

## Minutes

### AUDIT COMMITTEE

14 May 2025

Meeting held at Committee Room 5 - Civic Centre,  
High Street, Uxbridge UB8 1UW



	<p><b>Committee Members Present:</b> Councillor Nick Denys, Councillor Tony Burles, Councillor Douglas Mills, Councillor Henry Higgins, and Councillor June Nelson</p> <p><b>Officers Present:</b> Claire Baker – Head of Internal Audit and Risk Assurance, Alex Brown – Head of Counter Fraud, Andrew Macleod – Chief Accountant Andy Goodwin – Head of Strategic Finance (interim Chief Finance Officer/ S151 Officer) Pete Carpenter – Director – Pensions, Treasury &amp; Statutory Accounts Tony Zaman – Chief Executive Officer Ryan Dell – Democratic Services Officer</p> <p><b>Also Present:</b> Debbie Hanson, Ernst &amp; Young (virtual) Stephen Reid, Ernst &amp; Young Mark Rutter, Ernst &amp; Young</p>
1.	<p><b>APPOINTMENT OF CHAIR</b> (<i>Agenda Item 1</i>)</p> <p>Democratic Services opened the meeting by asking for nominations for Chair.</p> <p>A nomination was received for John Chesshire, which was seconded and agreed.</p> <p><b>RESOLVED: That the Audit Committee appointed Mr John Chesshire as Chair of the Audit Committee for the 2025-26 municipal year.</b></p>
2.	<p><b>APPOINTMENT OF VICE-CHAIR</b> (<i>Agenda Item 2</i>)</p> <p>Democratic Services asked for nominations for Vice-Chair.</p> <p>A nomination was received for Councillor Nick Denys, which was seconded and agreed.</p> <p><b>RESOLVED: That the Audit Committee appointed Councillor Nick Denys as Vice-Chair of the Audit Committee for the 2025-26 municipal year.</b></p>
3.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 3</i>)</p> <p>Apologies had been received from John Chesshire.</p>

4.	<p><b>DECLARATIONS OF INTEREST</b> (<i>Agenda Item 4</i>)</p> <p>None.</p>
5.	<p><b>TO CONFIRM THAT ALL ITEMS MARKED IN PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE</b> (<i>Agenda Item 5</i>)</p>
6.	<p><b>MINUTES OF THE MEETING HELD ON 11 FEBRUARY 2025</b> (<i>Agenda Item 6</i>)</p> <p><b>RESOLVED:</b> That the minutes of the previous meeting be agreed as a correct record</p>
7.	<p><b>EXTERNAL AUDIT UPDATE</b> (<i>Agenda Item 7</i>)</p> <p>The Chair opened the item by thanking EY and officers for their reports and moved straight to questions.</p> <p>The Chair referred to the Independent Auditor's Report, which noted that there was a significant weakness in the authority's arrangements to identify and manage risks to its financial resilience and asked what had led EY to that conclusion. The DSG deficit was larger than the Council's available reserves and this was a factual concern. Budget deterioration had occurred during the year, with a significant overspend. Weaknesses in baseline budgeting and demand forecasting had contributed to the overspend. The Medium-Term Financial Plan (MTFP) for 2024/25 included a steep increase in required savings. EY clarified that external auditors reporting a significant weakness in financial sustainability was a serious matter. EY would present an interim report at the next meeting to update on progress.</p> <p>Members asked officers how this had happened and how it can be avoided in future. The Medium-Term Financial Strategy was based on four key elements: funding, demand-led growth, savings, and corporate items. Root causes identified included: demographic pressures in adult social care, children's services, and temporary accommodation; inaccuracies in demand modelling; and delays in housing stock expansion which had reduced expected savings. Mitigation measures included: the launch of a Financial Improvement Programme; collaboration with external partners for benchmarking and process review; and increased focus on worst-case scenario planning.</p> <p>The Committee requested a report from officers at the next meeting to update on financial risk assessment procedures and budget-setting methodology.</p> <p>The Chair referred to the Independent Auditor's Report, which also noted that there was a significant weakness in the authority's arrangements with regards to the way the authority records, processes and reports on the information it holds, which undermines the ability of the authority to take proper informed decisions, manage its risks and meet its statutory deadlines, and asked how EY came to this conclusion.</p> <p>Evidence for this included the delay in the production of the draft accounts and the inspection period not taking place in line with statutory requirements; Internal Audit's limited assurance opinion citing poor data quality and reliance on manual records; and difficulties experienced by EY in completing the 2023/24 audit.</p> <p>Officers acknowledged that routine officer-level governance was increasingly focused</p>

