

## Minutes

### AUDIT COMMITTEE

29 July 2021



HILLINGDON  
LONDON

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

	<p><b>Committee Members Present:</b> John Chesshire (Chairman) Councillors Tony Eginton (Opposition Lead), Raymond Graham and John Morgan</p> <p><b>LBH Officers Present:</b> Sarah Hydrie, Head of Internal Audit &amp; Risk Assurance James Lake, Head of Finance – Statutory Accounting &amp; Pension Fund Muir Laurie, Deputy Director of Exchequer Services &amp; Business Assurance Stephanie Rao, Internal Audit Manager Alex Brown, Head of Counter Fraud Nick Cutbill, Principal Internal Auditor Kevin Westbrook, Interim Counter Fraud Manager Anisha Teji, Democratic Services Officer</p>
124.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>Apologies were received from Councillor Duncan Flynn.</p>
125.	<p><b>ELECTION OF VICE - CHAIRMAN</b> (<i>Agenda Item 2</i>)</p> <p><b>RESOLVED:</b> That Councillor Duncan Flynn be elected as Vice-Chairman of the Audit Committee for the municipal year 2021/22.</p>
126.	<p><b>DECLARATIONS OF INTEREST</b> (<i>Agenda Item 3</i>)</p> <p>None.</p>
127.	<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 4</i>)</p> <p>It was confirmed that agenda items 1-13 were marked as part I and would be considered in public, while agenda item 14 was marked part II and would therefore be considered in private.</p>
128.	<p><b>MINUTES OF THE MEETING HELD ON 20 APRIL 2021</b> (<i>Agenda Item 5</i>)</p> <p><b>That the minutes of the meeting held on 20 April 2021 be approved as a correct record.</b></p>
129.	<p><b>EXTERNAL AUDIT UPDATE</b> (<i>Agenda Item 6</i>)</p> <p>The Committee was provided with an external audit update, setting out details for Public Sector Audit Appointments (PSAA), Ernst &amp; Young LLP (EY) partner update and the Value for Money (VFM) audit process. The Head of Finance – Statutory Accounting</p>

& Pension Fund and EY took the Committee through the report and provided a summary of the key issues.

The Committee noted the Council's intention to opt into the PSAA procurement service. The Committee was advised that this was the best route for ease of access, quality appraisal, oversight, value for money and procurement efficiency. A formal request would be made by the PSAA in September with subsequent Council approval being sought ahead notifying the PSAA in January 2022. It was explained that opting into the PSAA's national scheme put the Council in a better position and most London Boroughs were joining the scheme. The PSAA had its own process for ensuring that declarations of interest were identified and recorded. Members were advised that Council approval was required rather than Audit Committee, but the Committee had the opportunity to provide their views.

The Committee was informed that Suresh Patel, from EY would be leaving in August 2021 and Helen Thompson had been assigned as Associate Partner for Hillingdon and lead on the 20/21 audit.

The draft accounts had been handed to EY on 1 July 2021, a month ahead of schedule and this was a great achievement for the team. The audit itself was progressing with no issues at this stage.

The VFM was now with EY for review. EY confirmed that they were happy with the level of information provided and progress was being made.

It was confirmed that Hillingdon First Ltd would form a separate disclosure within the Council's accounts, however due to it being non-material, no group accounts were due to be produced for 20/21.

Following the last meeting, it was queried whether auditors would be examining a council tax discount given to elderly residents of the Borough. EY confirmed that they had not yet seen the values. It was confirmed that the council tax fell under the Business Assurance service and appropriate assessments had been undertaken. In addition the value in question also fell below EY's audit materiality level.

**RESOLVED:**

**That the Committee:**

- 1. Noted the rationale, timeline and intention to opt into the Public Sector Audit Appointments procurement scheme.**
- 2. Noted appointment of the new EY audit lead.**
- 3. Noted Value for Money update.**
- 4. Noted verbal update on audit progress.**

130. **2020/21 REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE** (*Agenda Item 7*)

The Committee received a report on the Review of the Effectiveness of the Audit Committee 2020/21. The review had been given a reasonable assurance, with seven low risk recommendations for best practice and one notable practice observation identified.

