents and visitors to the area has been achieved by conducting both proactive and reactive operations. These operations were established to identify instances of Blue Badge misuse and for those found to be abusing the scheme to be held to account.
- 3.6.2 In 2023/24 the CFT **undertook a total of 3 Blue Badge operations**. Two projects took place in areas of risk based on intelligence gathered from referrals. The third operation was an initiative involving 82 other Local Authorities working collaboratively to participate in a **Nationwide Blue Badge Day of Action**. This action enabled all participating Councils to ensure that genuine badge holders were able to access the disabled parking facilities on offer across England.
- 3.6.3 The results in this area of work for 2023/24 saw the CFT **inspect 130 Blue Badges, seize 24 badges and prosecute 3 offenders for misuse who received substantial fines**.

### 3.7 Social Care

- 3.7.1 Over the last two years the CFT has been embedding various counter fraud activities across Social Care Fraud risks. The focus has been in areas of significant expenditure for the Council such section 17 support and financial assessments (direct payments & commissioned care).
- 3.7.2 Since the introduction of the Financial Assessment (FA) verification process which was designed to highlight any instances of hidden capital or assets, the CFT has seen a **17% increase** in verification requests this financial year. **In total 694 requests have been received with the team investigating 19 of these cases achieving c£157k in loss prevention savings**.
- 3.7.3 During 2023/24 the CFT investigated its first cases relating to Special Guardianship Orders (SGO). Two investigations commenced following concerns raised by the Kinship Team that highlighted significant overpayments which had been made to two previous special guardians. An SGO is a formal arrangement through a legal order that appointments one or more individuals to be a child's special guardian. The order is intended in circumstances where a child's parents are unable to look after the child for either a short or long period of time. These highly sensitive investigations identified that the special guardian had been overpaid and was **no longer entitled to financial support, this resulted in c£101k in savings**.
- 3.7.4 To maximise loss prevention through effective counter fraud activity, the CFT has undertaken a variety of approaches to combat fraud within Section 17 assistance. This includes a yearly residency check project to identify non-occupation of council provided accommodation and a verification process to ensure all approaches are eligible for support. **The team has investigated 5 cases leading to loss prevention savings of c£42k**.
- 3.7.5 During 2023/24 the CFT has received a number of referrals regarding Direct Payments. These referrals relate to misuse of funds or where the applicant had failed to declare savings or assets. These investigations can be complex and lengthy by nature. In 2023/24 **one investigation has been completed with savings identified of c£13k**.
- 3.7.6 **Chart 6** over the page, summarises the loss prevention outcomes of the team for the work carried out within Social Care. Over the course of 2023/24 the CFT has continued to raise its profile within these services and engage positively with stakeholders, which has **delivered loss prevention savings of c£313k**, with most of these savings delivered in Q2.

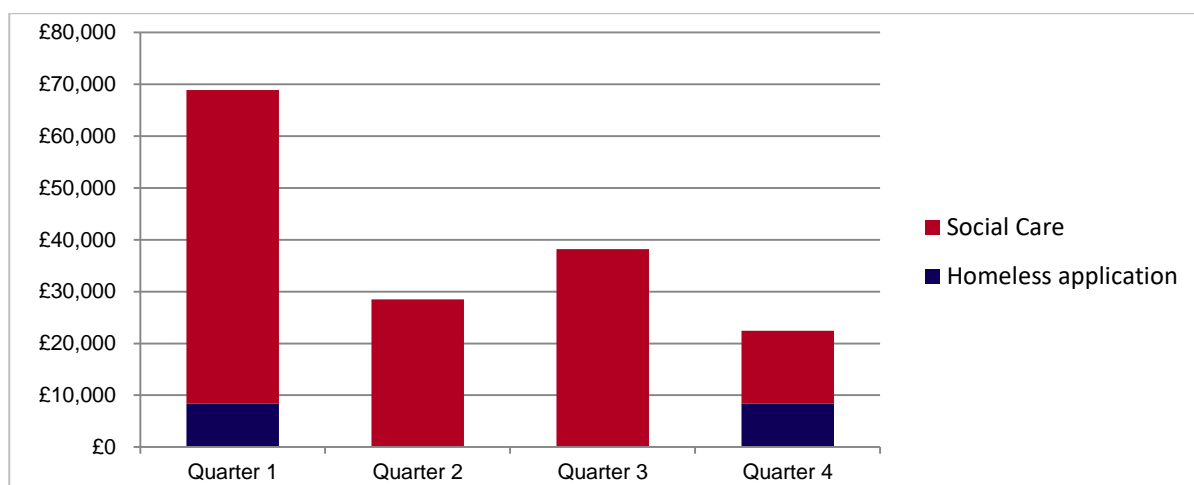
**Chart 6 - CFT Loss Prevention Outcomes in Social Care 2023/24**



**3.8 Onsite Immigration Officer (OSIO)**

3.8.1 **Chart 7** below, summarises the outcomes for the work of the OSIO within 2023/24. This is based on prudent estimates of the costs of council services that are linked to immigration issues where the OSIO has been able to directly assist by providing Home Office information. The total value of the OSIO work for 2023/24 is estimated at c£157k.

**Chart 7 - OSIO Loss Prevention Outcomes 2023/24**



3.8.2 In January 2023 Hillingdon Council received a new OSIO from the Home Office. With the role covering such a multitude of complex service areas, it has taken time to train the OSIO across all areas. The OSIO is now fully up to speed and the HCF expects improved outcomes in this area across 2024/2025.

**3.9 Fraud Awareness Campaign**

3.9.1 The CFT has continued to **embed an effective counter fraud culture** within the Council. A total of **5 Fraud Awareness sessions** were conducted both in person and virtually over the course of the year. Each presentation was tailored to incorporate the different fraud risks encountered by each service area. These sessions give officers the tools to spot and report fraud, whilst encouraging them to champion a counter fraud culture organisation wide. In addition to the awareness sessions the management team has also rolled out training in Housing services to support front line staff through the use of interview techniques. Over 6 sessions nearly 90 staff have been trained and given the tools to question applicants to help support decision making.

