

Minutes

Audit Committee

Thursday, 1 October 2020

Meeting held at VIRTUAL - Live on the Council's

YouTube channel: Hillingdon London



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Members Present:

John Chesshire (Chairman)

Councillors Martin Goddard (Vice-Chairman)

Tony Eginton (Opposition Lead)

Eddie Lavery

Raymond Graham

Officers Present:

Muir Laurie, Deputy Director of Exchequer Services & Business Assurance

Sarah Hydrie, Head of Internal Audit & Risk Assurance

Zac O'Neil, Head of Counter Fraud

Stephanie Rao, Internal Audit Manager

Paul Whaymand, Corporate Director of Finance

Luke Taylor, Democratic Services Officer

81. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Duncan Flynn, with Councillor Ray Graham substituting.

82. DECLARATIONS OF INTEREST

There were no declarations of interest.

83. 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

Items 1 to 9 were marked Part I and considered in public, and Items 10 and 11 were marked Part II and considered in private.

84. MINUTES OF THE MEETING HELD ON 3 FEBRUARY 2020

RESOLVED: That the minutes of the meeting held on 3 February 2020 be approved as a correct record.

85. 2019/20 ANNUAL STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT UPDATE

The Corporate Director of Finance introduced the report that outlined the revised statutory deadlines as a result of Covid-19, relating to the publication of the 2019/20 Statement of Accounts and completion of the external audit.

The Committee heard that the draft accounts were usually published by the end of May and then the audited accounts would be signed off and published by the end of July. However, due to the impact of Covid-19, the draft accounts were published by the end of August and the final audited accounts will be published by the end of November. The Corporate Director of Finance confirmed that the audit accounts will come before the Committee on 29 October 2020. Members heard that good progress was being made and that the final report would be issued shortly.

Responding to Members' questioning, the Corporate Director of Finance confirmed that the external audit process had progressed better than last year although it was a little disjointed due to the effects of COVID-19 on the process.

Councillors questioned how the external audit of the designated schools grant had progressed, and officers confirmed this was ongoing, and revised accounting practice and government guidance has been followed. At this point in time, the National Audit Office was talking to external auditors and there may be revised guidance from the NAO regarding how to document this in the account. Should this change, Members were advised that the Council would have to amend the accounts. The Corporate Director of Finance noted that he hoped this would be resolved and reported back to the Committee by the end of October.

The Committee was informed that Ernst & Young were provided with information regarding the impact of Covid-19 on the Authority and how this has been managed, and this would be provided in the final opinion at the meeting on 29 October 2020.

The Chairman noted that he was pleased to hear the good progress that was being made by the Council and EY this year, and looked forward to hearing more at the end of the month.

RESOLVED: That the 2019/20 Annual Statement of Accounts and External Audit Update be noted.

86. ANNUAL INTERNAL AUDIT REPORT & OPINION STATEMENT 2019/20

The Deputy Director of Exchequer Services and Business Assurance introduced the report, and informed the Committee that due to redeployments in the Council during the Covid-19 pandemic, there was not a lot of internal audit or counter fraud work taking place between March and June 2020. Members heard that, despite this, more internal audit and assurance work has been carried out this year than in the previous year, and the overall Head of Internal Audit Opinion is reasonable assurance.

The Committee sought clarifications over the Employment Status Assessments and were informed by officers that the approach chose to tolerate the risk involved, as management did not see the risk as significantly as Internal Audit. Members requested confirmation over whether persons being contracted were informed on or before the time of entry into contracts, as per advice in the HMRC Employment Status Manual, and the Deputy Director of Exchequer Services and Business

Assurance noted that this would be checked and a response sent to Members after the meeting.

Responding to Councillor's questioning regarding issues identified in the payment process regarding New Years Green Lane, officers confirmed that a follow-up review on these issues was planned for Quarter 4.

The Chairman sought clarification over whether the Council's resources were looking at the right area, given that 80% of assurance reviews in 2019/20 resulted in a reasonable opinion, and were informed that all there was a robust risk profiling process that came with management highlighting areas of concern but figures were comparable to recent years. Officers noted that this would be monitored to ensure that assurance reviews were looking at enough areas of high risk. The Committee heard that some assurance reviews during the 2019/20 audit year were captured as consultancy reviews, but Internal Audit plans for the current year showed a bigger range of assurance work than in earlier years.

Responding to Members' questioning, officers noted it was Council policy that risk registers were encouraged but not mandated for a larger number of areas across the Council. The Deputy Director of Exchequer Services and Business Assurance stated that the Corporate Risk Register was presented to the Corporate Management Team and Audit Committee on a quarterly basis and Directorate Risk Registers were also shared with both, but each service had a different way of managing risk.

