

Minutes

AUDIT COMMITTEE

28 August 2025

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



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| | <p>Committee Members Present: John Chesshire (Chair) Councillor Nick Denys (Vice-Chair), Councillor Henry Higgins, Councillor Douglas Mills, Councillor Tony Burles, and Councillor June Nelson</p> <p>Officers Present: Claire Baker – Head of Internal Audit and Risk Assurance, Alex Brown – Head of Counter Fraud Andy Goodwin – Chief Finance Officer Andrew Macleod – Chief Accountant Pete Carpenter – Director – Pensions, Treasury & Statutory Accounts (virtual) Tony Zaman – Chief Executive Officer Lloyd White – Head of Democratic Services Matthew Wallbridge – Chief Operating Officer Daniel Toohey – Head of Legal Services Ryan Dell – Democratic Services Officer</p> <p>Also Present: Mark Rutter, Ernst & Young (virtual)</p> |
| 158. | <p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>None.</p> |
| 159. | <p>DECLARATIONS OF INTEREST (<i>Agenda Item 2</i>)</p> <p>None.</p> |
| 160. | <p>TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 3</i>)</p> |
| 161. | <p>MINUTES OF THE MEETING HELD ON 24 JULY 2025 (<i>Agenda Item 4</i>)</p> <p>RESOLVED: That the minutes of the previous meeting be agreed as a correct record</p> |
| 162. | <p>UPDATE ON THE GRIP (<i>Agenda Item 5</i>)</p> <p>Officers introduced the update on the GRIP.</p> |

Governance of the Housing Revenue Account and capital had been strengthened, with senior officer meetings feeding into CMT to provide more robust oversight.

A draft Annual Performance Report was scheduled to go to Cabinet before being presented to Select Committees.

Lawyers in Local Government (LLG) had been appointed and had started to review workstream 3.

On the Finance Modernisation Programme, officers had been working with Grant Thornton on the 2024/25 Statement of Accounts. Significant due diligence was underway to ensure accuracy and robustness. Monthly budget and savings monitoring was ongoing and would be presented to Cabinet.

The budget setting process for 2026/27 was underway and included Star Chamber sessions, challenging the current savings, and looking at savings over the next three years.

On Oracle, a monthly cycle of ERP improvements was ongoing, including integrating capital monitoring into budget monitoring within Oracle. An overarching review programme was also in place to prioritise improvements throughout the financial year.

Members asked about previous inaccurate figures. Officers noted that a review of the balance sheet had identified an historical asset transfer from the General Fund to the HRA where the calculation of how debt provision had been calculated in the balance sheet and accounts did not match the asset transfer, which required updating. Also, there had been an overdrawn reserve in the 2023/24 accounts that could not be carried forward, which was written out in 2024/25.

Officers had also set a more prudent bad-debt provision policy, and a Council-wide debt project was underway to consolidate the debt position.

Officers further advised that the outturn position had moved by approximately £20 million from month 10 to outturn. £14 million of this was related to one-off accounting adjustments.

Members asked if there should have been a warning about unreliability of records when the budget was set in February 2025. Officers noted that the calculations and asset transfers between the General Fund and HRA were very technical and were part of the minimum revenue provision. This asset transfer occurred in 2013/14 which was before EY were the external auditors. It was also noted that the accounts were grouped into categories and individual categories were not overdrawn. A review of the General Ledger would be required to identify these things.

Members asked about monthly budget monitoring and the systems used for this. Officers clarified that monthly budget monitoring was ongoing and had migrated to a new system that had gone live in May 2024. During bedding-in, Excel had been used for Months 2 and 4 of 2024/25, with Oracle EPM used from Month 5. While there had been teething issues with the new system, opening balances from the legacy system had now been reconciled and confirmed with the new system. A programme of training for budget managers and finance staff was underway, with workshops engaging services to ensure the Oracle improvements met both finance and operational needs.

