

Minutes

AUDIT COMMITTEE

20 November 2024

Meeting held at Committee Room 5 - Civic Centre



	<p>Committee Members Present: Mr John Chesshire Councillors Nick Denys, Tony Burles, Henry Higgins, and Philip Corthorne</p> <p>Officers Present: Richard Ennis – Corporate Director of Finance, Andrew Macleod– Chief Accountant Claire Baker – Head of Internal Audit and Risk Assurance, Alex Brown – Head of Counter Fraud, and Ryan Dell – Democratic Services Officer</p> <p>Also Present: Stephen Reid, Ernst & Young Mark Rutter, Ernst & Young (virtual)</p>
114.	<p>ELECTION OF CHAIR (<i>Agenda Item 1</i>)</p> <p>The Democratic Services Officer opened the meeting by asking if there were any nominations for Chair of the Committee.</p> <p>Members nominated, seconded and appointed John Chesshire as Chair.</p> <p>RESOLVED: That the Audit Committee appointed John Chesshire as Chair of the Committee</p>
115.	<p>ELECTION OF VICE-CHAIR (<i>Agenda Item 2</i>)</p> <p>The Chair asked if there were any nominations for Vice-Chair of the Committee.</p> <p>Members nominated, seconded and appointed Councillor Nick Denys as Vice-Chair.</p> <p>RESOLVED: That the Audit Committee appointed Councillor Nick Denys as Vice-Chair of the Committee</p>
116.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 3</i>)</p> <p>Apologies were received from Councillor June Nelson.</p>
117.	<p>DECLARATIONS OF INTEREST (<i>Agenda Item 4</i>)</p> <p>None.</p>

118.	TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 5</i>)
119.	MINUTES OF THE MEETING HELD ON 28 AUGUST 2024 (<i>Agenda Item 6</i>) RESOLVED: That the minutes of the previous meeting be agreed as a correct record.
120.	EXTERNAL AUDIT UPDATE TO FOLLOW (<i>Agenda Item 7</i>) Officers introduced the external audit item, noting that Members were asked to approve the 2022/23 Statement of Accounts, the Audit Completion Report, and the Hillingdon Pension Fund Final Audit Results for 2022/23. EY had provided an Audit Completion report in respect of the 2022/23 accounts and explained that the 2022/23 financial statements consisted of the Council and Pension Fund accounts. The intention was to issue a disclaimer of opinion on these financial statements. Importantly, following approval of the financial statements by the Committee for 2022/23, EY would move to issue the opinion, likely to be next week. EY were waiting on the National Audit Office to conclude the whole government accounts, which was understood to happen this Friday. The Ministry of Housing, Communities and Local Government had announced that the statutory backstop date for publishing the 2022/23 Statement of Accounts was 13 December 2024. There were two amendments to the form of opinion, one was in relation to the new Code of Audit Practise that was recently issued by the National Audit Office, and the other amendment referenced a misstatement in relation to the disposal of schools. There were two schools which had been converted into academies in 2021/22 and should have been derecognised at that point. They were not and so they were incorrectly contained within the 2022/23 financial statements. Management would adjust them as part of the 2023/24 financial statements. There was a backstop date for the 2023/24 accounts of 28 February 2025. The 2023/24 Statement of Accounts was published towards the end of June and the audit was ongoing and expected to be completed by the backstop date. The intention was to bring an audit results report to the next Committee meeting in February 2025. This would allow Members to consider the 2023/24 accounts and approve those financial statements in advance of the backstop date. Following approval of those accounts, EY would issue their opinion which would again be a disclaimed opinion because the opening balances would be disclaimed. To provide assurance over the closing balances within the 2023/24 financial statements, EY noted that they planned to bring an audit plan for 2024/25 to a subsequent Committee meeting. This would also contain details for the schedule for building back assurance over the next few years to build towards a clean audit opinion. Members asked if there were any particular areas of disagreement between the Council and EY, and EY noted that there were no disagreements that they needed to bring to the Committee's attention. It was noted that the authority had experienced some challenges with changes in key officers. Members asked about any consequences of receiving a disclaimer of opinion. EY noted that there would be approximately 450 disclaimers across local government as part of the reset process. Hillingdon would not be alone in this. The Ministry of Housing, Communities and Local Government, the Financial Reporting Council and the National

Audit Office had worked together on this process. EY reiterated that where an authority was subject to a disclaimer as part of the reset, it was not anticipated to reflect badly on the authority.

