
Annual Report of the Audit Committee 2021/22

12th July 2022

Report Distribution

Meeting / Date

Audit Committee ~ 27th July 2022

Council ~ tbc 2022



1. Introduction

- 1.1 In line with best practice guidance, the Audit Committee is required to submit an annual report to Council, outlining the Audit Committee's activities over the previous year. This report summarises, for the Council, the work of the Audit Committee during 2021/22 and how it has undertaken its responsibilities for reviewing the key areas within its remit. Specifically, these include:
- Internal Audit;
 - Risk Management;
 - Corporate Governance;
 - External Audit;
 - Counter Fraud; and
 - Financial reporting process of the Statement of Accounts.
- 1.2 Accordingly, in compliance with the Accounts and Audit (Amended) (England) Regulations 2021 the Audit Committee has reviewed the effectiveness of the systems of internal control by receiving regular reports from these areas above that contribute to the control framework. This report provides an opportunity for Council Members to review the work of the Audit Committee and comment on its contribution and performance.

2. Key Activities of the Audit Committee

- 2.1 The Terms of Reference (ToR) of the Committee are attached at **Appendix A**. These were last amended at the Council meeting held on 11th May 2017, following an Internal Audit review of the Effectiveness of the Audit Committee. The updated ToR provides clarity and clearly outlines the different roles and responsibilities that surround the Council's wide-ranging audit and governance activities; strategy and policy (Leader/ Cabinet Members), operational/ service delivery (Officers) and review and monitoring (Audit Committee). The Committee will review the ToR each year.
- 2.2 During the 2021/22 municipal year the Audit Committee met on four occasions: 29th July 2021, 29th September 2021, 1st February 2022, and 28th April 2022. Membership and attendance of the Audit Committee comprised as follows:

Member Name	Member Appointment	2021/22 Meeting Attendance
Mr John Chesshire (Independent Chairman)	Initially appointed on 2 nd November 2017 to present	100% (all 4 meetings)
Cllr Duncan Flynn (Vice Chairman)	Appointed on 20 th May 2021. Appointed as Vice Chairman on 4 th February 2021 to 6 th May 2022	75% (3 from 4 meetings) 29 July 2021(apologies) 29 September 2021(as Vice Chairman); 1 February 2022 (as Vice Chairman); 28 April 22 (as Vice Chairman)
Cllr Tony Eginton (Opposition Lead)	Appointed on 5 th June 2014 to 6 th May 2022	100% (all 4 meetings)
Cllr Raymond Graham	Appointed on 20 th May 2021 to 6 th May 2022	25% (1 from 4 meetings) 29 July 2021; 29 September 2021(apologies); 1 February 2022 (apologies);

		28 April 2022 (apologies)
Cllr John Morgan	Appointed on 20 th May 2021 to 6 th May 2022	75% (3 from 4 meetings) 29 July 2021; 29 September 2021 (apologies); 1 February 2022; 28 April 22
Cllr Richard Lewis (Reserve)	Appointed on 20 th May 2021 to present	Attended on 29 th September 2021 (as substitute for Cllr Graham)
Cllr Richard Mills (Reserve)	Appointed on 20 th May 2021 to 12 th May 2022	0% (0 meetings)
Cllr John Morse (Reserve)	Appointed on 20 th May 2021 to 6 th May 2022.	0% (0 meetings)
Cllr Colleen Sullivan (Reserve)	Appointed 18 th November 2021 to 12 th May 2022	Attended on 1 st February 2022 (as substitute for Cllr Graham)

2.3 The current Independent Chairman has over 20 years' experience in the public and private sectors working in the internal audit, risk management, business improvement and governance fields.

2.4 The role delegated by the Council to the Audit Committee is to provide independent assurance over the governance, risk management and the system of internal control in operation at the Council. The Audit Committee has fulfilled this role by undertaking the following key activities:

a) Oversight of Internal Audit

- The Audit Committee oversaw the activity of the Council's Internal Audit service to assist it in its role of monitoring the internal control, risk management and governance arrangements of the Council's operations. During 2021/22, the Audit Committee reviewed the 2020/21 Annual Internal Audit Report and Head of Internal Audit Opinion Statement, received quarterly progress reports and operational plans, scrutinised Internal Audit performance and approved the 2021/22 Internal Audit Annual Resources Plan;
- An assessment of the Internal Audit Service is required by the Public Sector Internal Audit Standards (PSIAS) to be completed every five years. Hillingdon's Internal Audit Service was last reviewed in 2017/18 and as reported at the time to Audit Committee, Hillingdon was just one of a few Internal Audit services across London to be issued with a '**FULLY CONFORMS**' to the PSIAS' independent opinion. The next External Quality Assurance review of Internal Audit is due to be carried out in the autumn of 2022;
- The Internal Audit Charter was reviewed and incorporated into the three year Internal Audit Strategy (2022-25) which was approved by Audit Committee at its meeting on 1st February 2022;
- The Audit Committee also reviewed the key findings from Internal Audit reviews and sought explanations from the Head of Internal Audit about the recommendations emanating from 'Limited' or 'No' assurance audits. It monitored the number of outstanding recommendations and was pleased to note a continued collaborative approach between Internal Audit and Management to manage identified risks appropriately;
- The Committee was satisfied that Internal Audit has embedded a more collaborative approach in working with management to help achieve positive outcomes for the Council;
- The Committee continued to play an important role in raising the profile of Internal Audit by supporting it in its role of assisting Management in the Council; and

- In keeping with good governance arrangements, Members of the Audit Committee held a private meeting with the Deputy Director of Exchequer Services & Business Assurance, who was the lead officer for internal audit.

The Audit Committee is satisfied that Internal Audit is effective and adds value to the Council.

b) Oversight of External Audit

- The Committee has reviewed the activity of the Council's External Auditors (Ernst & Young) to assist it in its role of monitoring the internal control, risk management and governance arrangements of the Council's operations. The Committee has received and considered the external audit plan, received progress updates and reviewed EY performance;
- In February 2022, an unqualified audit opinion was provided by the external auditors on the Council's 2020/21 financial statements; and
- In keeping with good governance arrangements, In September 2021, members of the Audit Committee had a private meeting with External Audit.

c) Prevention and Detection of Fraud and Corruption

- The Council operates a zero-tolerance policy towards all fraud and corruption. Responsibilities for the Council's anti-fraud and anti-corruption arrangements were transferred to the Counter Fraud Team (CFT) with effect from 1st August 2017;
- The CFT is embedded into all major fraud risks across the three largest areas of expenditure Revenues, Social Care and Housing. The team conducts proactive and reactive counter fraud activity to highlight fraud, loss and error. This minimises the Council's exposure to fraud and maximises its preventative savings.
- At the end of 2021/22 the CFT carried out a small-scale restructure of the team, with the objective of increasing officer capacity and reducing management resourcing to ensure the team could meet its strategic objectives in 2022/23. The restructure has led to the creation of a Data Analytics Unit, which is responsible for intelligence gathering, data matching and the use of technology to identify fraud, loss and error;
- The National Fraud Initiative (NFI), is embedded in practice in the CFT through detecting potential fraud by matching electronic data sets within and between public and private sector bodies. Relevant service areas across the Council review the initial data matches and then refer them to the CFT for investigation (where appropriate to do so);
- The Audit Committee has received consolidated quarterly progress reports from the CFT. The team has responsibility for the oversight of the effectiveness of the Council's policies and procedures to prevent and detect fraud and corruption;
- A move to a risk-based approach to counter fraud activities was introduced in 2017/18 and is fully embedded across the CFT. Counter Fraud Analysts within the team gather intelligence and risk assess any referrals before passing them to the counter fraud officers and investigators in the team for further work (where appropriate to do so); and
- In 2021/22 the team achieved total loss prevention savings of c£3m against a £1.5m target.

The Audit Committee is satisfied with the effectiveness of the Council's counter fraud arrangements during 2021/22 and is looking forward to seeing more loss prevention work being completed in 2022/23.

d) Risk Management

- The Audit Committee reviewed the Annual Risk Management Report in September 2021 as part of the Committee's role to independently assure the Council's corporate risk management arrangements. The Council's Risk Management Policy and Guidance was last updated in August 2020; and
- The Committee has monitored and reviewed the Council's risk management arrangements

during the year through a quarterly risk management report, including the updated Corporate Risk Register. It also sought assurances that action was being taken on risk related issues.

The Audit Committee is satisfied that these arrangements enable it to provide sufficient challenge to officers around the identification and management of the key risks to the Council.

e) Approval of Financial Accounts

- Throughout late 2021 Audit Committee was provided with audit progress reports on the Council's annual statement of accounts for 2020/21 with the final update being delivered in February 2022. This included considering whether appropriate accounting policies have been followed and whether there are concerns arising from the external audit of the financial statements that need to be brought to the attention of the Council; and
- The Audit Committee scrutinised the accounts in some detail and challenged the officers where appropriate. As part of this process the Committee gave delegated authority for final approval and sign-off at the February 2022 meeting and an unqualified opinion was provided by Ernst & Young later in February 2022 in consultation with the Audit Committee Chair and S151 officer.

f) Corporate Governance

- The Audit Committee oversaw the production of the Council's Annual Governance Statement (AGS) for 2020/21. It was approved as part of the Statement of Accounts in February 2022. As at 12th July 2022, the AGS for 2021/22 has been drafted and will be reviewed by the Audit Committee later in the year with the annual accounts.

