

## Minutes



### AUDIT COMMITTEE

3 February 2020

Meeting held at Committee Room 4 - Civic Centre, High Street, Uxbridge

	<p><b>Committee Members Present:</b> John Cheshire (Chairman) Councillors: Martin Goddard (Vice-Chairman), Tony Eginton, Duncan Flynn and Eddie Lavery</p> <p><b>LBH Officers Present:</b> James Lake (Chief Accountant), Paul Whaymand (Corporate Director of Finance), Muir Laurie (Deputy Director of Exchequer &amp; Business Assurance Services), Sarah Hydrie (Head of Internal Audit &amp; Risk Assurance), Zac O'Neil (Head of Counter Fraud), Stephanie Rao (Internal Audit, Risk and Insurance Manager) and Anisha Teji (Democratic Services Officer)</p> <p><b>Also Present:</b> Larisa Midoni – Ernst &amp; Young LLP Suresh Patel – Ernst &amp; Young LLP</p>
72.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>
73.	<p><b>DECLARATIONS OF INTEREST</b> (<i>Agenda Item 2</i>)</p> <p>Councillor Tony Eginton declared a non-pecuniary interest in agenda item 5 arising from the fact that he was a retired member of the Local Government Pension Scheme. He remained for the discussion of all items.</p>
74.	<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 agreed that all the items on the agenda be considered in public with the exception of Agenda Item 9 – 2019/20 Quarters 2 and 3 Corporate Risk Register.</p>
75.	<p><b>MINUTES OF THE MEETING HELD ON 21 OCTOBER 2019</b> (<i>Agenda Item 4</i>)</p> <p><b>RESOLVED:</b> That the minutes of the meeting held on 21 October 2019 be approved as a correct record.</p>
76.	<p><b>EY 2019/20 ANNUAL AUDIT PLAN &amp; PENSION FUND AUDIT PLAN</b> (<i>Agenda Item 5</i>)</p> <p>The Committee was provided with reports which set out the initial plans for the 2019/20 audit by Ernst &amp; Young LLP (EY), the Council's External Auditor. The plans set out the</p>

approach to the external audit of the Council's Accounts, the Pension Fund Accounts and a broad timetable, to enable the whole process to be completed by the end of July 2020. EY took the Committee through the reports and provided a summary of the key issues.

Members were informed that the Key Financial Statement Risks on the External Audit Plan were:

- Risk of management override;
- Risk of inappropriate capitalisation of revenue expenditure;
- PPE valuations;
- Valuation of Schools; and
- Accounting for the Dedicated Schools Grant.

Other areas of external audit focus not classified as significant risk, but still material when considering risks of misstatement included:

- Consideration of Group Boundary (Hillingdon First Ltd);
- New accounting standards (IFRS16); and
- Pension Liabilities and the IAS19 valuations.

For the Pension Fund Audit Plan, the risk of management override had been removed however two audit risks remained as follows:

- Risk of misstatement of Investment Income and Valuation through journals; and
- Valuation of Unquoted Investments.

It was noted that there were no specific listed areas of external audit focus classified as not having a significant risk.

The Committee was assured that the external audit would be completed by the end of July following learning from the previous year.

It was noted that as at 31 March 2019, the Council had reported a negative dedicated schools grant (DSG) balance and that at 31 March 2020 this was likely to exceed available individual schools balances. It was also noted that new DfE guidance had just been issued which clarified that negative DSG could not be funded from General Resource, but instead should be funded from future year's DSG grant income

**RESOLVED: That the Committee noted the 2019/20 annual external audit plan and pension fund external audit plan.**

77. **INTERNAL AUDIT PROGRESS REPORT FOR 2019/20 QUARTER 3 (INCLUDING THE QUARTER 4 IA PLAN)** (*Agenda Item 6*)

The Committee received the Internal Audit (IA) Progress Report for 2019/20 Quarter 3 and IA Plan for Quarter 4 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 five assurance reviews had concluded, two grant claims had been certified and three consultancy reviews had finalised. The staffing matrix was also highlighted to the Committee.

