



HILLINGDON
LONDON



Audit Committee

Members on the Committee

John Morley (Chairman)
George Cooper
Raymond Graham
Paul Harmsworth
Richard Lewis

Date: MONDAY, 27 JUNE 2011

Time: 5.00 PM

Venue: COMMITTEE ROOM 3 -
CIVIC CENTRE, HIGH
STREET, UXBRIDGE UB8
1UW

**Meeting
Details:** Members of the Public and
Press are welcome to attend
this meeting

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This Committee

This Committee will be responsible for ensuring that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control. This Committee will also consider risk management issues and performance reports.

Terms of Reference

The Constitution defines the terms of reference for the Audit Committee as:

Statement of Purpose

The purpose of Audit Committee is to:

- provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment
- provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment
- oversee the financial reporting process.

Audit Activity

The Audit Committee will:

1. Approve but not direct Internal Audit's strategy and plans, ensuring that work is planned with due regard to risk, materiality and coverage. This will not prevent Cabinet directing internal audit to review a particular matter.
2. Review the Head of Internal Audit's Annual Report and Opinion and Summary of Internal Audit Activity (actual and proposed) and the level of assurance this can give over the Council's corporate governance arrangements.
3. Review summaries of Internal Audit reports and the main recommendations arising.
4. Review a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.

5. Consider reports dealing with the management and performance of the providers of internal audit services.
6. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
7. Monitor management action in response to issues raised by External Audit.
8. Receive and consider specific reports as agreed with the External Auditor.
9. Comment on the scope and depth of External Audit work and ensure that it gives value for money.
10. Liaise with the Audit Commission over the appointment of the Council's External Auditor.
11. Commission work from Internal and External Audit, following a formal request by the Committee to and a joint decision from the Leader of the Council and Cabinet Member for Finance & Business Services.
12. Ensure that there are effective arrangements for ensuring liaison between Internal and External audit.

Regulatory Framework

The Audit Committee will:

1. Maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour. And, where necessary, bring proposals to the Cabinet and/or Council for their development.
2. Review any issue referred to it by the Chief Executive or a Director, or any Council body.
3. Approve and regularly review the authority's risk management arrangements, including regularly reviewing the corporate risk register and seeking assurances that action is being taken on risk related issues.
4. Review and monitor Council policies on 'Raising Concerns at Work' and anti-fraud and anti-corruption strategy and the Council's complaints process.
5. Oversee the production of the authority's Statement of Internal Control and recommend its adoption.
6. Review the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice.

7. Consider the Council's compliance with its own and other published standards and controls.

Accounts

The Audit Committee will:

1. 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 auditor that need to be brought to the attention of the Council.
2. Consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Agenda

CHAIRMAN'S ANNOUNCEMENTS

- 1 Declarations of Interest
- 2 Minutes of Meetings held on 10 March and 12 May 2011 **(Pages 1-10)**
- 3 Exclusion of the Press and Public
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.
- 4 Draft Annual Governance Statement 2010/11 **(Pages 11-20)**
- 5 International Financial Reporting Standards (IFRS) Training **(Oral)**
- 6 Head of Audit Annual Governance Statement **(Pages 21-64)**
- 7 Annual Review of the Effectiveness of the Systems of Internal Audit **(Pages 65-70)**
- 8 Consolidated Fraud Report **(Pages 71-76)**
- 9 Audit Committee Annual Report to Council **(Pages 77-82)**
- 10 Briefing Note on the Consultation on the Future of Local Public Audit **(Pages 83-86)**
- 11 Audit Committee Work Programme **(Pages 87-90)**
- 12 Changing Legislation and Current Issues