Results of Audit Committee bench marking exercises were also highlighted to the

Committee noting that the London Borough of Hillingdon's Audit Committee was one of four out of seven Audit Committees that had co-opted Members. It was also noted that more questions were asked at two other Audit Committee in other councils in comparison to Hillingdon.

It was reported that out of 12 councils reviewed, 11 councils published their corporate risk registers as public documents. Members welcomed moving to the corporate risk register to part I and applying redactions where necessary. It was agreed that this would provide transparency.

The Committee endorsed the CIPFA best practice guidance that audit committees must be in a position to challenge Directors and the Cabinet and draw attention to any governance weaknesses.

It was discussed whether the Audit Committee membership could be increased given that many other audit committees had five elected Members. Bitesize training sessions were provided for all newly elected Members and training sessions from the Member skills matrix had begun for Audit Committee Members and substitutes.

The importance of the Audit Committee playing a scrutiny role was discussed and some concern was raised with a chief whip being on the Committee.

The Committee discussed the remuneration for the Independent Chairman and noted that this was different in comparison to other Select Committee chairmen. It was considered that remuneration was an important factor in securing a good chair.

It was noted that Members were keen to ensure that recommendations were actioned, and it was agreed that officers would investigate this further.

**RESOLVED:**

- 1) That the findings, recommendations and management action proposed in the Effectiveness of the Audit Committee final report be reviewed by the Committee and Democratic Services to discuss their implementation (where practicable).
- 2) That the remuneration for the Chairman of the Audit Committee be discussed with the Leader of the Council.

131. **ANNUAL REPORT OF THE AUDIT COMMITTEE 2020/21** (*Agenda Item 8*)

The Committee received a report detailing the information proposed to be presented to Council as the Audit Committee's Annual Report for 2020/21. Members were satisfied that the Audit Committee had discharged its duties under its Terms of Reference.

**RESOLVED:** That the Audit Committee noted the report and information provided.

132. **ANNUAL INTERNAL AUDIT REPORT & OPINION STATEMENT 2020/21** (*Agenda Item 9*)

The Committee considered the Annual Internal Audit Report and Opinion Statement 2020/21, which highlighted matters arising from the work of Internal Audit during 2020/21.

It was reported that, 2021 had been an unprecedented year with the global Coronavirus pandemic. Between March and June 2021, many staff members had been involved with the Council's Food Delivery Services (FDS). The team returned to work in June 2020 and despite the disruptions to IA work in 2019/20 Quarter 4 and 2020/21 Quarter 1, the 2020/21 IA plan was 98% complete to final report stage by 31 May 2021. 41 pieces of IA work had been delivered as part of the 2020/21 IA plan, and this included 27 assurance reviews, 2 follow up reviews, 4 consultancy reviews and 8 grant claim audits.

The Committee discussed the IA assurance reviews where a no assurance opinion had been awarded. The follow up processes were explained including the different actions that had been undertaken to implement recommendations. The concerns in relation to the Dedicated Schools Grant pressure on the Dedicated Schools Budget was also discussed with Members noting that the deficit was increasing.

Members thanked officers for the comprehensive report and commended officers for their achievement during the pandemic.

**RESOLVED: That the Audit Committee reviewed and noted the Annual IA Report and Opinion Statement 2020/21.**

133. **INTERNAL AUDIT PROGRESS REPORT FOR 2021/22 QUARTER 1 (INCLUDING THE QUARTER 2 INTERNAL AUDIT PLAN)** (*Agenda Item 10*)

Members requested that the 17 pieces of 2020/21 work was summarised for them, which the IA team agreed to do.

The Committee was informed thematic reviews in schools received limited assurance opinions in respect of purchasing and payments in schools and governance & financial management in schools. Further it was reported that the implementation of previous IA recommendations had not been actioned. The IA team had begun to review the progress of high and medium risk recommendations (in schools) as part of its IA follow up work.

It was noted that 1 assurance audit, ICT Service Desk, was at the planning stage where the draft terms of reference were with management for review and agreement. Members discussed the importance of having a strong IT systems and strong levels of security given the nature of sensitive and confidential information handled.

