

## Minutes

**Audit Committee**  
**Monday, 21 October 2019**  
**Meeting held at Committee Room 4 - Civic Centre,**  
**High Street, Uxbridge**



**Published on:**  
**Come into effect on: Immediately (or call-in date)**

### **Committee Members Present:**

John Chesshire (Chairman)  
Councillors: Martin Goddard (Vice-Chairman), Ray Graham (In place of Susan O'Brien), Eddie Lavery and Jazz Dhillon (In place of Tony Eginton)

### **Also Present:**

Adrian Balmer – Ernst & Young LLP  
Suresh Patel – Ernst & Young LLP

### **Officers Present:**

Paul Whaymand - Corporate Director of Finance  
Muir Laurie – Deputy Director of Exchequer & Business Assurance Services  
Sian Kunert – Head of Pensions, Treasury & Statutory Accounts  
Sarah Hydrie – Head of Internal Audit & Risk Assurance  
Zac O'Neil – Head of Counter Fraud  
Stephanie Rao – Internal Audit, Risk & Insurance Manager  
James Lake – Lead Corporate Accountant  
Neil Fraser – Democratic Services Officer

## **60. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Eginton and O'Brien. Councillors Dhillon and Graham were present as their respective substitutes.

## **61. DECLARATIONS OF INTEREST**

None.

## **62. 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**

It was confirmed that items 1-10 were marked as Part 1, and would therefore be considered in public. Items 11 and 12 were Part 2, and would be considered in private.

## **63. MINUTES OF THE MEETING HELD ON 22 JULY 2019**

**RESOLVED:** That the minutes of the meeting held on 22 July 2019 be approved as a correct record.

**64. INTERNAL AUDIT PROGRESS REPORT FOR 2019/20 QUARTER 2 (INCLUDING THE QUARTER 3 IA PLAN)**

The Committee received the Internal Audit (IA) Progress Report for 2019/20 Quarter 2, and IA Plan for Quarter 3, which provided summary information on all IA work covered in relation to 2019/20, together with assurance levels in this respect.

It was noted that since the last IA Progress Report, eight assurance reviews (including two follow-ups) had concluded, four grant claims had been certified and one consultancy review had been finalised. The administration of the Hillingdon Shared Lives Fund had been added to the IA plan for Quarter 2.

The majority of Key Performance Indicators (KPIs) were being exceeded, including achieving over 85% for client satisfaction.

Quarter 2 had seen a number of changes to staffing, with a senior auditor leaving the organisation. Following this departure, two new internal candidates had been recruited to internal auditor posts. In addition, the Risk and Insurance Manager has joined the IA team on an interim basis. The 'new to IA' transition of these three staff was planned for Quarter 3, though to avoid any negative impact on the delivery of the IA plan, support from our contract partner (Mazars) could be required.

The Committee sought further information on the implementation of previous IA recommendations. In response, officers advised that the high risk rating for the IA recommendation into compliance with the Criminal Finances Act specifically concerned schools and their compliance with the Act. Further training and education was required, though it was felt that internal controls, within the Council, were sufficiently robust. Regarding the implementation of risk recommendations relating to Cyber Security, the remaining implementations were reliant on the Council's ICT and Digital Transformation teams identifying solutions and then securing the requisite capital investment.

In general, better education of managers on what 'implemented' meant, and the evidence required to support an assertion that an IA recommendation had been implemented, was required to ensure reporting was accurate. However, it was highlighted that over the last six years, better engagement with officers and managers had resulted in significant improvement on the implementation of IA recommendations.

The Committee requested that, moving forward, report authors include detail of manned days within interim reports, rather than reserving this data for the annual report.

**RESOLVED:**

- 1) That the IA Progress Report for 2019/20 Quarter 2 be noted;**
- 2) That approval be given to the Quarter 3 IA Plan for 2019/20;**
- 3) That report authors include detail of manned days within interim reports; and**

- 4) **That the Committee noted the coverage, performance and results of Business Assurance IA activity within this quarter.**

## **65. EXTERNAL AUDIT ANNUAL AUDIT LETTER**

The Committee received a report detailing EY's Annual Audit Letter, which provided a summary of the results and conclusions from EY's audit work undertaken for the year ended 31 March 2019.

The Committee was informed that, as per the report, an unqualified opinion had been offered as of 2 August 2019. Since then, work was progressing on providing a consistency opinion of the Pensions Fund Annual report, which was due for completion as of 1 December 2019. Once completed, EY would issue the Audit Certificate.

The report referred to an objection received from a member of the public that required senior team members to respond; this had now been concluded.

Audit fees had been agreed, subject to approval by the PSAA. Non-audit services: Housing Benefits and Teachers Pensions, would be completed before the 31 October deadline, while pooled capital receipts were potentially subject to delay as instructions were awaited from central government.

The Committee expressed their concern and disappointment that the audit had not been signed by the 31 July deadline. It was agreed that a briefing be provided by EY prior to the next Committee meeting, to allow EY to share further detail on how they would aim to ensure that this was not repeated.