PART II

- 13 Internal Audit Progress Report **(Page 91)**

Minutes

Audit Committee

Thursday 10 March 2011

Meeting held at Committee Room 3 - Civic Centre,
High Street, Uxbridge UB8 1UW



HILLINGDON
LONDON

	<p>Independent Member: John Morley (Chairman)</p> <p>Members Present: Councillors George Cooper, Raymond Graham, Phoday Jarjussey and Richard Lewis.</p> <p>Apologies: None.</p> <p>Officers Present: Kevin Byrne (Head of Policy, Performance and Partnerships), Nancy Le Roux (Senior Service Manager – Corporate Finance), Jay Nandhra (Audit Manager), Helen Taylor (Head of Internal Audit and Enforcement), Paul Whaymand (Deputy Director, Finance) and Khalid Ahmed (Democratic Services Manager).</p> <p>Others Present: Heather Bygrave (Deloitte), Jonathan Gooding (Deloitte), Gus Miah (Deloitte), Zoe Prescott (Grants Manager – Deloitte) and Shireen Quayum (CIPFA Trainee).</p> <p>The Chairman reported that Members had held a scheduled private meeting with the Head of Internal Audit and Enforcement prior to the meeting.</p> <p>At the start of the meeting, the Chairman and Members expressed their thanks and appreciation to Christopher Neale, Corporate Director Finance and Business Services who had left the Authority. Members wished him well for the future.</p> <p>Members welcomed Paul Whaymand to the meeting in his new capacity as the Council's Section 151 Officer.</p>
<p>43.</p>	<p>DECLARATIONS OF INTEREST</p> <p>Councillor Richard Lewis declared a Personal Interest in Agenda Item 6 – Deloitte – 2010/11 Annual Audit Plan as he was a Member of the Pensions Committee. He remained in the room and took part in discussions on the item.</p>

	<p>Councillor George Cooper declared a Personal Interest in Agenda Item 8 – Internal Audit Progress Report as his wife was a Governor of Charville Foundation Primary School and he was a Governor of St Marys Catholic Primary School. He remained in the room and took part in discussions on the item.</p> <p>Councillor George Cooper declared a Personal Interest in Agenda Item 18 – Risk Management Report 2010/11- Quarter 3 (PE&CS 34) as he was a Trustee of Groundwork Thames Valley. He remained in the room and took part in discussions on the item.</p>
44.	<p>MINUTES OF THE MEETING HELD ON 15 DECEMBER 2010</p> <p>Agreed as an accurate record subject to an amendment to Minute No. 37 – Internal Audit and Hillingdon Homes Transfer Back to the Council, so that the last paragraph refers to February 2011.</p>
45.	<p>EXCLUSION OF THE PRESS AND PUBLIC</p> <p>It was agreed that Agenda Item 17 – Internal Audit Progress Report and Agenda Item 18 – Risk Management Report 2010/11 – Quarter 3 both be considered in private.</p>
46.	<p>DELOITTE – ANNUAL GRANT AUDIT LETTER</p> <p>Gus Miah from Deloitte introduced the report. Under Section 28 of the Audit Commission Act 1998, the Commission was responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or a Public Authority to a Local Authority. The appointed auditor carried out work on individual claims as an agent of the Commission, under certification instructions which the auditor must follow.</p> <p>Members were informed that work had been performed on 12 grants with the total fee charged being £148,000. Additional work had been carried out on the “Gateway Grant” which was outside the Audit Commission Framework Contract. The audit fee for this work was £7,000.</p> <p>Deloitte reported that all claims had been submitted on time and a number of adjustments had been made to four of the grant claims prior to certification. The Housing and Council Tax Benefits Scheme grant claim had been given a qualification letter. Eight errors had been identified and two of these had required additional work. Two letters had been received from the Department of Work & Pensions which had meant that additional work had been required.</p> <p>Members were informed that in future, the grant billing would be discussed with the Deputy Director of Finance and it had been agreed that Deloitte would provide monthly cost</p>
	Action By:

	<p>summaries and progress updates on a grant by grant basis. This would enable greater efficiencies.</p> <p>Reference was made to the errors identified in the Housing and Council Tax Benefits which amounted to only 0.1% of the grant.</p> <p>Members thanked Gus Miah for all his work and efforts in his role as Deloitte’s external auditor for the London Borough of Hillingdon.</p> <p>Resolved –</p> <ol style="list-style-type: none"> 1. That the information on the key findings on the grant work undertaken by Deloitte for the year ending 31 March 2010 be noted. 	Action By:
47.	<p>DELOITTE – 2010/11 ANNUAL AUDIT PLAN</p> <p>Heather Bygrave from Deloitte introduced the report and informed Members that Deloitte’s responsibilities were in two areas:</p> <ul style="list-style-type: none"> • The financial statements and the Annual Governance Statement and • Aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources <p>The key audit risks which had been identified as part of the audit strategy were outlined to Members.</p> <p>Reference was made to the timetable for the draft accounts and Members were informed that this was on track.</p> <p>Discussion took place regarding the title “Responsible Financial Officer” and it was agreed that this would be amended to read Section 151 Officer. Further discussion took place on the recent restructuring of the Council and the new job title of Deputy Director of Finance. Members asked that this issue be discussed with the Corporate Director for Central Services and Deputy Chief Executive at the next meeting of the Committee.</p> <p>Members were informed that the proposed changes in the Accounts and Audit Regulations 2003 would result in the audited Statement of Accounts being approved by the Audit Committee in September rather than in June prior to the audit. Reference was made to Appendix 1 – Analysis of Professional Fees in relation to Drivers Jonas Deloitte and their proposal to the Council to monitor the delivery of a building contract for the expansion of six primary schools. Members were assured that this would not compromise the independence of Deloitte.</p>	Fran Beasley

	<p>Members asked that the Deputy Director of Finance ensured that potential interest was noted during the procurement process.</p> <p>The key audit risks which had been identified for the overall audit strategy for the Pension Fund were also outlined.</p> <p>Resolved -</p> <ol style="list-style-type: none"> 1. That the information contained in the report be noted. 	Action By:
48.	<p>DELIVERING THE ANNUAL GOVERNANCE STATEMENT (AGS) 2010-11</p> <p>The Head of Policy, Performance and Partnerships provided Members with a progress report on the AGS for 2010-11. Members were informed that the key sources which contributed to the AGS included:</p> <ul style="list-style-type: none"> • Performance management & data quality information • Risk Management processes • Legal and regulatory assurance • Financial control assurances • Service delivery assurances from directors and Heads of service • Annual Internal Audit report and assurance • External inspection reports and assurances <p>The Corporate Governance Working Group would guide and oversee the delivery of the AGS and ensure that key changes to governance arrangements and control systems were reported, review actions against control weaknesses and highlight cross-council assurance sources.</p> <p>Resolved –</p> <ol style="list-style-type: none"> 1. That the sources of management information and assurance used to produce the AGS be noted. 	
49.	<p>INTERNAL AUDIT PROGRESS REPORT</p> <p>The Head of Internal Audit and Enforcement reported that based on the work undertaken from 20 November 2010 to 31 January 2011; there were no significant causes for concern at this time with levels of assurance. Only one audit in a junior school had received limited assurance and plans were in place to address the weaknesses identified. All other audits had satisfactory assurance with one audit having full assurance.</p> <p>Reference was made to the last meeting of this Committee when a progress report was given in relation to audits for Hillingdon Homes. Members were informed that Mazars, the</p>	

	<p>providing audit services. Members expressed some reservations at this service being provided within the existing staffing resources of the Team. Members asked that this be explored further with the Corporate Director of Central Services and Deputy Chief Executive at the next meeting of the Committee.</p> <p>Resolved-</p> <ol style="list-style-type: none"> 1. That approval be given to the Internal Audit Operational Plan. 	<p>Action By:</p> <p>Fran Beasley</p>
<p>52.</p>	<p>REVIEW OF INTERNAL AUDIT TERMS OF REFERENCE</p> <p>Members were informed that the Code of Practice for Internal Audit in Local Government required a periodic review of the Terms of Reference of Internal Audit. These were last reviewed in March 2010.</p> <p>Discussion took place on the new operational duties which the Head of Internal Audit had in relation to Corporate Fraud and Planning Enforcement and Members asked that the Corporate Director of Central Services and Deputy Chief Executive be asked to provide clarification on this role at the next meeting of this Committee.</p> <p>Resolved-</p> <ol style="list-style-type: none"> 1. That the Internal Audit Terms of Reference be noted and the Corporate Director of Central Services and Deputy Chief Executive be asked to provide clarification on the Planning Enforcement role for the Head of Internal Audit at the next meeting of this Committee. 	<p>Fran Beasley</p>
<p>53.</p>	<p>BALANCES AND RESERVES STATEMENT 2011/12</p> <p>The report explained to Members the technical accounting guidance in the process for the Balances and Reserves Statement and enabled Members to scrutinise the detailed background to the core assessment for General Fund balances supporting the Budget report for 2011/12.</p> <p>In the 2011/12 budget report, the recommended range for unallocated General Fund balances was £12m to £24m.</p> <p>Resolved-</p> <ol style="list-style-type: none"> 1. That the contents of the report be noted. 	