Members asked what the PWLB was. Officers advised that this was the Public Works Loans Board. This was where the Council obtained most of its borrowing to fund the capital programme.

Members asked about the decarbonisation scheme grant amount received. Officers confirmed this was £13.75 million.

Members inquired about the school expansion programme and officers noted that this related to projects to increase SEND places.

Members asked about how the increase in value of property, plant and equipment was arrived at. Officers noted that the figures were largely driven by valuations. EY clarified this may be a question around different financial years. For the 2022/23 financial statements, audit work on valuations had not taken place so there was no audit query on the valuations at the date presented in the financial statements. Members clarified that their question concerned the increase in value. Officers suggested that they could provide additional information on this to show where the increase had come from if required. A lot of technical work went into valuations and it was not an exact science.

Members noted that a process had been followed, and that although ideally the Council would not be in this position, Members were minded to approve the accounts.

The Committee approved the 2022/23 Statement of Accounts. The next meeting would focus on the 2023/24 audit results.

Members inquired about the relationship between the audit process and the new government department overseeing local government performance. EY explained that the performance division was somewhat separate but may use audit results for risk assessment purposes.

RESOLVED: That the Audit Committee:

- 1. Agreed the 2022/23 Statement of Accounts and Audit Completion Report, and the Hillingdon Pension Fund Final Audit Results Report 2022/23; and**
- 2. Noted progress with the external audit of the 2023/24 Statement of Accounts**

121. **AUDIT COMMITTEE ANNUAL REPORT** (*Agenda Item 8*)

Officers introduced the Audit Committee Annual Report for 2023/24.

This report had been brought to the previous meeting, and Members requested that it be brought back to the current meeting so seek the Chair's comments, given that he was absent from the previous meeting.

Officers noted that this report summarised the work of the Audit Committee for 2023/24.

RESOLVED: That the Audit Committee reviewed and approved the Draft Audit Committee Annual Report for 2023/24

122. **INTERNAL AUDIT PROGRESS REPORT 24-25 Q2** (*Agenda Item 9*)

Officers introduced the Internal Audit progress report for Q2.

Six reviews had been completed to the final report stage since the previous meeting. Five additional reports were currently out in draft.

Of the six completed reviews, two were advisory, three had limited assurance, and one had no assurance.

The advisory reviews included:

- The first stage of A two-stage audit with findings to be included in the second stage
- A review of a recently changed area within the Council's structure to identify areas of improvement.

The limited assurance reviews included:

- A thematic schools audit which focused on the use of SEND funding in schools. There was insufficient evidence to fully verify that funding had been spent in line with national guidance.
- Section 202 and 204 Appeals which examined the appeals process for housing eligibility decisions. Findings related to timeliness of appeals, documentation, and feedback processes.
- Overtime, expenses, and mileage – this was a joint review with Counter Fraud, identifying control weaknesses in policies, approval processes, and evidence for claims.

The No assurance review related to asset management. This review was requested by the Director as it was a known area of improvement, highlighting insufficient governance controls, policies and no centralised asset management system. This meant that different services had different records of what assets the Council held, in particular where things were purchased or disposed of.

Officers noted that several changes had been made to the audit plan due to ongoing transformations and external reviews. Some audits were postponed to 2025/26, and others were removed to avoid duplication. The plan remained flexible, with meetings scheduled in December to refresh the plan and address emerging risks. Officers highlighted that there had been a planned review of post-Oracle implementation. This has been removed as there was an external review happening instead.

Officers were due to have meetings with CMT in December to start planning for next year and to look at remaining audits for this year to pick up any emerging risks.

Members inquired about the insufficient evidence in the thematic schools audit. Officers noted that within their report they included recommendations and outlines for what schools should include and record. This included information going to the Schools' Forum; making sure that provision maps were clearly specifying exactly what they were claiming, and that this was in line with the national guidance; and making sure that the schools were retaining evidence.

Members asked about the decision-making process for what was included in the audit plan. Officers noted that it was up to the Head of Internal Audit to decide what was included in the plan. This took into consideration the risk register; any external information; engagement with other teams; discussion with CMT; any new legislation; and referrals from the Audit Committee.