The Committee recognised that key performance indicators were at an excellent level, particularly given the disruption caused by Covid-19, and client satisfaction survey feedback questionnaires also reported excellent results. The Internal Audit Team were congratulated on their hard work and results, and officers thanked for a comprehensive report.

RESOLVED: That the Committee noted the Annual Internal Audit Report and Head of Internal Audit Opinion Statement 2019/20.

87. DRAFT ANNUAL INTERNAL AUDIT PLAN 2020/21

The Deputy Director of Exchequer Services and Business Assurance introduced the report, and noted that the Annual Internal Audit Plan allows the Internal Audit Team to focus on a wider area of assurance, with 595 days of assurance work.

The Committee stated that the increased allocation of days into assurance was excellent news and the additional investment of resources in the team and elimination of consultancy work was evident. Responding to Members' questioning, officers noted that the detailed Internal Audit Plan for the next quarter would be presented at the next Audit Committee meeting, but it would demonstrate that requests for consultancy have either been turned down or management has been convinced that it was better to have an assurance review than a consultancy review.

The Deputy Director of Exchequer Services and Business Assurance noted the Committee's assertion that it was important to link these extra days into considering risk areas and not better performing areas. The Committee heard that as part of risk assessment methodology, consideration would be given to management suggestions but the extra assurance days reflected a change in approach that would

lead to more robust assurance work and being able to follow-up recommendations and their implementation in a prompt and timely manner.

Members noted the excellent plan for the year ahead and increase in assurance work was a move in the right direction and looked forward to seeing the results of the work.

RESOLVED: That the Committee noted and approved the Draft Annual Internal Audit Plan 2020/21.

88. COUNTER FRAUD ANNUAL REPORT 2019/20

The Deputy Director of Exchequer Services and Business Assurance introduced the report, and noted that the year was cut short due to Covid-19, which prevented the team from meeting their loss prevention target of £2m. However, Members heard that the team achieved £1.94m in loss prevention across the Council which was considered a very good result in the current circumstances. The Committee was informed that KPI performance also improved in all but one area and the work done by the Counter Fraud Team in 2019/20 exceeded the performance of the previous year quite significantly in nearly every area.

Councillors noted that loss prevention activity was hit by the pandemic, but to come in at £1.94m against the £2m loss prevention target was a tremendous result and congratulated the Counter Fraud Team on their work.

Responding to Councillors' questioning, the Deputy Director of Exchequer Services and Business Assurance noted that a target for the year ahead had not yet been agreed, but given the redeployment work of the team throughout Quarter 1 and the impact of Covid on work in Quarter 2, any target would be not be as high as the previous year. Officers noted that a discussion would take place regarding a future target and this could be detailed ahead of the next meeting on 29 October 2020.

Members heard that referrals of fraud activity from local residents could be achieved by phone or email and the Council also held a fraud awareness week in November to increase the number of internal referrals received, which was successful. The Head of Counter Fraud also noted that a considerable number of referrals were received from residents, particularly regarding housing, as well as Council Tax and Business Rates. The Committee heard the Counter Fraud Team wanted to increase residents' knowledge of how to refer potentially fraudulent activity and this activity would be built into the plan for this year.

Responding to Members, officers noted that while some priorities would remain the same this year, the Counter Fraud Team would also need to focus on grant work, as well as contracts, schools and other Covid-related areas, where there may be increased risk due to the changed environment since March 2020.

The Chairman reiterated their congratulations on the excellent level of performance by the Counter Fraud Team and noted that if March was not affected by Covid-19, the £2m target would have been met. Members also noted that the team were able to deliver very high levels of performance against demanding KPIs and congratulated them on this work.

RESOLVED: That the Committee noted the Counter Fraud Annual Report 2019/20.

89. AUDIT COMMITTEE FORWARD PROGRAMME

RESOLVED: That the forward programme was noted, subject to:

1. The removal of the Quarter 1 Risk Register and Annual Risk Management Report from the meeting on 29 October 2020;
2. Confirmation that February 2020 meeting would include “Quarter 2 and Quarter 3 Risk Register”; and,
3. Confirmation that future meetings of the Audit Committee would be virtual until further notice.

90. ANNUAL RISK MANAGEMENT REPORT 2019/20

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 the Risk Management Annual Report 2019/20 to Members. The report provided evidence about the movement of individual corporate risks across the year, how they have been managed by the Council, and horizons scanning for the future.

RESOLVED: That the Committee reviewed the Risk Management Annual Report 2019/20 as part of its role to independently assure the Council’s corporate risk management arrangements.

91. QUARTER 1 2020/21 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 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 2020), as part of the Committee’s role to independently assure the Council’s corporate risk management arrangements.