54.	<p>REPORT ON THE REVISIONS TO THE TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2011/12 TO 2013/14</p> <p>At the last meeting of this Committee Members requested that a report be provided which gave details of the changes from the draft to the final version of the statement and strategy.</p> <p>Resolved-</p> <p>1. That the contents of the report be noted.</p>	Action By:
55.	<p>TRAINING SESSION TO REVIEW THE EFFECTIVENESS OF INTERNAL AUDIT</p> <p>Members agreed that they should conduct a review into the systems and effectiveness of Internal Audit at a training session to be held before the June 2011 meeting. Deloitte would be invited to attend the session.</p> <p>In addition to the review, Members would be provided with details on the procedure that Internal Audit undertook when carrying out an audit, together with further details on the CIPFA publication on the role of the Head of Internal Audit in Public Service Organisations.</p> <p>Resolved –</p> <p>1. That the information contained in the report be noted.</p>	Helen Taylor
56.	<p>REVISION TO ACCOUNTS AND AUDIT REGULATIONS 2003</p> <p>The report provided a summary of the key issues contained within the consultation to revise and consolidate the Accounts and Audit Regulations 2003 as amended.</p> <p>Resolved –</p> <p>1. That the information contained in the report be noted.</p>	
57.	<p>WORK PROGRAMME</p> <p>The Chairman asked that the Committee's private meetings with both Deloitte and the Head of Internal Audit and Enforcement be included in the work programme for the next Municipal Year.</p> <p>Members were informed that the scheduled meetings of this</p>	Khalid Ahmed

	<p>Committee for the next Municipal Year required revising and Members would be contacted with suggested revised dates.</p> <p>For the meeting to be held on 27 June 2011, the Fraud Awareness Survey and the Interim Use of Resources Assessment were deleted from the work programme.</p>	<p>Khalid Ahmed Action By:</p> <p>Khalid Ahmed</p>
58.	<p>INTERNAL AUDIT PROGRESS REPORT</p> <p>The report on this item was included in Part II as it contained information relating to the financial or business affairs of any particular person (including the Authority holding that information) and the public interest in withholding the information outweighed the public interest in disclosing it (exempt information under paragraph 3 of Part 1 of Schedule 12 A to the Local Government (Access to Information) Act 1985 as amended.</p> <p>Resolved –</p> <p>1. That the information contained in the report be noted.</p>	
59.	<p>RISK MANAGEMENT REPORT 2010/11 – QUARTER 3</p> <p>The report on this item was included in Part II as it contained information relating to the financial or business affairs of any particular person (including the Authority holding that information) and the public interest in withholding the information outweighed the public interest in disclosing it (exempt information under paragraph 3 of Part 1 of Schedule 12 A to the Local Government (Access to Information) Act 1985 as amended.</p> <p>Resolved –</p> <p>1. That the information contained in the report be noted and the Committee expressed its satisfaction with the processes in place.</p>	
	<p>Meeting closed at: 6.50pm Next meeting: 27 June 2011 at 5.00pm</p>	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on 01895 250833. Circulation of these minutes are to Councillors, Officers, the Press and Members of the Public.