on financial recovery. Democratic governance processes (such as delegated authority sign-offs) remained intact. A comprehensive governance improvement programme was underway, including a “Five Pillars” review by Grant Thornton, and integration of Oracle systems to streamline data and improve transparency.

Officers presented that ‘governance’ had been used as a general point, though the main governance challenges were related to finance structures, systems and processes, including processes for budget monitoring. Officers explained there was a finance improvement programme underway, supported by Grant Thornton, who will implement best practice. Officers also explained the wider non-finance related governance work underway across the Council and proposed a training session for the Audit Committee on financial governance and all other governance. It was suggested that this training be conducted before the next meeting. Inviting Grant Thornton to be part of the training would be considered.

Members referenced the reduction of reserves and suggested three contributory factors: a delay in adjusting the Council Tax Reduction Scheme post-pandemic; differences of opinion between finance and service teams on income generation (e.g. parking charges); and inconsistent data reporting, especially in SEND forecasting. Officers did set out the significant improvements across the SEND data and forecasting.

On the Council Tax Reduction Scheme, officers noted that there had been a big impact on this of COVID which saw a 16% increase in demand.

Officers acknowledged the poor condition of data and work was ongoing to streamline data sources. This included the implementation of Oracle EPM, a budget monitoring platform, by month two of the financial year. It was reiterated that there needed to be accountability for budgets but that the right tools were needed to assist this.

EY clarified that their report covered 2023/24 and that they were not able to complete sufficient procedures to be able to give an opinion on the financial statements as a whole. What they had done, within the appendix of their report, was provide the Committee with a summary of the work they had been able to complete.

Members asked about the frequency of no assurance items and asked if this was due to data quality or a lack of resource within the finance directorate. EY noted that it was a combination of factors. There was a weakness in data quality which contributed to EY not being able to complete all of the necessary procedures. It was an acknowledged factor that capacity was one element that had led to quality challenges.

Journal entry testing was incomplete due to late data provision. The Oracle transition had some data issues that had caused delays for the 2024/25 audit.

Members asked about the position of the Council relative to other authorities. EY noted that while a number of councils had deficits on their DSG, Hillingdon was towards one end of the spectrum. It was reiterated that EY had found a significant weakness in financial sustainability.

Officers added that they had set a budget and a course of action to address the scale of the challenge, which was acknowledged. Officers were working through the closing of the accounts which would inform the first periods of the new financial year. Shortcomings were being addressed.