Members asked about the tools available for smaller-scale investigations. Officers noted that it was flexible as to whether to do a high level or smaller scale audit.

Members asked about uninspected B&Bs and the status of inspections. Officers noted that this was a known area, and it was unsurprising for it to be no assurance. This involved looking at procurement of B&Bs and looking at their documentation such as safety certificates. A lot of the issue was around documentation being stored and record keeping such as those relating to temporary accommodation placements.

Members discussed the challenges of planning audit work amidst ongoing changes and suggested breaking the annual plan into halves for better flexibility. Officers noted that while the plan was annual, the tracker was continuous. A lot of things were planned up until Q3 of next year's plan.

Members noted some difficulty in keeping track of what had been agreed at the start of the year, noting that in April there were 43 pieces of audit work noted, and currently there were 34, suggesting that there was an apparent decrease in the amount of work in the plan. Officers advised that a lot of things had been moved into next year because of some of the transformational change. Although there was a smaller number of audits, lots of these went into a lot more detail because of the changes and transformation, and so things were taking longer. No assurance reports took longer than substantial assurance reports.

Members asked if there were any areas of concern. Officers noted that there were none.

The Chair noted that the KPIs were looking good.

Members asked about staffing, and if there were any vacancies or any issues. Officers noted that there were no vacancies, but there was one person currently on sick leave.

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

123. **RISK MANAGEMENT & STRATEGIC RISK REPORT 24-25 Q2** (*Agenda Item 10*)

Officers introduced the Risk Management & Strategic Risk reports for Q2.

The number of new risks added to the system had slowed, which was expected after the initial push in Q1. Despite the slowdown, progress had been made and the number of unscored risks had reduced from 116 to 90. Unscored risks were initially added without scores to compel relevant services areas to assess and score them. Having 90 unscored risks at the end of Q2 was not ideal.

Since the end of Q2, there had been a change in the structure of different teams in various directorates, which had been updated in the new risk management system. This would lead to change at Q3 as services with more risks have moved to different

directorates. There are 11 new risks on the register related to statutory service provision, primarily due to one service reviewing its risk register and adding new risks. One new red risk related to lone working devices had been identified, with an action plan in place to address it. There were 46 risks overdue for review, and 138 risks without actions which represented 61% of all risks on the register that did not have an action.

In relation to the Corporate Risk Register (red rates risks), there were two new risks added and four removed. Additional information was included under Section 3 of the report.

The Strategic Risk Register was also attached to the report, and there were no significant changes.

Also attached to the report was the draft Risk Management Policy, which was due to go to Cabinet in January for approval.

Members asked if Directors could update the Committee as to why there were a high level of unscored risks/ risks without actions. Officers noted that they could ask directors to explain in writing, which may help in prompting the update of risk registers. Officers highlighted the ongoing changes and transformation within the organisation and asked if this had had an impact on the updating of risk registers, such as with staff changes and other priorities taking precedence. Officers acknowledged that changes and transformations had taken priority but emphasised the importance of updating risk registers. Officers further highlighted the importance of embedding risk management into the organisation, and that the organisation was currently on a journey towards this. Officers further noted that the risk appetite should be set by Cabinet, not the management team. Members asked about a proposed timeframe for asking Directors to update the Committee. Officers noted that they usually took an extract of data at the end of Q3, which was the end of December, though it was already part way through the current quarter. It was suggested that officers pull an extract at the end of December, which would leave time to receive an update before the next Audit Committee meeting in February. The Chair further emphasised the need for effective risk management, especially during times of transformation. It was agreed that February would be a reasonable deadline, but flexibility was suggested to accommodate the organisation's ongoing development and governance improvements.

Members asked for clarity on the 90 unscored risks, and officers advised that these risks needed to be assessed for their likelihood and impact. For example, a risk that had a very large impact (over £5 million) and was very likely to happen would be scored as A1. If there were strong controls and the risk was very unlikely to happen, it may be scored F4. Because these risks were unscored, the likelihood and potential impact were unknown. Any 'red' risks went monthly to CMT, and 'green' risks were more service level.

The Chair noted that the system was looking much better than what was in place before and the presentation of information was much clearer and more useful for Members. The Chair also acknowledged that the authority was on a journey of change.