Minutes

Audit Committee
Thursday, 12 May 2011
Meeting held at Council Chamber - Civic Centre,
High Street, Uxbridge UB8 1UW



	Committee Members Present: George Cooper, Raymond Graham and Paul Harmsworth. Officers Present: Nikki Stubbs.	
1.	Election of Chairman Resolved – (1) That Mr John Morley be elected Chairman of the Audit Committee for the municipal year 2011/12.	
	Meeting started at 9.16pm and closed at: 9.17pm Next meeting: 27 June 2011 at 5.00pm	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on 01895 250833. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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The Draft Annual Governance Statement 2010-11

Contact Officer: Fran Beasley / Kevin Byrne
Telephone: 01895 250665

SUMMARY

1. An update on preparing the Annual Governance Statement (AGS) was last reported to the Committee on 10th March 2011. Steady progress has been made to deliver the key components feeding into the draft AGS, which include the updating the evidence map and collecting cross-council assurance statements. Currently, the Council is on schedule to publish the AGS alongside the Statement of Accounts in September 2011.
2. On the 1st April all Group Directors and Heads of Service submitted assurance statements. Internal Audit conducted a detailed review of all submissions and supporting evidence, and concluded that the Council has an effective internal control and governance system in place. The assurance gathering and review process has highlighted a number of governance issues that have currently been reported in the draft AGS. These are outlined in section 5 of the attached draft (Annex A).
3. A full draft 2010-11 AGS is attached for consideration and comment. This follows the CIPFA/SOLACE guidance framework and is based on evidence from the mapping exercise, the review of assurance statements and responses on internal control issues from the 2009-10 AGS.

REASON FOR REPORT

4. This briefing provides the Audit Committee with a progress update and presents a draft 2010-11 AGS for comment.

RECOMMENDATION

5. Members are invited to review the draft 2010-11 AGS and offer comments on its content.

London Borough of Hillingdon

Annual Governance Statement 2010-11

1. Scope of Responsibility

The London Borough of Hillingdon is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The London Borough of Hillingdon also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the London Borough of Hillingdon is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions that includes arrangements for the management of risk.

The London Borough of Hillingdon is following a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework '*Delivering Good Governance in Local Government*'. This statement explains how the authority has complied with the code and also meets the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Hillingdon's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the London Borough of Hillingdon for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

The London Borough of Hillingdon has brought together the underlying set of statutory obligations, management systems and principles of good governance to establish a

formal governance framework. The key elements outlined below demonstrate how Hillingdon maintains effective internal controls and an effective governance system.

- 3.1. **The London Borough of Hillingdon's Constitution**, which sets out how the authority operates, how decisions are made, and the procedures that are followed to ensure that they are efficient, transparent and accountable to local people. The constitution is regularly reviewed at full Council meetings and also more comprehensively on an annual basis at each AGM.
- 3.2. Part 2 of the constitution outlines the **roles and responsibilities** of the Executive, Non-executive, Mayor, Overview and Scrutiny committees, Standards committee and officer functions. The governance arrangements for Hillingdon comprise:
 - A structure of the Leader of the council, a Cabinet and Policy Overview and Scrutiny committees
 - A Corporate Management Team
 - An Operational Management Group
 - Senior Management Teams
 - The Audit Committee, led by an independent chairman
 - Standards Committee, led by an independent chairman
- 3.3. Part 2, article 7 of the Constitution sets out the '**Cabinet Scheme of Delegations**'. This governs the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and individual Cabinet members. During 2010-11, the constitution was updated to reflect changes to Cabinet Member appointments, portfolio responsibilities and delegations to the Leader; allowing the decision-making process in Hillingdon to be more responsive to the needs and priorities of residents'. New delegations also provide for better financial control in the current economic climate, in particular around the use of consultants, agency and temporary workers, and contracts.
- 3.4. Part 3 of the Constitution sets out the '**Scheme of Delegations to Officers**'. This governs the responsibility allocated to officers of the London Borough of Hillingdon to perform the authority's activities on behalf of the executive. In 2010-11 the scheme of delegations was updated to reflect changes to the Council's new operating structure, which was implemented as part of the Business Improvement Delivery (BID) transformation programme.
- 3.5. Part 5 of the Constitution sets out a formal '**Code of Conduct**' governing the behaviour and actions of all elected council members. Based on national guidelines, the code ensures that councillors conduct themselves appropriately to fulfil their duties and that any allegations of misconduct are investigated. There is also a separate Officers code, which applies to all employees and is part of their contract of employment. The authority has reviewed the code and updated guidance to ensure these requirements reflect the new Council structure. Going forward the Council will review the 'Code of Conduct' in light of the Localism Bill.
- 3.6. **A members training programme** has been implemented to embed high standards of conduct and behaviour. All complaints against members of the Council are handled by the Monitoring Officer and Standards Committee in accordance with the requirements of the Local Government and Public Involvement in Health Act 2007, the Standards Committee (in England) Regulations 2008 and guidance issued by the Standards Board for England. The

Audit Committee 27 June 2011
PART 1 – MEMBERS, PUBLIC & PRESS

Council has put in place a comprehensive induction and training programme for elected Councillors along with specific training on risk, scrutiny, planning and licensing rules.