	<p>Members referred to the failure to complete procedures to check if there were had been inappropriate capitalisation of revenue expenditure. EY reiterated the overall conclusion around not being able to complete procedures within the timeframes. There was a need to rebuild assurances after several years of disclaimed opinions. Most beneficial to this was assurance over the balance sheet at the reporting date of 31 March 2024.</p> <p>On plans for the current audit, EY noted that they would have expected to have an audit plan for 2024/25 to present to the Committee. They were not in this position because there had been delays in receiving ledger data from the Council. These delays were linked to the Oracle transition. EY would bring a full plan that sets out the risk to the financial statements. On the value for money side, EY intended to being an interim commentary to the next Committee. Officers noted draft accounts for 2024/25 were targeted for completion by the end of June. There would be an emphasis on accuracy over speed to ensure public consultation readiness.</p> <p><b>RESOLVED: That the Audit Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Noted the final position regarding the Statement of Accounts and Audit Results Report for 2023/24 for ratification;</b></li> <li><b>2. Noted the high-level process that will be followed regarding the delivery and audit of the 2024/25 Accounts; and</b></li> <li><b>3. Noted the draft plan for the Audit of the 2024/25 Pension Fund Accounts.</b></li> </ol>
8.	<p><b>INTERNAL AUDIT ANNUAL REPORT</b> (<i>Agenda Item 8</i>)</p> <p>Members highlighted that the report referred to limited capacity at a senior level. Officers clarified that this was in relation to governance arrangements. A significant amount of time in 2024/25 was dedicated to Zero-Based Budgeting and star chambers. This focus impacted senior-level capacity but was necessary for financial recovery and service efficiency.</p> <p>Members highlighted that there were fewer assurance reviews and asked if this related to available resources. Officers noted that the shift to advisory work was intentional, supporting transformation rather than reiterating known issues.</p> <p>Members asked about steps taken to address issues. It was important to note that 2024/25 was a big year of change, with lots of reviews, and looking at new ways of working across services and directorates. This included the Zero-Based Budgeting and star chamber sessions. There had been developments made during the year on performance data. The Chief Operating Officer had presented to the Committee previously and there were now approximately 130 performance dashboards developed to improve data visibility.</p> <p>The next step was around implementation of these new ways of working, and this was underway. In relation to performance data, this included pulling out key indicators and building these into a cross cutting strategic level dashboard. A draft of this was due to go to Cabinet. Members asked if this could be shared with the Audit Committee too, officers would look into this.</p> <p>Officers further advised that just because there was a no assurance opinion did not mean that work was not underway. During 2024/25 officers looked at lots of data and</p>

	<p>went into lots of detail on the finances. A Governance Rapid Improvement Plan had been launched.</p> <p>The internal audit opinion of ‘no assurance’ was noted. This referred to the formal structure of governance. Officers expressed optimism for future improvement but stressed the need for evidence before changing the opinion.</p> <p>Zero-Based Budgeting was a discovery exercise to understand service operations, effectiveness and inefficiencies. Members asked if the Zero-Based Budgeting process was complete. Officers clarified that this had been a starting point. Next stages would involve fixing issues and developing new ways of working. Emphasis was placed on collaboration and cross-service improvements.</p> <p>Members asked if Internal Audit had sufficient resources. Officers confirmed that they did and noted that the focus shifted to advisory work aligned with transformation.</p> <p>The Internal Audit plan remained flexible to accommodate emerging risks and external assurance sources. Some reviews had been deferred or replaced with higher-priority items.</p> <p>Members asked if removed reviews would be revisited. Officers clarified that this would be based on priority and availability of other assurance sources to avoid duplication.</p> <p>Members also asked about the alternative assurance on utilisation of housing stock. Officers noted a review by the housing regulator.</p> <p>EY noted that they viewed Internal Audit’s opinion of ‘No assurance’ as very significant. It was a serious matter when no assurance can be provided over the internal control risk management and governance frameworks. It was reiterated that a detailed report on risk assessment and budget control will be prepared for the next meeting.</p> <p><b>RESOLVED: That the Audit Committee noted the IA Annual Report for 2024/25.</b></p>
9.	<p><b>RISK MANAGEMENT ANNUAL REPORT</b> (<i>Agenda Item 9</i>)</p> <p>The Chair referenced the previous minutes suggesting a letter be sent to colleagues with overdue or red risks without actions. It was confirmed that this had been raised with CMT. By year-end, overdue risks had significantly reduced from 61 to 34, with most remaining risks being low risk. One red risk was reviewed shortly after the responsible officer returned from leave.</p> <p>The new system has shifted accountability for risk management to individual services and directorates. Previously, risk management was centralised under a risk officer, which created a conflict of interest when the role was merged with internal audit. The system was introduced as a cost-effective alternative to reinstating a dedicated risk officer.</p> <p>Members commended the arrival of the Head of Internal Audit for the improvements they had overseen.</p> <p>Members highlighted the importance of departments maintaining ownership of risk management. A new Corporate Governance Group had been established to oversee governance arrangements and risk register KPIs. Risk data was being integrated into performance dashboards to enable directorates to monitor and act on risks more</p>