**RESOLVED:**

- 1) That the Audit Committee noted the IA Progress Report for 2021/22 Quarter 1 and approval be given to the Quarter 2 Internal Audit Plan.
- 2) That the Committee noted the coverage, performance and results of Business Assurance Internal Audit activity within this quarter.
- 3) That the IA team produce a summary of outstanding 2020/21 work.

134. **2020/21 COUNTER FRAUD ANNUAL REPORT** (*Agenda Item 11*)

The Committee considered the 2020/21 Counter Fraud Annual Report that provided an overview of all Counter Fraud work carried out in relation to 2020/21 and assurance in this respect.

It was reported that the Business Assurance Counter Fraud Team (BACFT) had

achieved a number of successful outcomes despite unprecedented challenges. This included a delivery of a total of £1.04m in loss prevention savings within Council services. The team had been redeployed to the Food Delivery Services during the pandemic.

It was reported that during quarter 3 there had been a major restructure with three new investigation units being established including the Housing Investigations Unit, Revenues Investigations Unit and Special Investigations Unit. Since the restructure, the team had improved financial outcomes across social care and revenues although it was noted that more work still needed to be done to provide coverage of all key fraud risks within these areas.

The total value of the services of the Immigration Enforcement Officer savings were in excess of 385k and the majority of these savings were in housing. The team had also continued to deliver a programme of Fraud Awareness through the pandemic although this had been done virtually.

The Committee welcomed the clear well written report and congratulated the team on the work undertaken.

**RESOLVED: That the Audit Committee noted the Counter Fraud Annual Report for 2020/21.**

135. **2021/22 QUARTER 1 COUNTER FRAUD PROGRESS REPORT** (*Agenda Item 12*)

The Committee received a report detailing the work undertaken by the Business Assurance Counter Fraud Team (BACFT) in relation to 2021/22 Quarter 1 and assurances in this respect.

It was noted that compared to previous lockdowns the BACFT had managed to maintain a higher level of operation activity, successfully generating financial savings of £308k. The BACFT had recovered 10 properties due to illegal subletting and non-occupation and made a loss prevention saving of over £57k in the social care areas.

It was reported that following the decrease in immigration referrals, the resource for the Immigration Enforcement Officer (IEO) had reduced for quarter one. Nonetheless, as a result of proactive work within social care, the IEO had identified a financial loss prevention saving of over £200k. It was also highlighted that during this quarter an investigator and lead investigator had both achieved their accredited professional certification in investigative practices.

It was noted that there were currently two direct payments cases under investigation and there had been discussions with senior officers and fraud awareness training to increase proactiveness in this area.

Fraud Awareness Sessions had been delivered to different departments including Social Care, Legal Services and Technical Admin. The Committee discussed the BACFT's social media campaign #FraudAwarenessFriday and noted that there had been a mixed response. The campaign was used to raise awareness of fraud.

**RESOLVED: That the Audit Committee noted the Counter Fraud Progress Report for 2021/22 Quarter 1.**

136.	<p><b>AUDIT COMMITTEE FORWARD PROGRAMME 2021/22</b> (<i>Agenda Item 13</i>)</p> <p>Consideration was given to the Forward Work Programme for the Committee.</p> <p>The following amendments were agreed:</p> <ul style="list-style-type: none"> <li>• Internal Audit Strategy would be considered at the November 2021 meeting.</li> <li>• Counter Fraud Strategy 2022-25 would be considered at the February 2022 meeting.</li> <li>• Q4 Counter Fraud Progress Report would be considered at the April 2022 meeting</li> <li>• Counter Fraud Annual 2021/22 Report and the Internal Audit Annual 2021/22 Report would be considered at the July 2022 meeting.</li> <li>• Counter Fraud Annual 2022/23 Plan and Internal Audit Annual 2022/23 Plan would both be considered at the April 2022 meeting.</li> </ul> <p><b>RESOLVED: That the Audit Committee noted the Forward Work Programme for 2021/22 and amendments.</b></p>
137.	<p><b>2020/21 QUARTER 4 CORPORATE RISK REGISTER</b> (<i>Agenda Item 14</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 Quarter 4 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 Quarter 4 as part of the Committee's role to independently assure the Council's corporate risk management arrangements.</b></p>
	<p>The meeting, which commenced at 5.10 pm, closed at 6.56 pm.</p>

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