- 3.7. **A Code of Corporate Governance** setting out the London Borough of Hillingdon's governance structure, decision making process and areas of responsibility. Originally adopted in 2002, the code has been updated to accurately reflect the authority's governance structure and corporate responsibilities. The revised code is founded on the fundamental principles of openness, integrity and accountability and sets out the policies, systems and procedures in place to achieve this.
- 3.8. **A Members 'Register of Interests'** that records the interests of elected members of the London Borough of Hillingdon. There is a separate 'Related Parties' register that members and senior officers are required to complete each year declaring the relationship and nature of any related party transactions, which the authority has entered into.
- 3.9. **A Member / Officer Protocol** to govern and regulate the relationship between the London Borough of Hillingdon's elected members and appointed officers. This has been developed in consultation with the political leadership, all council members and officers.
- 3.10. **A formal whistle-blowing policy**, which is based on the Public Interest Disclosure Act 1998. The policy allows council staff and contractors working for the authority to raise complaints regarding any behaviour or activity within the authority, ranging from unlawful conduct to possible fraud or corruption. The Monitoring Officer has overall responsibility for maintaining and operating the policy, along with reporting on outcomes to the Standards Committee.
- 3.11. **The London Borough of Hillingdon** has set out its vision of 'Putting Residents First' and established four priority themes for delivering efficient, effective and value for money services. The priority themes are; 'Our People', 'Our Natural Environment', 'Our Built Environment' and 'Financial Management'. The delivery of these priorities will be achieved through a combination of strategic management tools, which include: the Hillingdon Improvement Programme, Business Improvement Delivery programme and Medium Term Financial Forecast process of service and annual budget planning.
- 3.12. **The Hillingdon Improvement Programme (HIP)** is the council-wide transformational programme delivering a range of performance, organisational, culture and process improvements. The programme is led by the Leader of the Council, and the Deputy Chief Executive and Corporate Director for Central Services is the programme director. Cabinet members and directors are also responsible for specific parts of HIP.
- 3.13. **The Business Improvement Delivery (BID)** programme is a key part of HIP and has been designed to fundamentally transform the way the Council operates and deliver the council's savings targets of £26.2 million for 2011-12 and more than £60 million over the Comprehensive Spending Review four year period. The BID programme delivery and expenditure is overseen by the Leader of the Council, and the Deputy Chief Executive and Corporate Director of Planning, Environment, Education & Community Services.