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

#### 4. ANALYSIS OF THE COUNTER FRAUD TEAM PERFORMANCE 2023/24

- 4.1 The CFT introduced a suite of KPIs in 2018/19 which were agreed and implemented in liaison with CMT and the Audit Committee. The KPIs allow effective measurement of performance and enable the team and the HCF to be better held to account by CMT and Audit Committee. The table at **Appendix B** sets out the performance by the CFT against the KPIs throughout 2023/24 by quarter and previous years.
- 4.2 As illustrated in **Appendix B**, performance against KPIs has remained consistent throughout the financial year. The team has also **achieved 9 of the 9 KPI targets** which is a considerable achievement with 2 KPI targets increasing for 2023/24. The team's overall performance can be attributed to the management information available and the management team's engagement with staff around performance.
- 4.3 The table at **Appendix A** provides a detailed breakdown of the loss prevention performance of the Counter Fraud Team during 2023/24. The table highlights the **significant increase in Housing outcomes** mainly around property recovery and emergency accommodation closures.
- 4.4 During 2023/24 the CFT has actively sought to obtain data from each London Borough relating to counter fraud activity and produced benchmarking information which is set out at **Appendix D**. This data relates to reported figures in counter fraud annual reports to oversight committees for 2022/23. There is a significant inconsistency between authorities in terms of what they each report to their oversight committees and the variation in values they each place on individual activities. As a result, this makes comparison between authorities in terms of individual counter fraud work areas difficult to quantify.
- 4.5 Nevertheless, there are several areas of general commonality (as set out in **Appendix D**), including the performance on housing fraud and Blue Badge which are present across most London Boroughs.

#### 5. FORWARD LOOK 2024/25

- 5.1 Looking ahead to 2024/25, the CFT as part of the Council's Counter Fraud Strategy 2022-25 will continue to develop its risk-based approach, focusing on the areas of highest fraud risk within services. Key to this is the continued engagement with service areas on fraud risk and controls to support and underpin the Council's "Fraud Universe" which steers the CFT Annual Operational Work Plan.
- 5.2 Moving ahead, there are a number of key priorities for the CFT. These include:
- **Implementation of the Counter Fraud Annual Operational Work Plan 2024/25**, with a full and ongoing reassessment of the fraud risk profile of the Council to ensure the CFT adapts to any emerging risks;
  - To continue to embed a counter fraud culture across the Council through a successful **programme of Fraud Awareness**, alongside engagement with key stakeholders regarding fraud issues internally and externally;

- Maintain performance with suppliers to identify businesses that are not listed for ratings through our **Revenues Maximisation Project**, to increase the NNDR collectable by the Council, using open-source data and intelligence gathering;
- **Sustain the level of performance the team achieved in 2023/24 into 2024/25**, by focusing on our strategic objectives, KPIs and the financial loss prevention target by deploying a risk based approach to fraud;
- Continue to work closely with **Housing key stakeholders around the increased risk of fraud**, with the view to conduct further proactive and reactive counter fraud activity in this area; and
- **Review and Update the Fraud Universe** with a view to entering all fraud risks onto the new Risk Management software JCAD. Once all fraud risks are entered into the system services can take ownership and lead on fraud risk management with the CFT acting as an enabling/support service.

5.3 The CFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the Council, CMT and the Audit Committee during 2023/24.

**Alex Brown** APCIP  
**Head of Counter Fraud**  
1<sup>st</sup> April 2024

**APPENDIX A: CFT Loss Prevention Performance 2023/24**

Work Area	Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2023/24
<b>Housing</b>	Right to Buy discounts	£0	£0	£0	£0	<b>£0</b>
	Property Recovery (notional savings)	£1,512,000	£1,176,000	£1,792,000	£1,288,000	<b>£5,768,000</b>
	Other savings/loss prevention	£38,283	£134,596	£67,298	£147,008	<b>£387,185</b>
<b>Social Care</b>	Section 17 and UASC*	£13,586	£0	£18,676	£9,388	<b>£41,650</b>
	Financial Assessments	£11,959	£115,511	£1,546	£28,866	<b>£157,882</b>
	SGO	£79,150	£0	£22,139	£0	<b>£101,289</b>
	Direct Payments	£0	£0	£108	£12,934	<b>£13,041</b>
<b>Revenues</b>	Single Person Discount	£14,148	£75,001	£2,571	£6,610	<b>£98,331</b>
	Council Tax Reduction & arrears	£12,070	£9,775	£893	£2,901	<b>£25,640</b>
	Unlisted Buildings	£18,740	£28,106	£18,380	£19,271	<b>£84,498</b>
	Housing Benefit Overpayments	£985	£24,511	£1,850	£7,202	<b>£34,550</b>
	NNDR**	£44,661	£141,667	£3,629,335	£524,174	<b>£4,339,838</b>
<b>Blue Badge</b>	Simple Caution & Financial Penalty	£2,958	£2,182	£1,690	£0	<b>£6,830</b>
<b>Immigration Officer</b>	Housing Homelessness Applications*	£8,412	£0	£0	£8,412	<b>£16,824</b>
	Social Care Savings	£60,469	£28,477	£38,201	£14,024	<b>£141,172</b>
<b>Totals</b>	Loss Prevention Savings	£207,226	£278,584	£147,968	£216,632	<b>£850,412</b>
	Notional Savings	£1,550,947	£1,320,929	£4,878,786	£1,740,750	<b>£9,491,412</b>
	Cashable Savings	£56,292	£134,133	£566,245	£111,408	<b>£868,079</b>
	Costs awarded and penalties	£2,958	£2,182	£1,690	£0	<b>£6,830</b>
	<b>Total</b>	<b>£1,817,423</b>	<b>£1,735,828</b>	<b>£5,594,689</b>	<b>£2,068,790</b>	<b>£11,216,735</b>