EY confirmed that the issue was largely one of resource, which had since been resolved following the successful recruitment of new staff. In addition, it was suggested that greater engagement with officers, and early communication of potential issues, would be good practice moving forward.

### **RESOLVED:**

1. **That the report be noted;**
2. **That EY provide a briefing for Members prior to the next Committee meeting.**

## **66. COUNTER FRAUD PROGRESS REPORT QUARTER 2 2019/20**

The Committee received a report detailing the work being undertaken by the Business Assurance Counter Fraud Team (BACFT) in relation to 2019/20 Quarter 2 and assurances in this respect.

It was reported that, during Quarter 2 of 2019/20, the BACFT had achieved successful loss prevention outcomes totalling £493,073, a 19% increase over Quarter 1. A total of eight Council properties had been recovered, an improvement on 2018/19 in terms of half year results. In addition, BACFT had investigated and

stopped three cases of Right to Buy fraud and three cases of suspected Housing fraud were being progressed for criminal prosecution

It was confirmed that, as of 30 September 2019, remaining staff vacancies within the Verifications and Intelligence sub-teams had been filled and the BACFT was now fully resourced for the first time in several years

Quarter 2 results of the Home Officer Immigrating Officer (IEO) within BACFT had resulted in £72,861 in loss prevention, and figures were on track to exceed last year's loss prevention contribution.

The proposal for the Council to join the London Counter Fraud Hub had received Cabinet Member approval and was pending, subject to communication from the lead authority before contractual paperwork could be signed.

Financial savings resulting from council wide data matches had recently been made available by the Cabinet Office and indications were that there were additional financial savings across the Council. To date, these savings totalled £301,322, though these figures had not been included in the loss prevention savings reported by BACFT as the Cabinet Office NFI figures were extrapolated across several years.

BACFT performance against KPIs had shown improvement, with 5 of 8 targets now being exceeded overall. When considering only Quarter 2, this figure rose to 6 of 8. Work to improve performance against KPI 5: investigation resulting in sanctions, as well as general work within Social Services, was continuing. The BACFT was planning a campaign to raise fraud awareness across the Council, and this would include training and workshop days.

Work to address 'Beds in Sheds' was targeted for Quarter 3, and would include a proactive, collaborative project, incorporating data from many departments including Exchequer Services, Housing and the Planning enforcement teams. This work could impact on the area of HMOs and private landlords, which meant that the Private Sector Housing Team would also be involved in this project. Work to ensure that HMOs were fulfilling the conditions of their licences had resulted in better outcomes. Further IA work to review private sector housing, including HMOs, was scheduled for Quarter 4.

Regarding Blue Badge Holder fraud, since last year, referrals and fraudulent behaviour identified during officer visits had been seen to have declined. Resources had therefore been reduced in line with the identified risk, though this could be reviewed if complaints were seen to rise. The Counter Fraud Team would be conducting one proactive project this year and would continue to investigate referrals of serious misuse of a Blue Badge.

**RESOLVED: That the Counter Fraud Progress Report for 2019/20 Quarter 2 be noted.**

## **67. ANNUAL REPORT OF THE AUDIT COMMITTEE 2018/19**

The Committee received a report detailing the information proposed to be presented to Council as the Audit Committee's Annual Report for 2018/19. Members were satisfied that the Audit Committee had discharged its duties under its Terms of Reference.

**RESOLVED: That the report be noted.**

**68. AUDIT COMMITTEE MEMBER SKILLS MATRIX**

The Committee received a report detailing the current skills matrix, which was approved by the Audit Committee in July 2018. Members were asked to comment on whether the skills matrix was still relevant and whether there were any suggestions for further training.

It was agreed that the matrix be approved, subject to the removal of Treasury Management, which was no longer required under the Committee's Terms of Reference.

**RESOLVED: That the Member skills matrix be approved, subject to the removal of Treasury Management.**

**69. AUDIT COMMITTEE FORWARD PROGRAMME 2019/20**

Consideration was given to the Committee's work programme. Members were advised that further meeting dates were under consideration, and would be communicated to the Committee once finalised.

**RESOLVED: That the work programme be noted.**

**70. 2019/20 Q1 CORPORATE RISK REGISTER**

*This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).*

The Corporate Risk Register for Quarter 1 (April to June 2019) report was presented to Members. The report provided evidence about how identified corporate risks were being managed and the actions which were being taken to mitigate those risks.

**RESOLVED – That the Committee reviewed the Corporate Risk Register for Quarter 1 (April to June 2019), as part of the Committee's role to independently assure the strategic risk management arrangements in the Council.**

**71. ANNUAL RISK MANAGEMENT REPORT 2018/19**

*This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).*

The report presented to Members the Risk Management Annual Report 2018/19. The report provided evidence about the movement of individual corporate risks across the year, how they have been managed by the Council and horizon scanning for the future.

**RESOLVED: That the Committee reviewed the 2018/19 report as part of its role to independently assure the Council's corporate risk management arrangements.**