Members asked when the Oracle improvements would be completed, and if other systems had been considered. Officers advised that Oracle had quarterly enhancements. The Council had a funded, month-on-month improvement plan through 2025/26. Oracle remained the market leader in local government. The ERP side was functioning, while EPM needed further improvement. Focus was on training and processes, not replacing the system. It was confirmed that the old system was no longer being used.

Members asked if officers were confident that their plans were sufficient to address the recommendations made by external and internal audit. Officers stated confidence had increased since the last meeting, citing a coherent plan that spanned the rest of the financial year, weekly governance meetings, and specific work such as integrating capital monitoring into Oracle.

On organisational engagement, officers acknowledged the need to accelerate training and update budget manuals, using a blend of external and internal expertise including finance business partners and heads of finance to implement changes effectively across services.

Members asked if there was enough capacity to conduct and receive training. Officers referred to the partnership with Grant Thornton and their expertise. This had also given additional capacity. Improvements to Oracle had been identified early, with corporate management oversight and regular updates to senior management.

Members asked about Star Chambers, and officers advised that three Star Chamber sessions had been scheduled up to December Cabinet, with focus including Adult Social Care, Children's Social Care and Homelessness. These sessions would allow greater confidence in the consultation budget; give more robustness; and allow broad thinking into how the organisation was run. It also allowed consideration of future years as well as the current year. For example, there was a procurement review underway which would enable officers to look at operating models and sourcing models for different services. It was noted that the outcome of the Fair Funding Review was expected by 30 November.

Members asked about involving the Select Committees in this process. Officers noted that budget monitoring reports that go to Cabinet will be scheduled for every Select Committee meeting for scrutiny. The Annual Performance Report will also go to Cabinet and then to Select Committees as part of a more transparent governance approach.

The first phase of the FMP was originally due to conclude in October 2025, but officers indicated elements were likely to extend, with a fuller plan to be brought to the next Committee.

On costs and charging, officers stated work was funded through the Capital Transformation Programme as set out in Appendix G of the Council report. Therefore, they were not revenue costs.

Members asked why Grant Thornton, rather than CIPFA, had been engaged for the substantial FMP/ Oracle work, and officers advised that CIPFA had provided a review which helped identify areas of focus but without granular detail and a plan which spanned 3 years. It was also felt to be suboptimal to have CIPFA and another organisation for Oracle improvements. Learning from that review had been combined

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| | <p>into a shorter, focused programme with Grant Thornton, who were already in place and able to cover both the finance and Oracle strands together, and this was viewed as the optimal, approach.</p> <p>Members queried reported DSG accounting errors related to assets. Officers explained that this related to accruals added to the DSG account that recognised additional income that was due from the Department of Education. This should have been reversed in the following year when the cash came in, but as the entries were entered late into the DSG accounts, the auto-reverse window was missed. This meant that some debtors that had already been paid were carried on the balance sheet. The adjustment was to write those back through the DSG account to remove the debtors from the balance sheet as they were no longer valid debtors.</p> <p>On the RAG status of items on the GRIP, Members queried the high proportion of Amber statuses given the Section 24 report. Officers maintained that Amber was appropriate, reflecting active progress to plan and timeline, with quarterly reporting, and that items would only be Green once fully achieved; none were assessed as Red.</p> <p>RESOLVED: That the work on the GRIP and the FMP was noted and the Committee sought clarifications and assurances.</p> |
| 163. | <p>ISSUANCE OF RECOMMENDATIONS UNDER SECTION 24 SCHEDULE 7(2) OF THE LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 (<i>Agenda Item 6</i>)</p> <p>Officers noted that they welcomed the recommendations and had already been working on them through the GRIP and the FMP, as presented to the Committee.</p> <p>EY noted that the report had been issued to Full Council and noted concerns over financial sustainability and management of this; data quality; the DSG deficit; and the pace of delivering improvements. EY referenced prior Value for Money commentary for 2023/24; the early-stage nature of the transformation at the time; and the risk of capacity being consumed by financial remediation at the expense of other priorities. The statutory report therefore highlighted these concerns and sought a clear, timely response.</p> <p>Members queried the Council's responsibility for the Dedicated Schools Grant (DSG) and recent changes. Officers explained that the High Needs Block of the DSG had long been underfunded nationally.</p> <p>Clarification was provided on the Safety Valve agreement:</p> <ul style="list-style-type: none"> • From 2020, several councils were invited to consider entering into a safety valve agreement. Hillingdon opted in on the second phase 2021/22, following learning from phase 1. • Some councils have used their General Fund to offset deficits it has been a long standing view of Hillingdon that the high needs underfunding is a government concern. • In year one, the Council contributed £4m from reserves • In years two to five, £4m annually was allocated from capital receipts • The DfE matched these amounts through grant funding • However, this required approval for DfE from MHCLG via a capitalisation direction, which was not obtained • When the agreement was suspended, both the Council and DfE ceased contributions. Discussions are ongoing regarding a new agreement |