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

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



**APPENDIX B: KPIs and Actual Performance 2023/24**

CFT KPIs	Target	Q1	Q2	Q3	Q4	23/24	22/23
1. Percentage of fraud referrals risk assessed within 3 working days	<b>95%</b>	99%	100%	99%	100%	<b>99%</b>	99%
2. Verification work timescales for completion:							
a. Housing Allocations completion within the target date set by Housing	<b>95%</b>	99%	100%	100%	100%	<b>99%</b>	99%
b. Right to Buy case completion within 28 working days	<b>95%</b>	100%	100%	100%	100%	<b>100%</b>	100%
c. Financial Assessments completion within 7 working days	<b>95%</b>	100%	100%	100%	100%	<b>100%</b>	100%
d. Section 17 reviews completion within 7 working days	<b>95%</b>	100%	100%	100%	100%	<b>100%</b>	100%
3. Investigation plan completion within 5 working days of case allocation	<b>95%</b>	99%	100%	95%	100%	<b>98%</b>	99%
4. Tenancy fraud referrals received resulting in property recovery	<b>30%</b>	42%	36%	58%	49%	<b>46%</b>	40%
5. Investigations resulting in loss prevention/financial saving outcome	<b>40%</b>	42%	41%	58%	60%	<b>48%</b>	39%
6. Revenue inspections completed within 10 working days of referral date	<b>95%</b>	99%	98%	99%	99%	<b>99%</b>	99%

## APPENDIX C: Proactive Counter Fraud Projects 2023/24

Proactive Project & Rationale	Project Outcomes
<p><b><u>Gas &amp; Electrical Checks Access - Q1</u></b></p> <p>Working collaboratively with internal departments, the CFT conducted unannounced visits to all social housing properties that were overdue a gas safety or electrical safety check for 12 months or longer. The purpose of this project was to reduce the number of properties that were overdue these inspections, whilst also identifying potential cases of non-occupation or subletting</p>	<ul style="list-style-type: none"> <li>• Number of properties visited - <b>165</b></li> <li>• Properties Recovered - <b>8</b></li> <li>• Investigations continuing - <b>3</b></li> <li>• Financial Savings - <b>£448,000</b></li> </ul>
<p><b><u>Section 17 Residency – Q2</u></b></p> <p>The CFT carried out a project conducting residency checks for all Section 17 Social Care service users. The objective of this project was to verify that the accommodation provided was being lawfully occupied and identify any fraud being committed through subletting, non-occupation, or not meeting the eligibility criteria for funding and assistance.</p>	<ul style="list-style-type: none"> <li>• Number of cases reviewed - <b>26</b></li> <li>• Number of cases validated - <b>25</b></li> <li>• Cases recommended to cease funding - <b>1</b></li> <li>• Loss prevention through terminating funding - <b>£9,388</b></li> </ul>
<p><b><u>Blue Badge Q1, Q3</u></b></p> <p>The CFT conducted a total of three proactive Blue Badge operations in identified high risk areas. Checks were carried out on all badges that were displayed to ensure that the badges were being used in accordance with the Blue Badge scheme. The operations included seizing expired badges, which removes them out of circulation and prevents potential misuse in the future.</p>	<ul style="list-style-type: none"> <li>• Number of badges checked - <b>130</b></li> <li>• Number of badges seized - <b>24</b></li> <li>• Number of fraudulent uses of badges – <b>4</b></li> <li>• Number of investigations continuing - <b>10</b></li> <li>• Total value of fines - <b>£1,540</b></li> <li>• Total value of awarded prosecution costs - <b>£5,290</b></li> </ul>
<p><b><u>Beds in Sheds – Q1 and ongoing</u></b></p> <p>'Beds in Sheds' is the term used to describe buildings or annexes on private properties that have been erected without the Valuation Office being made aware and that can be considered habitable. This means that the building or annexe should be charged Council Tax. The CFT carried out unannounced visits to properties that were highlighted via referrals and intelligence checks.</p>	<ul style="list-style-type: none"> <li>• Number identified for bringing into Council Tax - <b>72</b></li> <li>• Investigations continuing - <b>5</b></li> <li>• Income generation - <b>£84,498.56</b></li> </ul>
<p><b><u>Temporary Accommodation Residency – Q3</u></b></p> <p>The CFT carried out unannounced residency checks on all service users residing in Temporary Accommodation properties. The purpose of the project was to identify any subletting of accommodation, instances of non-occupation, as well as verifying those that had applied for social housing and ensuring that they were still eligible.</p>	<ul style="list-style-type: none"> <li>• Number of properties visited - <b>225</b></li> <li>• Properties Recovered - <b>3</b></li> <li>• Investigations continuing - <b>8</b></li> <li>• Financial Savings - <b>£176,412.25</b></li> </ul>

<p><b><u>National Fraud Initiative (NFI) - Ongoing</u></b></p> <p>The National Fraud Initiative (NFI) main exercise is a bi-annual data match against numerous public and private sector data sources.</p> <p>The National Fraud Initiative (NFI) Recheck is an annual data match where SPD data is matched against the Electoral Roll.</p>	<ul style="list-style-type: none"> <li>• <b>£79,545.30</b> Savings from Single Person Discount matching</li> </ul>
<p><b><u>London Counter Fraud Hub - Ongoing</u></b></p> <p>The London Counter Fraud Hub is designed to bring London Boroughs together, sharing data to identify cases of fraud, loss or error.</p> <p>The first in house data matching exercise using the LCFH, matched tenancy records against the death register. This highlights any properties that the Council are unaware that the tenant has passed away.</p>	<ul style="list-style-type: none"> <li>• Number of properties returned - <b>17</b></li> <li>• Financial Savings - <b>£952,000</b></li> </ul>
<p><b><u>Internal Revenues Maximisation - Ongoing</u></b></p> <p>The Revenues Investigation Unit have carried out a series of pro-active action days monitoring and reviewing business rates listings in high-risk areas which has identified new and improved premises to increase business rates billing.</p>	<ul style="list-style-type: none"> <li>• Additional business rates billing - <b>£3,722,946.60</b></li> </ul>
<p><b><u>B&amp;B Emergency Accommodation - Ongoing</u></b></p> <p>The CFT carried out a project conducting unannounced residency checks for all clients residing in Bed and Breakfast emergency accommodation.</p> <p>The objective of this project was to verify that the accommodation provided was being occupied and to also identify cases of subletting, non-occupation, or misrepresentation of circumstances.</p>	<ul style="list-style-type: none"> <li>• Number of clients visited – <b>738</b></li> <li>• Accommodation Closed – <b>42</b></li> <li>• Financial Savings - <b>£353,314.50</b></li> <li>• Investigations continuing - <b>11</b></li> </ul>
<p><b><u>Council Tax Exemptions – Ongoing</u></b></p> <p>The CFT carried out desk top checks of Class E &amp; F exemptions utilising data matching and in-house data. This highlighted any properties that the Council were unaware that the tenant had passed away or was residing elsewhere due to care needs.</p>	<ul style="list-style-type: none"> <li>• Number of properties returned - <b>15</b></li> <li>• Financial Savings - <b>£840,000</b></li> </ul>

