

## Minutes

### Audit Committee

Tuesday, 1 February 2022

Meeting held at Committee Room 6 - Civic Centre,  
High Street, Uxbridge



HILLINGDON  
LONDON

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|    | <p><b>Cabinet Member Present:</b><br/>John Chesshire (Chairman), Councillors Duncan Flynn (Vice-Chairman), Tony Eginton (Opposition Lead), John Morgan and Colleen Sullivan</p> <p><b>Officers Present:</b><br/>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 and Anisha Teji, Democratic Services Officer</p> <p><b>Also Present:</b><br/>Helen Thompson (in person), Ernst &amp; Young and Larisa Midoni (remotely), Ernst &amp; Young</p>   |
| 1. | <p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies for absence were received from Councillor Ray Graham with Councillor Coleen Sullivan substituting.</p>   |
| 2. | <p><b>DECLARATIONS OF INTEREST</b></p> <p>Councillor Tony Eginton declared a non-pecuniary interest in respect of 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>   |
| 3. | <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></p> <p>It was confirmed that agenda items 1-11 were marked as Part I and would be considered in public.</p>  |
| 4. | <p><b>MINUTES OF THE MEETING HELD ON 29 SEPTEMBER 2021</b></p> <p>The Committee considered minute 142 – Review of the Effectiveness of the Audit Committee – Management Update. It was noted that there had been subsequent discussions with Democratic Services regarding the actions points and it was agreed that an item to Review the Audit Committee’s Terms of Reference would be added to the work programme for the next meeting. A Committee resolution would be needed to make any recommendations to amend the Terms of Reference to require management to attend. This would then be taken forward by Democratic Services.</p> <p>It was also noted that the Committee requested an update from Internal Audit on the implementation of recommendations in September 2022.</p> |

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|                  | <p><b>RESOLVED: That the minutes of the meeting held on 29 July 2021 be approved as a correct record, subject to amending the dates from 2019/20 to 2020/21 in minute 144.</b></p>  |
| <p><b>5.</b></p> | <p><b>UPDATE EXTERNAL AUDIT GRANT CERTIFICATION 2020/21</b></p> <p>The Committee was provided with an update on three areas of 2020/21 certification work undertaken by Ernst &amp; Young (EY), the External Auditor, and covered Teachers Pensions, Housing Benefit Assurance Process and Capital Receipts Pooling.</p> <p>The Committee was advised that there had been progress in three areas:</p> <ul style="list-style-type: none"> <li>• Teachers Pensions Q4 2021 - No adjustments had been noted in the Teacher's Pension return and it was submitted by the 30 November 2021 deadline.</li> <li>• Housing Benefit Assurance Process (HBAP) – the audit was submitted by the 31 January 2022 deadline as expected.</li> <li>• Capital Receipts Pooling - EY had began their work relating to the Capital Receipts Pooling and were expected to the meet the extended deadline of the 31 March 2022.</li> </ul> <p><b>RESOLVED: That the Committee noted the update.</b></p>  |
| <p><b>6.</b></p> | <p><b>EXTERNAL AUDIT 2020/21 STATEMENT OF ACCOUNTS</b></p> <p>The Committee was provided with a summary of the findings of Ernst &amp; Young (EY), the External Auditor, on the external audit of the 2020/21 statement of accounts, including the pension fund accounts. The report detailed the Council's main financial statements, and the pension fund accounts audit.</p> <p>The Committee was informed that there had been considerable progress since September 2021 and there was no material change. The results were expected by this week and would be distributed to Members. It was noted that EY was unable to finalise the annual audit and issue the audit certificate until the Whole Government Accounts submission had been considered by the HM Treasury (HMT). It was reported that HMT were still developing a Data Collection Tool (DCT) which was due for release in Q1 2022. This did not impact an audit opinion being issued on the Statement of Accounts.</p> <p>During Member questions, it was noted that the last update on the DCT was expected by the end of January 2022. It was also noted that the delivery of the result of the accounts had been impacted by resourcing, staff remote working and more rigorous analysis into the accounts. This had contributed to the delay. As a learning exercise, debrief meetings had been arranged with officers where areas of challenge would be reviewed to refocus efforts for the following year.</p> <p>The Committee was advised that following the approval of delegated authority in September 2021, the Chairman would be asked to virtually sign the on behalf of the Committee following receipt of the audit opinion and audit results report</p> <p><b>RESOLVED: That the Committee noted the 202/21 external audit update.</b></p> |