It was noted that the follow-up verification process identified two recommendations which had not been implemented despite management/risk owners marking these recommendations as implemented. The reason for marking these recommendations as

implemented was explained to the Committee. It was confirmed that further training and advice was being provided to the relevant teams.

The Committee was informed that the Cyber Incident Management review had received a Limited assurance opinion and it was confirmed that issues were found with policies, procedures and the risk management arrangements. In relation to the thematic review of Schools Payrolls, the scope of the audit looked at policy and procedures, tendering and changes to starters and leavers.

It was reported that IA was in discussions with senior managers in regards to setting up an annual IT audit plan. Working collaboratively with ICT, IA agreed several pieces of work, which had been risk assessed and audits in this area would commence in April 2020. However, it was confirmed that if there were any issues which required IA intervention between now and April, then IA would not wait until April 2020 to pick this up but would action it immediately.

It was noted that all nine IA KPIs had been met or actual performance exceeded the target set. The Committee commended IA for this work.

**RESOLVED:**

- 1) That the Audit Committee noted the IA Progress Report for 2019/20 Quarter 3 and approval be given to the 2019/20 Quarter 4 Internal Audit Plan;**
- 2) That the Committee noted the coverage, performance and results of Business Assurance Internal Audit activity within this quarter.**

**78. 2019/20 QUARTER 3 COUNTER FRAUD PROGRESS REPORT (Agenda Item 7)**

The Committee received a report detailing the work being undertaken by the Business Assurance Counter Fraud Team (BACFT) in relation to 2019/20 Quarter 3 and assurances in this respect.

It was noted that the BACFT team was on target to meet its loss prevention savings target of £2m for the 2019/20 year, with improvements made on the financial outcomes achieved in the previous quarter of 24.6%.

It was highlighted that during this quarter, nine Council properties had been recovered, 52 cases of suspected housing and tenancy fraud were still under investigation and five cases of housing fraud had been put forward for legal proceedings. The Home Office Immigration Enforcement Officer had contributed to a total saving of £287,637 in loss prevention work. NFI data matching and the Verifications service had achieved savings of over £31k across single person discount and Council Tax reduction, bringing the total savings in this area to £91k for the year so far.

The launch of the Fraud Awareness Week was well received, with the BACFT conducting a series of activities to raise awareness of fraud across the Council.

The Committee was informed that since the agenda had been published two successful prosecutions had been secured and the BACFT had been shortlisted for the Public Finance awards due to its outstanding approach to fraud prevention work.

It was reported that the BACFT had begun a pilot project within the area of 'Beds in Sheds' where intelligence gathering had been carried out to identify properties with unregistered residential premises. Four properties had been visited so far and,

	<p>following the visits, all four had been brought into Council Tax. Further details would be reported in the Quarter 4 progress report.</p> <p>It was noted that the BACFT was on track to reach its annual loss prevention savings target of £2M</p> <p><b>RESOLVED: That the Counter Fraud Progress Report for 2019/20 Quarter 3 be noted.</b></p>
79.	<p><b>AUDIT COMMITTEE FORWARD PROGRAMME</b> (<i>Agenda Item 8</i>)</p> <p>It was noted that the meeting on Thursday 15 October 2020 would be moved to Thursday 29 October 2020.</p> <p><b>RESOLVED: That the forward work programme be noted.</b></p>
80.	<p><b>2019/20 QUARTERS 2 AND 3 CORPORATE RISK REGISTER</b> (<i>Agenda Item 9</i>)</p> <p><i>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).</i></p> <p>The Corporate Risk Register for Quarters 2 and 3 (July to December 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.</p> <p><b>RESOLVED: That the Committee reviewed the Corporate Risk Register for Quarters 2 and 3 (1 July to 31 December 2019), as part of the Committee's role to independently assure the strategic risk management arrangements in the Council.</b></p>
	<p>The meeting, which commenced at 5.10 pm, closed at 6.22 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Anisha Teji, Democratic Services Officer on 01895 277655. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.