**APPENDIX D: Counter Fraud Benchmarking 2022/23**

London Borough	Council Properties Returned	RTB Cancelled	Housing Applications Closed	Council Tax & CTRS	Blue Badge Outcomes*	Social Care
Barking & Dagenham	11					
Barnet	34		6	£50,011	13	
Bexley	9		4		15	
Brent	20		1	£72,325	23	
Bromley					50	
Camden	41	16			5	
City of London	9		6	£6,771		
Croydon	18	6	10		22	
Ealing	4		20	£9,317		
Enfield	8	9		£296,343	4	
Greenwich	8					
Hackney	49	11	2			
Hammersmith & Fulham	36	5	12	£4,430		£28,000
Haringey	41	115				
Harrow	5	6			1	£317,792
Havering	10	5				
<b>Hillingdon</b>	<b>84</b>	<b>6</b>	<b>14</b>	<b>£66,813</b>	<b>6</b>	<b>£235,492</b>
Hounslow	6	6	2	£263,415	1	£414,730
Islington	42	6				
Kensington & Chelsea	35	3	4		16	£22,000
Kingston	13	1	103	£21,371		
Lambeth	77	1		£14,824		£79,931
Lewisham	5		7	£25,842	1	£23,000
Merton	1	1	81	£22,521		
Newham	32	7	7			
Redbridge	5	1			2	
Richmond	11	2	93	£6,876		
Southwark		5	30			
Sutton	11	2	35			
Tower Hamlets	34	7	6			
Waltham Forest	40	17	2	£32,260	37	£27,293
Wandsworth	24	14	136		1	
Westminster (City of)	31	5	16		12	

Where the cell is greyed out, the data was not available to us from the council in question.

\* = Successful outcomes for Blue Badges are defined as fines and/or prosecutions but excludes seized badges.

## **APPENDIX E: Glossary of Terms**

### **Beds in Sheds**

'Beds in Sheds' is the term used to describe habitable outbuildings, or annexes to private properties being utilised without the awareness of the Council or the Valuation Office Agency (VOA).

### **Blue Badge**

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

### **Direct Payments**

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

### **Disabled Facility Grant**

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

### **Financial Assessments**

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

### **Fraud Hub (LCFH)**

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

### **National Fraud Initiative**

The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Government Cabinet Office and conducted every 2 years. There is also an annual review of claimants in receipt of Single Persons discount data that is matched against the Electoral Roll data. The NFI matches data from over 1,200 organisations, including councils, the police, hospitals and almost 100 private companies to identify potential fraud and error.

### **New Homes Bonus**

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

### **Onsite Immigration Enforcement Official**

The Onsite Immigration Enforcement Official (OSIO) provides enhanced access to Home Office data for the purpose of assessing cases involving immigration issues and for assisting in a range of counter fraud work.

### **Right to Buy**

The Right to Buy (RTB) process is a statutory scheme whereby a tenant(s) can apply to purchase their property at a significant discount from its market value. There are strict conditions that must be met by the applicant(s) if they are to qualify for the discount.

**Revenues Maximisation**

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

**Section 17**

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

**Small business Rates Relief**

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

**Unaccompanied Asylum-Seeking Children**

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

APPENDIX F: Social Media Campaigns



6 likes

hillingdoncouncil We are shining a light on the most common types of frauds for #FraudAwarenessWeek2023.

They include illegal subletting of a council home; a bogus Right To Buy application; a dishonest benefit; a business rates or council tax reduction claim; misuse of a Blue Badge; failing to report a change in circumstances or providing false information.

Report fraud in confidence at [www.hillingdon.gov.uk/reportfraud](http://www.hillingdon.gov.uk/reportfraud)

Home > News > 2023 news archive > Housing fraudster evicted and home repossessed following legal battle

Housing fraudster evicted and home repossessed following legal battle

Tuesday 16 May 2023: A three-bedroom council house has been freed-up for a family in need after Hillingdon Council discovered in 2018 a fraudster had been living there illegally for years.

The result follows a long-running legal battle with a Bangladeshi national who entered the UK in 1993 on a stolen identity, using someone else's passport. Uxbridge County Court had been told the resident, who cannot be named for legal reasons, had presented to the council as homeless, along with her four children, back in 2002. She was offered temporary accommodation, then placed on the council's waiting list, where she later made a successful bid for a three-bedroom property in Uxbridge, in August 2003.



In 2018 the council's housing team was made aware the resident was under investigation by the council's counter fraud team for deception and that criminal proceedings were being brought against her and her husband.

In 2019 she was charged with, and later admitted, claiming social security benefits that she wasn't entitled to, totalling more than £234,000 and was later sentenced to three and a half years in prison.

Following her conviction, the council instructed its legal services team to obtain possession of the property, however the tenant refused to give it back and a legal wrangle ensued which lasted four years. She was finally evicted on 10 April this year.