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| <p>7.</p> | <p><b>INTERNAL AUDIT PROGRESS REPORT FOR 2021/22 QUARTER 2 (INCLUDING THE QUARTER 3 INTERNAL AUDIT PLAN)</b></p> <p>The Committee received the Internal Audit (IA) Progress Report for 2020/21 Quarter 2 and IA Plan for Quarter 3 which provided summary information on all IA work covered in relation to 2021/22, together with assurance levels in this respect.</p> <p>It was reported that since the Q2 IA Progress Report in July 2021, 1 assurance review and 3 grant claims had concluded. 2 assurance reviews and 1 consultancy review were at draft report/ memo stage. 9 assurance reviews, 2 consultancy reviews and 2 grant claims were at advanced testing stage and 1 assurance review was at planning stage. Performance against Key Performance Indicators 5 and 6 were below target however this had been expected as it was relatively early in the audit year.</p> <p><b>RESOLVED:</b></p> <ol style="list-style-type: none"> <li>1. That the Audit Committee noted the IA Progress Report for 2021/22 Quarter 2 and approval be given to the Quarter 3 Internal Audit Plan.</li> <li>2. That the Committee noted the coverage, performance and results of Business Assurance Internal Audit activity within this quarter.</li> </ol>   |
| <p>8.</p> | <p><b>INTERNAL AUDIT PROGRESS REPORT FOR 2021/22 QUARTER 3 (INCLUDING THE QUARTER 4 INTERNAL AUDIT PLAN)</b></p> <p>The Committee received the Internal Audit (IA) Progress Report for 2020/21 Quarter 3 and IA Plan for Quarter 4 which provided summary information on all IA work covered in relation to 2021/22, together with assurance levels in this respect.</p> <p>It was reported that since the Q2 IA Progress Report in October 2021, 6 assurance reviews, 2 consultancy reviews and 4 grant claims had concluded and 3 assurance reviews and 1 consultancy review were at draft report/memo stage. In addition, 11 assurance reviews were at advanced testing stage and 1 assurance review and 1 consultancy review were at planning stage. An external Quality Assessment of the shared IA service at the LB of Camden and LB of Islington had also been undertaken and this proved to be an insightful and useful benchmark in comparing LB Hillingdon IA processes.</p> <p>The Committee was informed that during 2021/22 quarter 1 to 3 IA had verified 140 outstanding recommendations. 67% of these recommendations had been implemented and the remaining 33% had their deadlines extended following agreement with the Head of Internal Audit and relevant Corporate Director. There had been a temporary shift in resource to accommodate the preparation of the annual internal audit plan.</p> <p>During Member discussions, it was noted that there had been changes in senior management structure and directorates had been merged.</p> <p>In terms of outstanding recommendations, it was explained that previously pre pandemic 98-99% of IA risks were identified and actioned within agreed timescales.</p> |

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|                   | <p>However during the pandemic, priority for the implementation of recommendations had been lowered and a number of extensions had been agreed. Moving out of the pandemic there needed to be more accountability for the risks and the implementation of recommendations. Work was being done to raise awareness, risk owners were being asked for proposed actions and there was close liaison with relevant Corporate Directors and their Executive Assistants to manage this.</p> <p>It was noted that recruitment of internal auditors was a high priority for IA and an interim Head of Internal Audit had been appointed. Interim resources would be obtained from Mazars if required.</p> <p>This was the last meeting for the Head of Internal Audit, and they were thanked for their dedication and excellent service.</p> <p><b>RESOLVED:</b></p> <ol style="list-style-type: none"> <li><b>1. That the Audit Committee noted the IA Progress Report for 2021/22 Quarter 3 and approval be given to the Quarter 4 Internal Audit Plan.</b></li> <li><b>2. That the Committee noted the coverage, performance and results of Business Assurance Internal Audit activity within this quarter.</b></li> </ol>  |
| <p><b>9.</b></p>  | <p><b>INTERNAL AUDIT STRATEGY 2022 - 25</b></p> <p>The Committee considered the draft Internal Audit Strategy for 2022 - 2025. The Council's strategic objectives delivered through the Hillingdon Improvement Plan (HIP), were the starting point in the development of the strategy.</p> <p>The following areas had been considered:</p> <ul style="list-style-type: none"> <li>• The core objectives of London Borough of Hillingdon (LBH) and the specific risks that impacted the achievement of those objectives;</li> <li>• Regulatory requirements for IA coverage;</li> <li>• The most recent reviews of IA and Audit Committee effectiveness;</li> <li>• The content of corporate and directorate risk registers and assurance frameworks to understand the risks faced, and the controls that the Council placed reliance on to manage those risks; and</li> <li>• An analysis of the risks, strengths, weaknesses, opportunities and threats to the IA Service.</li> </ul> <p>The Committee welcomed the areas of focus and questioned whether loss of key staff ought to be added as a consideration.</p> <p>There was a weakness noted in the SWOT analysis with regard to specialist ICT. Members were informed that it had been agreed with Corporate Directors and Heads of Team that there would be an ICT audit in every quarter.</p> <p><b>RESOLVED: That the Audit Committee noted the Internal Audit Strategy for 2022-2025 and approved it.</b></p> |
| <p><b>10.</b></p> | <p><b>2021/22 QUARTER 2 COUNTER FRAUD PROGRESS REPORT</b></p> <p>The Committee received a report detailing the work undertaken by the Business</p>   |