Members asked for further clarity and officers confirmed that the DSG sat within the General Fund, with a statutory override in place until 2028 to prevent the deficit from impacting the Council's reserves. Officers were confident of a new arrangement as without it, many councils could face Section 114 notices or Exceptional Financial Support (EFS).

Despite historic underfunding, the in-year DSG deficit had improved, with a breakeven projected for 2027/28. The safety valve agreement remained temporarily suspended while renegotiations with the DfE continued.

Members noted the Section 24 report was a serious matter. Members suggested that there were five streams to it: difficulties in setting a balanced budget effective controls on data; issues about underfunding and the forthcoming spending review; bad debt provision; and prior year accounting adjustments.

Members requested a breakdown of prior year accounting adjustments and the auditors' views at the time those adjustments were applied. Officers agreed to share available information. EY noted that the Council's underlying financial pressures would remain challenging even without the accounting adjustments.

Members noted that the month 4 budget monitoring report was due for publication by 11 September for Cabinet and asked if a month 3 report can be made available so that the Council meeting on 11 September can be more informed about the current financial position. Officers clarified that it was not necessary to carry out monthly monitoring and lots of Councils had moved to quarterly. The month 2 report went to July Cabinet and the month 4 report will go to September Cabinet. In month three officers conducted a light touch monitoring as the focus was on preparing for the MTFS Star Chamber sessions so that there would be better understanding of robustness ahead of December Cabinet.

Members asked why it was not done monthly. Officers advised that they were focused on delivering an updated monitoring position to Cabinet, who do not meet in August and so there was no month 3 Cabinet position. It was also a priority to correlate the monitoring process with the MTFS and budget build process. If the £14m accounting adjustments were taken aside as a one-off, other underlying drivers were demand areas including temporary accommodation, children's and adult's social care.

Members asked if the new approach to bad debt provision was overly cautious. Officers clarified that this was up to the Section 151 Officer's judgement, underpinned by experience since the pandemic (delayed courts affecting Council Tax/ Business Rates recoveries), recent write-offs of uncollectible debt, and an ongoing programme to cleanse and grip debt across the Council.

Members asked whether Section 24 was a precondition for borrowing, and why the Section 24 had been issued if borrowing was possible. Officers advised that Section 24 was not about borrowing, and potential EFS was separate. Section 24 reports were issued by EY, not officers. EY explained that as part of each annual audit, they expressed commentary on the Council's value for money arrangements and were required to report any significant weaknesses identified. Section 24 reports were an additional auditor power and were an extension of value for money work. It was not linked to the Council's ability to borrow money. The Section 24 was about the Council's arrangements for managing its financial position, not the financial position itself. While