Cllr Martin Goddard, Hillingdon Council's Cabinet Member for Finance, said: 'This is a really quite remarkable story of a resident's two decades of deception and the following four-year legal saga that has fortunately ended with freeing-up a vital home that can go to a family in genuine need from our waiting list.'

'I thank our fraud and legal teams for their unwavering work to get this result, which demonstrates our dogged determination to pursue and take action against those who seek to swindle the council.'

If you know, or suspect someone is living in council accommodation illegally, you can let the council's counter fraud team know anonymously at [www.hillingdon.gov.uk/report-fraud](http://www.hillingdon.gov.uk/report-fraud)



Liked by dat\_leftydrummer and 21 others

hillingdoncouncil Congratulations to our counter fraud team for winning the Grand Prix at last night's @public\_finance\_Awards

The ceremony, held at JW Marriott Grosvenor House Hotel London, celebrated the people, products and services that demonstrate excellence and originality within public finance, with the west London council taking home two trophies: the Outstanding Fraud Prevention, Detection and Recovery award, and the biggest award of the night given to the best in class across all the shortlisted entries, the Grand Prix.

The Grand Prix is the highest industry recognition, with Hillingdon Council's counter fraud team recognised by a panel of distinguished sector leaders for its ingenuity, creative initiatives and success in tackling fraud.

Read more <https://buff.ly/3i2pOgP>

Home > News > 2023 news archive > Fraudster fined after using dead mother's Blue Badge to beat the school run

Fraudster fined after using dead mother's Blue Badge to beat the school run

Monday 10 July, 2023: An Uxbridge mum has been ordered to pay almost £3,000 after fraudulently using a Blue Badge to get a parking space during the school run.

Following an investigation by Hillingdon Council's counter-fraud team, Carly Kent, 43, of Chancel Close, was convicted of misuse of a disabled person's badge during a hearing at Uxbridge Magistrates' Court on 20 June.

The court was told the defendant had indicated her guilty plea by submitting a form in the post.

The counter-fraud team had been deployed to Uxbridge on 14 November 2022, after being alerted to suspected Blue Badge misuse during pick-up times at a local school, by colleagues in the council's parking services team.



The team later discovered Kent using the Blue Badge to park on double-yellow lines, without the badge holder present, the court was told. The counter-fraud team's investigation revealed the badge belonged to Kent's deceased mother, but it wasn't until she was interviewed under caution that Kent admitted displaying the badge.

Cllr Eddie Levery, Hillingdon Council's Cabinet Member for Residents' Services, said: 'We're committed to ensuring vulnerable adults in Hillingdon can live active and independent lives.'

'This is an appalling case. The misuse of Blue Badges is just not acceptable. It prevents our most vulnerable residents and visitors who have genuine needs from parking within easy access to the local businesses and services they rely on.'

'We'll always do everything in our power to clampdown on fraudsters, take action and stamp out this selfish behaviour in our borough.'

Kent was ordered to pay a fine of £440, a victim surcharge of £176 and the council's prosecution costs of £2,342.

If you suspect someone is misusing a Blue Badge, you can report it on 0800 389 8313, or by emailing [fraud@hillington.gov.uk](mailto:fraud@hillington.gov.uk).

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## 2024/25 QUARTER 1 COUNTER FRAUD PROGRESS REPORT

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Alex Brown, Head of Counter Fraud
<b>Papers with report</b>	2024/25 Quarter 1 Counter Fraud Progress Report
<b>Ward</b>	All

### HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2024/25 Quarter 1 and assurance in this respect. It also provides an opportunity for the Head of Counter Fraud to highlight to the Audit Committee any significant Counter Fraud issues that have arisen which they need to be aware of. Further, the report enables the Audit Committee to hold the Head of Counter Fraud to account on delivery of the Counter Fraud Plan and facilitates in holding management to account for managing issues identified during the course of the Counter Fraud Team activity.

### RECOMMENDATIONS:

**That the Audit Committee:**

- 1. Notes the Counter Fraud Progress Report for 2024/25 Quarter 1; and**
- 2. Suggests any comments/ amendments.**

### SUPPORTING INFORMATION

The Counter Fraud Team supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the team underpins the Council's commitment to a zero tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.

### BACKGROUND PAPERS

The Counter Fraud Team holds various background research documents in relation to the Counter Fraud Plan.

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# COUNTER FRAUD

## Report to Audit Committee: 2024/25 Quarter 1

30<sup>th</sup> June 2024



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The Counter Fraud key contacts in connection with this report are:	
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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 the Quarter 1(Q1) period (1<sup>st</sup> April to 30<sup>th</sup> June 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 Q1.
- 1.4 The progress report also highlights to CMT, the Audit Committee and other key stakeholders, the performance of the CFT in meeting its strategic and operational objectives (as set out in the Counter Fraud Strategy 2022 to 2025), which provides an opportunity for the HCF to be held to account in this respect.

## 2. EXECUTIVE SUMMARY

- 2.1 In 2022/23 and 2023/24 the team achieved cumulative savings of c£23.5m. With this in mind, the main focus for 2024/25 is for the CFT to continue and sustain these levels of savings in an economic environment where fraud continues to thrive. In Q1 the CFT has deployed resources into areas of high risk to maximise its opportunities in loss prevention. **In total the CFT have achieved financial savings of c£3.3m in Q1.**
- 2.2 The majority of the CFT's work in Q1 has been undertaken in the area of Housing in particular reactive investigative work due to tenancy fraud. Currently the team are investigating 131 cases of Housing fraud which is consistent with previous quarters. In addition to these ongoing cases a large number of investigations have concluded in Q1, **leading to the team recovering 30 properties at a notional saving of c£2.1m.** The high number of properties recovered in the first quarter not only provides much needed Housing stock to those in need but demonstrates the CFT are on track to deliver a significant amount of property recovery in line with previous years.
- 2.3 During Q1 the CFT has continued its proactive project to **visit emergency accommodation** provided by the Council to residents who have approached as homeless. During visits, **the CFT uncovered 8 clients were not occupying their emergency accommodation, which led to accommodation closures on all 8 cases saving c£153k.** This work is vital to ensure the Council has enough accommodation to support those in need during a time when demand is increasing.
- 2.4 As in previous financial years the team will continue to prioritise its work in identifying Businesses for rates that are unknown to the Council. This work involves in house proactive activity alongside data from our external suppliers. **In Q1 the CFT have identified 3 businesses that were undeclared for rates, billings have now been sent out totalling c£783k.**