3. The Audit Committee's Effectiveness

- 3.1 In line with best practice, an independent review of the Audit Committee's effectiveness was conducted by Internal Audit. This review provided **REASONABLE** assurance that the Committee is operating effectively. The final report was issued on 28th May 2021 and was presented to the Audit Committee at its meeting on 29th July 2021.
- 3.2 The Audit Committee is required to submit an annual report to Council to report its activities and attendance throughout the year. For 2020/21 report this happened on 9th September 2021.

4. Conclusion

- 4.1 The Audit Committee considers that it has continued to make a significant contribution to ensuring that the key elements of the governance framework are given proper consideration and are appropriately challenged. It will continue to develop this role and contribute to strengthen internal control, risk management and governance throughout the authority.
- 4.2 I would like to thank all Members and officers who have been involved in the work of the Audit Committee throughout the past year.

Mr. John Chesshire
Independent Chairman of the Audit Committee, London Borough of Hillingdon
12th July 2022

AUDIT COMMITTEE TERMS OF REFERENCE

The Constitution defines the Terms of Reference for the Audit Committee as:

The Audit Committee's role will be to:

- Review and monitor the Council's audit, governance, risk management framework and the associated control environment, as an independent assurance mechanism;
- Review and monitor the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment;
- Oversee the financial reporting process of the Statement of Accounts.

Decisions in respect of strategy, policy and service delivery or improvement are reserved to the Cabinet or delegated to Officers.

Internal Audit

1. Review and approve (but not direct) the Internal Audit Strategy to ensure that it meets the Council's overall strategic direction.
2. Review, approve and monitor (but not direct) Internal Audit's planned programme of work, paying particular attention to whether there is sufficient and appropriate coverage.
3. Through quarterly Internal Audit summary reports of work done, monitor progress against the Internal Audit Plan and assess whether adequate skills and resources are available to provide an effective Internal Audit function. Monitor the main Internal Audit recommendations and consider whether management responses to the recommendations raised are appropriate, with due regard to risk, materiality and coverage.
4. Make recommendations to the Leader of the Council or Cabinet Member for Finance, Property and Business Services on any changes to the Council's Internal Audit Strategy and Internal Audit Plans.
5. Review the Annual Internal Audit Report and Opinion Statement and the level of assurance this provides over the Council's corporate governance arrangements, risk management framework and system of internal controls.
6. Consider reports dealing with the activity, management and performance of Internal Audit.
7. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to request work from Internal Audit.

External Audit

8. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
9. Monitor management action in response to issues raised by External Audit.
10. Receive and consider specific reports as agreed with the External Auditor.
11. Comment on the scope and depth of External Audit work and ensure that it gives value for money, making any recommendations to the Corporate Director of Finance.

APPENDIX A (cont'd)

12. Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
13. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.
14. Monitor arrangements for ensuring effective liaison between Internal Audit and External Audit, in consultation with the Corporate Director of Finance.

Governance Framework

15. Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations and where necessary bring proposals to the Leader of the Council or the Cabinet for their development.
16. Review any issue referred to it by the Chief Executive, Deputy Chief Executive, Corporate Directors, any Council body or external assurance providers including Inspection agencies.
17. Monitor and review, but not direct, the authority's risk management arrangements, including regularly reviewing the Corporate Risk Register and seeking assurances that appropriate action is being taken on managing risks.
18. Review and monitor Council strategy and policies on anti-fraud and anti-corruption including the 'Raising Concerns at Work' policy, making any recommendations on changes to the relevant Corporate Director in consultation with the Leader of the Council.
19. Oversee the production of the authority's Annual Governance Statement and recommend its adoption.
20. Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on suggested actions to improve alignment with best practice.
21. Where requested by the Leader of the Council or Cabinet Member for Finance, Property and Business Services or Corporate Director of Finance, provide recommendations on the Council's compliance with its own and other published standards and controls.

Accounts

22. Review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council.
23. Consider the External Auditor's report to those charged with governance on issues arising from the external audit of the accounts.

Review and Reporting

24. Undertake an annual independent review of the Audit Committee's effectiveness and submit an annual report to Council on the activity of the Audit Committee.