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| | <p>the Council was taking steps to address this, these were in early stages. EY noted that Section 24 were uncommon and reflected the auditor's significant concerns about arrangements and the need for timely action.</p> <p>Members referenced the report whereby a review by CIPFA had highlighted low morale in the finance team. Officers noted that the results of the staff survey did not indicate this, and the survey would be presented to the next Committee. Staff survey results had significantly improved from last year.</p> <p>Members also quoted the report that said "The Council has good services, low taxation and charging policies and members are committed to their local area, but affordability to maintain this position and the current operating model is untenable". Members asked if there was confidence in achieving a tenable model. Officers highlighted structural pressures such as being a port authority, homelessness burdens and underfunding. Officers further noted that discussions with the Home Office were ongoing over funding, which would help to address the untenable/ tenable balance.</p> <p>The Chair welcomed the report, noting that action was needed at pace, and asked if officers were confident in the plans being delivered at pace. Officers noted that they were working at the right pace, recognising that the Council was a complex organisation with demand pressures, and was working with Grant Thornton, the GLA and EY.</p> <p>Members asked about historic under-delivery of savings and asked why confidence was higher now. Officers cited strengthened governance including a savings app, and routine scrutiny through Select Committees. Officers also noted new transparency in Cabinet reports, including a "written out" column.</p> <p>The Committee agreed to invite the Cabinet Member for Finance & Transformation to the next Committee meeting.</p> <p>RESOLVED: That</p> <ol style="list-style-type: none"> 1. The recommendations of the external auditor contained within the report issued under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014, were noted; 2. The programmes of work already in place to address the recommendations were noted and the Audit Committee would continue to monitor their delivery; and 3. The Committee invited the Cabinet Member for Finance & Transformation to the next meeting |
| 164. | <p>EXTERNAL AUDIT UPDATE (<i>Agenda Item 7</i>)</p> <p>Officers introduced the report, highlighting four elements:</p> <ul style="list-style-type: none"> • The national context: there were 216 councils with disclaimed audit opinions • The 2023/24 audit results report, noting the seven statutory recommendations which were part of the GRIP • The 2024/25 audit plan, including looking at the implementation of Oracle and governance risks linked to capacity in the finance team • Draft accounts for 2024/25 had been shared with Grant Thornton who had |

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| | <p>requested some updates. It was expected that draft accounts would be published in the next week to eight days</p> <p>It was noted that the Council had not yet published its draft accounts for 2024/25 when the deadline was in June. Officers had advised EY that they were prioritising accuracy and quality of accounts over the timings. This included points raised by Grant Thornton. Due to this, the timetable for the 2024/25 audit had been updated. Detailed audit procedures were now planned to start in early October, run through January, with a target to conclude in late January and aimed for sign off in early February, ahead of the backstop date.</p> <p>In order to work to that timetable, EY had agreed not to test PPE in detail. EY would prioritise areas that would best enable progression to rebuild assurance. As a result, the 2024/25 opinion would be disclaimed, but the approach was intended to accelerate recovery in future years. EY further noted that audit planning was complete, but detailed audit procedures cannot begin until finalised draft accounts were available.</p> <p>Key areas of focus for 2024/25 included Oracle implementation, valuation risks, finance team capacity, and data quality.</p> <p>Members asked whether capacity in the finance team had been addressed. EY noted that data quality and backstop dates were larger contributors, but capacity was a specific 2024/25 risk given the current level of manual support needed around Oracle EPM.</p> <p>Members asked how confident EY were in the opening and closing balances. EY explained that because prior-year procedures were incomplete, they had been unable to provide assurance over opening balances even if the closing balances appeared reasonable. This assurance gap meant the current year opinion must be disclaimed, pending a multi-year process to rebuild assurance.</p> <p>Members asked when the Council might exit disclaimed opinions. EY's indicative view was that 2027/28 was realistic for Hillingdon, given sector wide constraints and local complexities.</p> <p>RESOLVED: That the Audit Committee:</p> <ol style="list-style-type: none"> 1. Noted the latest update from the Government in relation to moving away from “disclaimer” audit opinions; 2. Noted the Final Auditors Annual Report 2023/24; 3. Noted the latest position regarding the 2024/25 Draft Statement of Accounts; and 4. Noted the draft plan for the Audit of the 2024/25 Accounts. |
| 165. | <p>AUDIT COMMITTEE ANNUAL REPORT (<i>Agenda Item 8</i>)</p> <p>The Audit Committee annual report summarised the work of this Committee during 2024/25. It was drafted based on the reports that had been presented to the Committee during the last year. Members were able to give feedback before the report was approved, and ahead of it being presented to Full Council.</p> |