- 2.5 As part of the CFT's preventative approach a variety of verification processes are in place across service areas whereby residents can access some form of funding, support or accommodation. These processes are in place to ensure applicants meet the eligibility criteria of each scheme before services are rendered. In Q1 the financial assessment verification process has highlighted numerous applicants that have failed to declare funds or assets which if undetected would have meant the Council's financial contribution towards their care would have been significantly higher. **In total 8 cases were highlighted with savings of c£73k identified.**
- 2.6 During Q1 the CFT have been working closely with Internal Audit team to align the fraud risk register with the new corporate approach to risk management. All fraud risks have been reviewed by the team and entered onto the new risk management software JCAD. In total 99 separate fraud risks have been entered. In Q2 the CFT will work closely with services to embed fraud risk management into operational activity.
- 2.7 The CFT uses methodology outlined in the CF strategy to calculate financial savings. These calculations give an accurate but prudent savings figure to demonstrate the financial impact fraud is having on the Council. At the last Audit Committee, the HCF reported a savings target for 2024/25 had been agreed of c£6.6m. Following further up to date figures being received from services that relate to CF financial calculations, the target has been reviewed as some areas of Housing have seen an increase in costs. **This has led to the CFT having an updated target of £8m for 2024/25.**

### 3. COUNTER FRAUD ACTIVITY IN QUARTER 1

#### 3.1 Housing Fraud

- 3.1.1 The CFT has had an impressive start to the new financial year, continuing to combat fraud risks within Housing. **This dedicated effort has led to the highest number of properties recovered in a quarter, with the CFT returning 30 properties to Housing** with a notional saving of c£2.1m. Q1 has seen a large part of the CFT's resources deployed in Housing with the team working across multiple fraud risks and continuing with investigations of cases consisting of non-occupation, sub-let, wrongful succession and deceased.
- 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. This quarter **the CFT has achieved an exceptional 67% of tenancy fraud referrals resulting in property recovery.** As per **Table 1** below, the case type of property recovery shows that non-occupation is still the highest area of tenancy fraud risk.

**Table 1 ~ Housing Tenancy Fraud Cases**

Case Type	Q1*	£k/value**
Abandonment	0	£0
Deceased	10	£700k
NFI Fraud Hub	9	£630k
Non-Occupation	9	£630k
Other	0	£0
Sub-Let	0	£0
Wrongful Succession	2	£140k
<b>Total Properties Recovered</b>	<b>30</b>	<b>£2,100k</b>

\* As at end of Q1 (30<sup>th</sup> June 2024).

\*\* Tenancy Fraud Forum valuation.

- 3.1.3 Tenancy fraud is still the highest fraud risk faced by the Council, with the CFT currently investigating **131 cases relating to tenancy fraud.** The team have been granted 17 possession orders following legal proceedings, which are awaiting enforcement action, and a further **17 criminal and civil cases are currently with our legal team.**

- 3.1.4 In Q1 the team have also continued with proactively identifying cases of unknown deceased tenants with the assistance of the **NFI Fraud Hub**. The details of this work can be found in subsection 3.6 of this report. This work, though not classed as fraud, has continued to contribute to the number of properties recovered.
- 3.1.5 The ongoing pressures in the current economic climate continue to cause an increase in demand for housing and the need for **Bed and Breakfast (B&B) emergency accommodation**. Therefore, for 2024/25, the CFT will continue its rolling proactive project conducting residency checks to all emergency accommodation placements, to highlight any instances of non-occupation or subletting. In Q1 the CFT has **closed 8 emergency accommodation units due to non-occupation, resulting in savings of c£153k**. A further **10 cases have been opened** highlighting concerns of suspected non-occupation.
- 3.1.6 The CFT carries out verification checks on all Right to Buy (RTB) applications submitted to the Council, to provide assurance that those who apply are eligible for the significant discount and that the funds used for the purchase abide by money laundering regulations. In Q1 the CFT have **10 cases under investigation for suspicion of sub-letting and non-occupation**, with 2 cases referred to our Legal department to instigate criminal proceedings based on fraud offences. The CFT has also closed one RTB application at verification stage due to the failure to provide financial information.
- 3.1.7 In Q1 the CFT completed **281** verification checks on applicants who have registered for social housing. Outlined in **Table 2** below, the team successfully **closed 4 housing register applications** due to reasons including non-occupation, or they have been found to already be adequately housed. Without the CFT's enhanced verification checks, these applicants may have been successful in obtaining a council property that they were not entitled to.

**Table 2 ~ Housing Tenancy Verification Cases**

Housing Tenancy Verification Cases	Q1
Total number of cases reviewed	281
% Identified by CFT for rejection	25%
Total number of applications closed	4

*\* As at end of Q1 (30th June 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. In Q1 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 Q1, as detailed in **Table 3** below, the CFT has **conducted 1,807 inspections, with 1,802 (99%) visited within the 10-day KPI target**.