	<p>effectively.</p> <p>Members asked about any progress on the insurance valuations risk. This was being addressed by the Asset Governance Group. Officers would email an update to Members.</p> <p>The Housing Landlord Service risk remained high due to an ongoing inspection by the housing regulator. Compliance was strong in areas like health and safety (e.g. fire doors, gas checks). Weaknesses were in resident engagement and communication, which were being addressed through a detailed action plan.</p> <p>Members asked what had caused overdue and red risks. This included timing issues and officer leave.</p> <p>Members asked how to ensure continuous risk management. This would include oversight by the Corporate Governance Group and performance dashboards.</p> <p><b>RESOLVED: That the Audit Committee noted the Risk Management Annual Report and progress to improve the risk management arrangements.</b></p>
10.	<p><b>STRATEGIC RISK REPORT</b> (Agenda Item 10)</p> <p>Members asked if the review of the risk regarding the ability to deliver a balanced budget in the short and medium term had been completed. CMT had reviewed this risk as part of the strategic risk update. Strategic risks were maintained within the Council's risk management system and were owned by members of CMT. CMT conducted a full review and update of all strategic risks at the end of the reporting period. Strategic risks were being integrated into a new cabinet performance dashboard. This integration will enable more frequent and proactive monitoring of risks. The dashboard will allow CMT members to engage with risk data on a continuous basis, improving responsiveness and accountability.</p> <p><b>RESOLVED: That the Audit Committee noted the Strategic Risk Report and provided feedback on the content and level of assurance received.</b></p>
11.	<p><b>COUNTER FRAUD ANNUAL REPORT</b> (Agenda Item 11)</p> <p>The Chair commended the Counter Fraud team for delivering nearly £11 million in savings over the past year. The Committee expressed appreciation for the team's continued impact and effectiveness.</p> <p>Members asked if there were any areas to expand into. Officers confirmed plans to expand counter fraud efforts in adult social care, particularly around direct payments and commissioned care. The team also intended to expand further into children's services (e.g. Section 17 and UASC), which had been deprioritised due to housing pressures. The structure now allowed for broader coverage across both areas.</p> <p>Data projects in adult social care were expected to begin in Q2. Early results may be available by the end of Q2, with more complex investigations taking longer to complete.</p> <p>Members asked about providing services to other authorities as a means of raising revenue, and whether this had been considered. Officers noted that this had been considered, however other authorities often preferred doing things internally. Members commended the Counter Fraud team's performance compared to other authorities and suggested this could be a good time for any such opportunities. It was noted that</p>

	<p>officers were also exploring internal applications of their skillset, such as debt recovery.</p> <p>Members raised concerns about the low number of identified 'beds in sheds' cases. Officers clarified that the Counter Fraud team's remit was limited to identifying properties for Council Tax and Business Rates purposes. Some related issues fell under planning and private sector housing teams. The Counter Fraud team did not have right of entry. Plans were in place to increase focus on this area without compromising other high-value activities.</p> <p><b>RESOLVED: That the Audit Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Noted the Counter Fraud Annual Report for 2024/25; and</b></li> <li><b>2. Suggested any comments/ amendments</b></li> </ol>
12.	<p><b>WORK PROGRAMME</b> (<i>Agenda Item 12</i>)</p> <p>Members considered the Work Programme.</p> <p>The Chair noted that he had requested an addition for the next meeting.</p> <p><b>RESOLVED: That the Audit Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Noted the dates for Audit Committee meetings; and</b></li> <li><b>2. Added an update item on financial risk assessment procedures and budget-setting methodology for the next meeting</b></li> </ol>
	<p>The meeting, which commenced at 5.10 pm, closed at 6:35 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Democratic Services on 01895 250636 or email: [democratic@hillingdon.gov.uk](mailto:democratic@hillingdon.gov.uk). Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

**The public part of this meeting was filmed live on the Council's YouTube Channel to increase transparency in decision-making, however these minutes remain the official and definitive record of proceedings.**