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| | <p>Members expressed concern that the draft report did not reflect the failure of the Council to provide accurate accounts to the Committee, and that this needed to be highlighted. It was noted that this was an apparent omission from the end of section E on page 4.</p> <p>Members noted that previous accounts had included figures which were now known to be inaccurate, and the recent Directorship Governance report would have raised concerns about the ability of the Council to accurately report details of its financial position. Members asked for an amendment to reflect this.</p> <p>The Chair suggested that any amendments be circulated offline, prior to bringing the report back to the next Committee to be agreed.</p> <p>RESOLVED: That the Audit Committee:</p> <ol style="list-style-type: none"> 1. Reviewed the Draft Audit Committee Annual Report for 2024/25; and 2. Bring an amended version to the next Committee before the report is presented to Council |
| 166. | <p>RISK MANAGEMENT & STRATEGIC RISK REPORTS (<i>Agenda Item 9</i>)</p> <p>Officers introduced the risk management report as at the end of June. There were 256 risks on the operational risk register, with 28 categorised as red. Five new red risks had been added during the quarter, related to safer staffing and housing. Three red risks had been downgraded to amber due to ongoing actions, and one red risk related to housing had been closed following completion. Two red risks had been overdue for review at the end of the quarter, which had been addressed post-quarter. As of today, only two risks were overdue for review by three days. The number of risks without actions was 115, showing improvement from the previous quarter.</p> <p>Members acknowledged the improvements in risk reporting and emphasised the importance of departmental ownership of risks. Officers confirmed that risk register updates were now driven by ownership rather than external prompting, with increased proactiveness and requests for training. Officers further highlighted governance improvements, including monthly performance risk reports to the Corporate Management Team, enhanced oversight, and embedded systems that supported proactive risk management.</p> <p>Officers introduced the strategic risk report and explained the integration of strategic risk reporting with performance KPIs and dashboards using Power BI. This alignment allowed for better tracking of actions against key performance indicators and ensured consistency in data reporting across the organisation.</p> <p>RESOLVED: That the Audit Committee noted the reports and level of assurance received.</p> |
| 167. | <p>INTERNAL AUDIT PROGRESS REPORT (<i>Agenda Item 10</i>)</p> <p>Officers introduced the report, highlighting activity since the previous meeting.</p> <p>Five reports had been concluded since the previous meeting, with the following</p> |

assurance opinions: Two Substantial, One Reasonable, One Advisory, and One Limited.

Six reviews were at draft stage at the time of reporting. Two of these had now been finalised and will be presented to the next Audit Committee.

Given the pace of organisational and financial change, several audits had been re-scoped to emphasise discovery and proactive assurance, particularly to support the Finance Modernisation work and the GRIP, so that potential issues were identified early.

Some reviews had been removed to avoid duplication: Cabinet engagement (removed due to overlap with GRIP workstream 3); Oracle project (removed due to substantial work on the Financial Modernisation Programme); and Transformation/ Change Governance (removed as current Internal Audit work on the savings programme addressed much of this).

Reviews added included housing allocations; health & safety in schools; and added days for effectiveness of corporate governance (extra days had been allocated to provide targeted assurance on the GRIP and any emerging areas of concern, enabling Internal Audit to undertake responsive, focused work in-year where needed).

Current focus areas included income generation; budget delivery; the savings programme; and finance business plans.

Members asked if the savings programme report could come to the next Committee. Officers advised that this was potentially possible, pending its completion. The Chair noted that while it would be of value, not every report had to come to the Committee individually.