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

Revenues Inspections	Q1*
Total number of inspections completed	1,807
Percentage within 10 day target	99%

*\*As at end of Q1 (30th June 2024).*

- 3.2.2 During Q1 the CFT has identified a further **23 previously unlisted properties** made up of 'Beds in Sheds'. As a result, an additional **c£31k of loss prevention savings** has been identified following the issue of revised Council Tax bills to the liable parties. Throughout the financial year the CFT will continue to work with other Council departments to identify beds in sheds and take appropriate action.
- 3.2.3 During Q1 the CFT have continued the programme of internal Revenues Maximisation and carried out a day of action focusing resources on a high-risk area of the borough to identify unlisted buildings and changes to the use of land. This has **identified two previously unlisted business premises**. These properties are being submitted to the VOA for a decision and will be reported later in the year.
- 3.2.4 In addition to the internal work being carried out, the CFT requested and received Cabinet Member approval to continue its work with suppliers to maximise revenue. A contract is now in place for external Revenues Maximisation work to continue with **additional billing in Q1 issued to businesses to the value of c£780k**.

### 3.3 Social Care

- 3.3.1 With preventive controls and reactive processes in place across fraud risks within Social Care, Q1 marks a successful quarter for the team with **c£79k in loss prevention savings identified**. These positive outcomes have predominantly stemmed from the verification process in Financial Assessments, with other savings identified in the Homes for Ukraine support scheme.
- 3.3.2 In line with the CFT's risk-based loss prevention work within Financial Assessments has continued throughout Q1, with the team conducting **163 financial assessment verifications, 14 of which are undergoing further checks**. The verification process is designed to identify anomalies, such as hidden capital or assets prior to financial support being administered and to provide assurance that only eligible applicants are provided support.
- 3.3.3 Due to the sizeable financial cost to the Council in providing financial assistance in meeting service users care costs, the CFT is strategically placed to utilise the teams' analytical capabilities to identify fraud, loss and error within the financial assessment verification process. During the course of Q1 the team concluded **8 cases where service users had failed to supply full details of their savings and capital as part of their financial assessment leading to savings of c£73k**.
- 3.3.4 Following referrals from the service area savings of **£1.7k were identified in two cases in the Homes for Ukraine scheme** where it was identified that hosts had continued to claim support grants after their Ukrainian guests had left their households, these overpayments are now being recovered by the council.
- 3.3.5 Section 17 of the Children's Act 1989 places a duty on the Council to safeguard and promote the welfare of children in need. Section 17 support offers a range of services that includes providing accommodation and/or financial assistance to eligible applicants. The CFT undertake verification checks for all Section 17 applicants who approach Social Care. **Table 4** over the page, illustrates the outcomes derived from the preventive measures in place that ensure services provided are only accessed by those who meet the eligibility criteria.



**Table 4 ~ Section 17 Verification Cases 2024/25**

Section 17 Cases	Q1
Total number of cases reviewed	3
Total number verified as accurate	1
Total number of cases closed	2
Total number of cases under further checks	1
<b>Loss Prevention Savings</b>	0

\* As at end of Q1 (30th June 2024).

### 3.4 Blue Badge

3.4.1 Q1 saw the CFT ramp up efforts to combat Blue Badge misuse across the borough with the team conducting **2 proactive Blue Badge operations in addition to taking part in this year's National Blue Badge Day of action**. With over 142 Councils taking part, the CFT played a significant role in reinforcing the Council's zero tolerance approach to holding those to account who are looking to abuse the Blue Badge scheme on both a local and national scale. Over the course of all 3 operations, CF officers **inspected 129 badges, seized 6 expired badges and removed 12 badges from circulation due to suspected misuse**. A further 3 cases are under investigation.

3.4.2 The team's commitment to ensuring that Blue Badge holders can continue to access the parking facilities on offer across the borough was further demonstrated in Q1 with the successful **prosecution of 6 Blue Badge cases**. These positive deterrents make **Q1 the teams most successful quarter for Blue Badge prosecutions to date**. All 6 cases were a direct result of the teams Blue Badge projects held during November's International Fraud Awareness week in 2023. The evidence of these criminal cases was heard at Ealing Magistrates Court in June with **a total of £1,800 in prosecution costs awarded to the Council and over c£700 in fines issued to offenders**. A further 4 cases are due to be heard in court, with outcomes expected to be reported in Q2.

### 3.5 Onsite Immigration Official

3.5.1 Q1 marked the teams **most successful quarter ever** in the area of immigration with **c£108,000 in loss prevention savings identified**. These savings can be contributed to the team's proactive approach within in Social Care by highlighting a change in **8 service users immigration status** and the collaborative steps taken by CFT and the Childrens Resources Finance Team to support each service user to access public funds. These changes in immigration status relieves the Council from financially supporting each service user and encourages independence.

### 3.6 London Counter Fraud Hub

3.6.1 The CFT is recognised as a leading member of the London Counter Fraud Hub. The hub is designed to bring London Boroughs together, sharing data to identify fraud, loss or error. This innovative approach will also use the power of data to uncover cross borough frauds.

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

3.6.3 During Q1 the results from a London Counter Fraud Hub pilot matching exercise have been received examining polygamous working where employees are working at multiple authorities at the same time. Results from this pilot are being reviewed with results expected in Q2.

### 3.7 National Fraud Initiative

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

3.7.2 Data for the 2024/25 National Fraud Initiative exercise is due to be extracted at the end of Q2 and subsequent referrals received in Q4.

3.7.3 Ongoing investigations generated from the previous NFI exercise have led to **one council property** being recovered during Q1 where the tenant was found to own and be residing in property outside the borough.

3.7.4 In addition to the main NFI exercise there is an annual data match investigating instances of Single Person Discount (SPD) fraud and the data was received for this during Q1. The CFT have allocated significant resource to reviewing and investigating these matches, which has generated savings of **£19,823.02 in additional billing** during Q1 with further results from this match expected throughout the year.

### 3.8 Other Counter Fraud Activities

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

3.8.2 In addition to the fraud awareness training provided to staff the CFT also provided a **fraud awareness session for residents** at Oak Farm Library providing information about the Council's counter fraud response and general fraud prevention advice.

3.8.3 The CFT has experienced increased national recognition following the success of the CFT winning the Grand Prix award at the Public Finance awards and have been approached by several other local authority fraud teams for best practice advice.