The Chair acknowledged that there was a difference between housekeeping and managing risk and while housekeeping could be delayed in the interest of managing risk, this could not go on forever. There was a need to build this into the routine of the way in which things were done. The Chair emphasised a strong message from the

Committee that transformation and difficult change demonstrated the need for effective risk management. The Chair reiterated that whilst they tolerated some things not being as up to date as they should be at times, this could not last.

The Chair noted some concern the risks not reviewed and actions not taken and stressed the importance of making risk management a routine part of governance. There was work to be done here, good risk management was needed when times were difficult.

It was proposed to invite the Chief Operating Officer and Director of Transformation to the next meeting to provide an update on risks around transformation, and around digital transformation, and how these risks were being managed. Members agreed to request updates at the next meeting in February, emphasising the importance of risk management.

The Chair noted that he was happy with the draft Risk Management Policy.

The Chair referred to the use of external contractors and suggested a preference for more emphasis on the use of internal resources rather than external.

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

124. **COUNTER FRAUD PROGRESS REPORT 24-25 Q2** (*Agenda Item 11*)

Officers introduced the Counter Fraud progress report for Q2.

The team had achieved £2.9 million in savings in Q2 across housing, social care, and revenues, bringing the year-to-date total to £6.2 million.

In housing, 32 properties were recovered due to tenancy fraud, bringing the total to 62 for the year. Additionally, 14 emergency accommodation units were closed due to non-occupation.

In social care, financial assessments had identified 8 cases of undisclosed assets, resulting in loss prevention savings of £205,000.

This week was International Fraud Awareness Week, and various initiatives had been launched to promote awareness among residents and internally. Activities included press releases, social media posts, internal communications, and a fraud awareness program with adult social care to discuss social care fraud risks.

Future plans included sustaining current performance levels and starting the planning process for the next year.

Members praised the team's efforts and asked about potential areas for future savings. Officers explained the ongoing collaboration and the focus on fraud awareness and proactive fraud detection in adult social care. Officers noted the close collaboration between teams, emphasising the importance of a joined-up approach to risk management and fraud detection. The team was focusing on potential fraud and financial risks in adult social care, with a consultancy piece currently underway to assess fraud risks across commissioned care and direct payments.

Members commended the team for their work on the blue badge amnesty and asked about the enforcement process. Officers clarified that the enforcement process involved both the internal Parking Enforcement team and the Counter Fraud team.

Members asked about the recruitment of a new Counter Fraud Lead Investigator, and about the team's resources. Officers confirmed that the lead post had been recently approved and would focus on tenancy fraud recovery. On resourcing, officers noted that they were in a good position.

Members asked about small business rate relief and the inspection process for discounts and exemptions. Officers explained that inspectors performed necessary visits for any discounts, exemptions, or reliefs.

The Committee acknowledged the progress made and the importance of sustaining performance levels, and the Chair acknowledged the excellent work of the team.

RESOLVED: That the Audit Committee:

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

125. **WORK PROGRAMME** (*Agenda Item 12*)

Officers highlighted the planned upcoming training session, with the dates to be confirmed.

On recruitment of a new independent Chair, officers noted that the shortlisting process had narrowed down to three final candidates to be interviewed. A date to hold the interviews was to be confirmed. Members requested relevant information in advance and requested the current Chair's input. Members further suggested a pre-meet with the current Chair to help shape the process. The Chair noted that they would be happy to take part. Furthermore, highlighting that the next Committee meeting was in February, Members noted that they would not want to rush the recruitment process.

Officers suggested replacing the Q4 Counter Fraud report in May by bringing the Counter Fraud Annual Report in May instead of August. This meant that the Committee would receive the Annual Report at the end of the Quarter rather than waiting until August. This was approved by Members.

Members and officers thanked the Chair, on behalf of the Council, for his seven years of service to Hillingdon.

RESOLVED: That the Audit Committee:

- 1. Noted the dates for Audit Committee meetings;**
- 2. Agreed to replacing the Q4 Counter Fraud update with an earlier Annual Report; and**
- 3. Would invite the Chief Operating Officer and Director of Transformation to the next meeting to provide an update on risks around transformation, and around digital transformation, and how these risks were being managed.**

	The meeting, which commenced at Time Not Specified, closed at Time Not Specified.

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