Members referenced a review of directorate governance, and asked if this would be undertaken shortly, or if not, why. Officers advised that the Directorate Governance review had been completed under the 2024/25 plan, and the report was issued in September 2024 and presented to the January 2025 Audit Committee. The GRIP drew on the actions and recommendations from that work (notably in Workstream 2). The Cabinet Engagement review previously in the plan had been removed to avoid duplicating GRIP Workstream 3.

Members reported that a change to the structure of payments of funding to special schools, including retrospective changes, had resulted in no payment being made to some schools in August. Members asked if Internal Audit could investigate this. The Chair suggested that Internal Audit could look into this and report back to Members. Members were also encouraged to highlight any concerns for consideration.

Members asked about the assurance gradings, asking why the Capital Programme had received Reasonable assurance with seven medium actions, while PEEPs (Personalised Emergency Evacuation Plans) received had Limited assurance with only three actions. Officers noted that assurance was not a simple count of recommendations. It took into account the risk severity and potential impact, distribution of issues across risk areas as well as professional judgement.

The Committee noted the positive KPI results and commended Internal Audit on performance.

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| | RESOLVED: That the Audit Committee noted the IA progress since the last Committee meeting. |
| 168. | <p>COUNTER FRAUD PROGRESS REPORT (<i>Agenda Item 11</i>)</p> <p>Officers introduced the report, noting that £4.1m savings had been achieved in quarter one against the £8.8m full-year target. 27 properties had been recovered due to tenancy fraud. Five temporary/ emergency accommodation units had been closed due to non-occupation, generating £153k savings and nine further cases were ongoing. A new pilot scheme had been introduced to support debt recovery, this had already secured £82k, with plans to expand this activity in quarter two and three. Two businesses had been identified as unlisted for business rates, totalling £1.8m. Officers explained that quarter one activity was data-driven and risk-led, enabling more effective deployment of resource and strong return on investment.</p> <p>A data-matching measure was currently going through Parliament which would permit matching of social care data for the prevention and detection of crime for the first time in nine years. This would be pivotal to forward-looking counter fraud risk management.</p> <p>The team was working to replace lengthy narrative reports with a Power BI dashboard that will visualise activity and outcomes with concise contextual commentary, improving transparency and ease of scrutiny. Focus remained on maintaining quarter one momentum and scaling initiatives such as debt recovery support that were demonstrating a strong return on investment.</p> <p>Members asked about properties with multiple unrelated occupants, and whether Council Tax liability was confined to the property owner, and if rooms could be separately banded. Room by room banding for HMOs was no longer applied, and HMOs were banded together for Council Tax purposes. Where a property had been converted into self-contained flats, each separate dwelling was assessed and banded individually. Suspected informal conversions such as those not in accordance with planning or building control policy fell under the remit of Planning Enforcement.</p> <p>Members commended the service as high-performing and award-winning, and suggested exploring selling services to other councils. Officers noted that feedback from authorities with small in-house teams had indicated a preference to build their own capability rather than buy services. It was suggested that councils who had chosen to sell services had seen their own in-house performance dip, and that now was not the right time. There were also geographical constraints as a lot of the work involved visits. Long distance delivery would be less efficient. There was a natural progression into debt recovery. The current priority was to focus on internal outcomes and the debt recovery expansion, however this idea would be kept under review.</p> <p>Members commended the report and the progress made.</p> <p>RESOLVED: That the Audit Committee noted the Counter Fraud Progress Report for 2025/26 Quarter 1</p> |
| 169. | <p>WORK PROGRAMME (<i>Agenda Item 12</i>)</p> <p>Officers noted that there was an item on the work programme concerning an update on risk assessment procedures and budget setting that had been added after the May</p> |

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| | <p>meeting. Due to the regular updates on the GRIP, this update item was no longer required and so was due to be removed from the work programme.</p> <p>RESOLVED: That the Audit Committee noted the dates for Audit Committee meetings</p> |
| | <p>The meeting, which commenced at 5.10 pm, closed at 7.50 pm.</p> |

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