## 4. COUNTER FRAUD PERFORMANCE IN Q1

4.1 Attached at **Appendix A** is **Table 5** which sets out the Q1 performance by the CFT against the nine KPIs. Also attached at **Appendix B** is **Table 6** which provides an overview of the financial performance of the team in Q1 within each of the main areas of counter fraud activity. The CFT's financial performance should be considered against a target of £8m for 2024/25.

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

## 5. FORWARD LOOK

- 5.1 In Q2 the CFT will support service areas in embedding fraud risk management into their operational activity. The support will include the CFT and IA running risk workshops with directorates and talking through key risk management principles.
- 5.2 With a significant amount of Housing cases ongoing the majority of resources in Q2 will be deployed into investigations and bringing these cases to a conclusion. This work is a priority to support Housing with the return of much needed accommodation. The HCF expects further success in property recovery during Q2.
- 5.3 The HCF has now put together a dashboard which demonstrates all Fraud activity and KPI data of the CFT in a statistical format. This is very much in draft and requires further support from the Council's Business Intelligence team. Once agreed the HCF will move to dashboard reporting to CMT and the Audit Committee reducing the volume of narrative in papers and instead illustrate performance, outcomes and key data in user friendly way.
- 5.4 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  
30<sup>th</sup> June 2024

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

CFT KPIs	Target	Q1*	24/25*	23/24
1. Percentage of fraud referrals risk assessed within 3 working days	95%	100%	100%	99%
2. Verification work timescales for completion:				
a. Housing Allocations completion within the target date set by Housing	95%	100%	100%	99%
b. Right to Buy case completion within 28 working days	95%	100%	100%	100%
c. Financial Assessments completion within 7 working days	95%	100%	100%	100%
d. Section 17 reviews completion within 7 working days	95%	100%	100%	100%
3. Investigation plan completion within 5 working days of case allocation	95%	100%	100%	98%
4. Tenancy fraud referrals received resulting in property recovery	30%	67%	67%	46%
5. Investigations resulting in loss prevention/financial saving outcome	40%	51%	51%	48%
6. Revenue inspections completed within 10 working days of referral date	95%	99%	99%	99%

\* As at end of Q1 (30<sup>th</sup> June 2024).

**APPENDIX B: Table 6 - CFT Quarter 1 2024/25 Financial Performance**

Work Area	Description	Quarter 1*	Quarter 2	Quarter 3	Quarter 4	2024/25*
<b>Housing</b>	Right to Buy discounts	£0	£0	£0	£0	£0
	Property Recovery (notional savings)	£2,100,000	£0	£0	£0	£2,100,000
	Other savings/loss prevention	£172,171	£0	£0	£0	£172,171
<b>Social Care</b>	Section 17 and UASC**	£0	£0	£0	£0	£0
	Financial Assessments	£72,585	£0	£0	£0	£72,585
	SGO	£0	£0	£0	£0	£0
	Direct Payments	£0	£0	£0	£0	£0
	Other	£7,290	£0	£0	£0	£7,290
<b>Revenues</b>	Single Person Discount	£22,527	£0	£0	£0	£22,527
	Council Tax Reduction & arrears	£4,551	£0	£0	£0	£4,551
	Unlisted Buildings	£31,758	£0	£0	£0	£31,758
	Housing Benefit Overpayments	£12,750	£0	£0	£0	£12,750
	NNDR	£784,844	£0	£0	£0	£784,844
<b>Blue Badge</b>	Simple Caution & Financial Penalty	£2,512	£0	£0	£0	£2,512
<b>Immigration Officer</b>	Housing Homelessness Applications**	£0	£0	£0	£0	£0
	Social Care Savings	£108,480	£0	£0	£0	£108,480
<b>Totals</b>	Loss Prevention Savings	£360,196	£0	£0	£0	£360,196
	Notional Savings	£2,779,867	£0	£0	£0	£2,779,867
	Cashable Savings	£176,892	£0	£0	£0	£176,892
	Costs awarded and penalties	£2,512	£0	£0	£0	£2,512
	<b>Total</b>	<b>£3,319,467</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

\* As at end of Q1 (30<sup>th</sup> June 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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## WORK PROGRAMME 2024/25

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Ryan Dell, Democratic Services
<b>Papers with report</b>	None
<b>Ward</b>	All

### HEADLINES

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

### RECOMMENDATIONS

**That the Audit Committee:**

1. **Notes the dates for Audit Committee meetings; and**
2. **Makes suggestions for future agenda items, working practices and/ or reviews.**

### SUPPORTING INFORMATION

The meeting on 18 November 2024 will start at 17:10.

<b>Meetings</b>	<b>Room</b>
18 November 2024	CR5
11 February 2025	CR6
14 May 2025	CR5

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Multi year work programme	2024-25			
	2024		2025	
	August	November	February	May
	28	18	11	14
Member training (16:00 - 17:00)	16:30 start Corporate Governance	Risk Management	Internal Audit	Anti-Fraud and Anti-Corruption
Pre-meet (17:00 - 17:10)		Head of Internal Audit	Corp. Dir. of Finance	Head of Counter Fraud
Appointment of Chair	Appt of Chair of the current meeting	X		
Appointment of Vice-Chair		X		
Interviews for Independent Chair of the Audit Committee	X			
External Audit item	External Audit update	X	X	X
Audit Committee Annual Report	X			
Risk Management Annual Report 2023/24				
Internal Audit Annual Report 2024/25				X
Internal Audit Progress Report	24/25 Q1	24/25 Q2	24/25 Q3	
Internal Audit Charter			X	
Internal Audit Plan			X	
Risk Management Report	24/25 Q1	24/25 Q2	24/25 Q3	24/25 Q4
Strategic Risk Report	24/25 Q1	24/25 Q2	24/25 Q3	24/25 Q4
Counter Fraud Annual Report 2023/24	X			
Counter Fraud Progress Report	24/25 Q1	24/25 Q2	24/25 Q3	24/25 Q4
Counter Fraud Operational Plan 2025/26			X	
Work Programme	X	X	X	X

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