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|            | <p>Assurance Counter Fraud Team (BACFT) in relation to 2021/22 Quarter 2 and assurances in this respect.</p> <p>It was reported that there had been a total of £1.5m in loss prevention savings in this quarter across Housing, Revenue and Social Care. During the pandemic, the BACFT concentrated on revenues maximisation and using data matching to identify unlisted business premises. As a result, a total of c£1.2m in loss prevention savings had been identified in this area during Q2. This was predominantly made up of 3 undeclared businesses that had now been billed more than £1.1m, following a robust investigation. A three-year criminal investigation into a 10 year tenancy fraud had now concluded and the suspects had been convicted.</p> <p>It was confirmed that further clarification would be provided in relation to the NNDR figures in Appendix B of the report.</p> <p>The BACFT were commended for their good work.</p> <p><b>RESOLVED: That the Audit Committee noted the Counter Fraud Progress Report for 2021/22 Quarter 2.</b></p>   |
| <p>11.</p> | <p><b>2021/22 QUARTER 3 COUNTER FRAUD PROGRESS REPORT</b></p> <p>The Committee received a report detailing the work undertaken by the Business Assurance Counter Fraud Team (BACFT) in relation to 2021/22 Quarter 3 and assurances in this respect.</p> <p>It was reported that the BACFT had achieved a c£639k in loss prevention savings in Q3 alone across Revenues, Social Care and Housing services, bringing the total year to date loss prevention financial savings to c£2.47m. This made 2021/22 the most successful financial year ever for the BACFT. During Q3, the BACFT had tackled tenancy fraud through risk based proactive projects and investigative work. The work carried out by the BACFT had generated a significant return during the quarter with 17 Council properties recovered for sub-letting or non-occupation.</p> <p>During Member questions, it was noted that the blue badge investigation had been intelligence led and there was further work planned in this area. It was also noted that there were some staffing vacancies in the team.</p> <p>The Committee commended the team for their excellent work and considered that this would be good making for an application for specific fraud awards.</p> <p><b>RESOLVED: That the Audit Committee noted the Counter Fraud Progress Report for 2021/22 Quarter 3.</b></p> |
| <p>12.</p> | <p><b>COUNTER FRAUD STRATEGY 2022 TO 2025</b></p> <p>The Counter Fraud Strategy for 2022 to 2025 was presented to the Committee which set out the planned approach for the next three years.</p> <p>The key elements of the strategic approach included:</p>   |

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|     | <ul style="list-style-type: none"> <li>• A collaborative approach with Internal Audit to risk and governance.</li> <li>• A risk-based approach to Counter Fraud.</li> <li>• Partnership &amp; Engagement</li> <li>• Prevent, detect, pursue, deter</li> <li>• Innovation &amp; Modernisation</li> </ul> <p>It was reported that this approach had been proven to be more effective in the management of fraud risks. It also provided an efficient use of resource in dealing with fraud and a greater opportunity to minimise the Council's fraud losses.</p> <p>Further to the Committee's request, it was agreed that the key performance indicators targets would be reviewed and reported to the Committee.</p> <p>The Committee commented that the Counter Fraud Strategy was good and clear.</p> <p><b>RESOLVED: That the Audit Committee noted the Counter Fraud Strategy 2022 to 2025 and suggested any amendments and comments.</b></p>  |
| 13. | <p><b>2021/22 QUARTERS 2 AND 3 CORPORATE RISK REGISTER</b></p> <p>The Corporate Risk Register for Quarter 2 and Quarter 3 (July to December 2021) report was presented to Members. The report provided evidence about how identified corporate risks had been managed and the actions which were being taken to mitigate those risks.</p> <p>It was reported that since quarter 1 there had been key movements in:</p> <p>Risk 3 – Asylum / Unaccompanied Minors / Trafficked Children &amp; Young People - The Cause had been updated to reflect that the National Dispersal Scheme from December 2021 was now mandatory.</p> <p>Risk 9 – Cyber Security - This risk rating had changed from “D1” to “C1” to reflect the current wider cyber security landscape.</p> <p>Risk 10 – Brexit - This risk was now retired as previous financial and economic pressures had now materialised with mitigating activity embedded in strategic and operational delivery.</p> <p>In response to Member questions regarding horizon scanning, it was explained that this was conducted on a regular basis, with the Head of IT receiving daily reports about potential cyber-attacks, areas of exposure and weaknesses. It was anticipated that risk 12 – Coronavirus would come down as the pandemic came to an end.</p> <p><b>RESOLVED: That the Committee reviewed the Corporate Risk Register for Quarters 2 and 3 (July to December 2021) as part of the Committee's role to independently assure the Council's corporate risk management arrangements.</b></p> |
| 14. | <p><b>AUDIT COMMITTEE FORWARD PROGRAMME</b></p> <p>Consideration was given to the forward work programme for the Committee.</p> <p>It was agreed that an item on the Review of the Audit Committee's Terms of Reference would be added to the work programme for the next meeting. An update</p>   |

from Internal Audit on the implementation of the Review of the Effectiveness of the Audit Committee recommendations was requested in September 2022.

It was also agreed that the External Auditors Annual Report would be added to the work programme for the April 2022 meeting. The meeting date for 15 November 2022 would be reviewed.

**RESOLVED: That the Audit Committee noted the Forward Work Programme for 2021/22 and additions.**

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These are the minutes of the above meeting. For more information on any of the resolutions please contact Anisha Teji on 01895 277655 or email: [ateji@hillingdon.gov.uk](mailto:ateji@hillingdon.gov.uk). Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.