- 3.14. **The Medium Term Financial Forecast (MTFF)** process is the system of service, financial and annual budget planning. This runs from the preceding spring to February with a robust challenge process involving members, Corporate Directors and the Chief Finance and S151 Officer. Monthly reports on key financial health indicators are produced and communicated through the finance management team.
- 3.15. **The Sustainable Community Strategy (SCS)** 2008-2018 sets out the Local Strategic Partnership aims and ambitions for the London Borough of Hillingdon over the next 10 years. The Local Strategic Partnership (LSP) 'Hillingdon Partners' and its theme groups have overall responsibility for delivering the commitments made in the Sustainable Community Strategy. The partnership is currently in the process of reviewing and updating the SCS to ensure it continues to reflect the changing circumstances of the borough.
- 3.16. Hillingdon Partners has undertaken a review of its structure and governance arrangements following Government action removing the requirements for authorities' to complete a Comprehensive Area Assessment (CAA) and deliver against Local Area Agreement (LAA) targets. The review agreed a list of 10 streamlined partnership priorities, new responsibilities for delivery theme groups and arrangements for reporting partnership performance and risk.
- 3.17. **A Joint Strategic Needs Assessment (JSNA)** that outlines the current and future health and wellbeing needs of the population over the short-term (three to five year) and informs service planning and commissioning strategies. The JSNA was refreshed and redesigned in 2011 to reflect changes in national, regional and local data, and to be a more flexible and comprehensive needs assessment. The refreshed JSNA is 'live' and can be accessed via the London Borough of Hillingdon website and as such can be updated throughout the year rather than refreshed annually.
- 3.18. **An independent Audit Committee** that operates to oversee the financial reporting, provide an independent scrutiny of the financial and non-financial systems, and provide assurance on the effectiveness of risk management procedures and the control environment. The Audit Committee has been set up with terms of reference consistent with CIPFA's '*Audit Committees – Practical Guidance for Local Authorities 2005*'.
- 3.19. **The Performance Management Framework** is used to capture and report performance against Council priorities and SCS priorities. Performance is monitored on a regular basis via Senior Management Teams and reported quarterly to the Corporate Management Team.
- 3.20. **A Data Quality Strategy** is in place to establish a consistent standard across the authority and provides officers with a good basis on the issues surrounding data quality and its importance. The strategy refers to the Data Quality Partnership Protocol to further embed data quality across the LSP.
- 3.21. The London Borough of Hillingdon has established effective **risk management systems**, including:
- **A corporate risk management strategy** outlining the risk framework, roles, responsibilities and processes for capturing and reporting key corporate risks.

Team, service and corporate risk registers enable the identification, quantification and treatment of risks against the authority's objectives. Group risk registers are regularly updated, reviewed by each Senior Management Team and the most significant risks are elevated to the Corporate Risk Register.

- **A Corporate Risk Management Group (CRMG)** reviews the risk registers on a quarterly basis and advises the Cabinet and Corporate Management Team on the significant risks. Twice annually, the risk reporting arrangements are reviewed and updated, if appropriate, by the Audit Committee. Where appropriate, the Medium Term Financial Forecast (MTFF) embraces the potential financial impact of significant risks.
- **A programme of risk management training for both council members and officers** to ensure the consistent practice of identifying and escalating risk.

3.22. The London Borough of Hillingdon has an **Anti-Fraud and Corruption Strategy** approved by members and communicated to all staff. It is underpinned by and refers to the full range of policies and procedures supporting corporate governance arrangements such as Codes of Conduct, Standing Orders, Register of interests and whistle-blowing.

3.23. **The Committee Standing Orders** (Part 4B), Procurement & Contract Standing Orders (Part 4H) & Scheme of Delegation to Officers (Part 3) are incorporated in the Constitution and reviewed annually. The Scheme of delegation specific to each directorate is available on the Hillingdon's internal web pages. In 2010-11 these schemes were reviewed and updated to account for changes to the Council structure, and roles and responsibilities of Corporate Directors.

3.24. The London Borough of Hillingdon operates a system to monitor legislative changes and ensure that the authority is fully compliant with laws and regulations.

3.25. The London Borough of Hillingdon operates a training and development programme for elected members and senior officers. This is as follows:

- **A Member Development Service** that supports Councillors to access a range of training and development information, which includes a personal development toolkit and a knowledge library. The toolkit supports personal development of each Member and suggests competencies which will help Members identify their learning and development needs and if a need is identified the appropriate training is then organised. The service also covers the roles and responsibilities of elected members and guidance on standards and ethics.
- Officers and senior managers are able to access and complete a wide range of learning and development opportunities through the internal Learning & Development pages on 'Horizon'. This includes induction programmes, e-learning packages, NVQ qualifications and a range of other staff development courses. In addition, the Council offers Institute of Leadership and Management (ILM) accredited management awards and has established the Hillingdon Academy to develop the council's future leaders. The Council also offers staff the opportunity to achieve professional qualifications and meet their continuing professional development (CPD) requirements.

- The **Performance and Development Appraisal (PADA)** process is completed by all officers and senior managers. This records employee's key objectives and tasks, sets targets for when these must be delivered and identifies staff learning and development needs. There are competency frameworks for staff, managers, senior officers and Directors, with descriptors outlining the performance that is expected at each level. Performance reviews are completed on a bi-annual basis against the relevant competency framework and PADA guidance is available to support both staff and managers through the process.

3.26. **The Consultation Strategy** established the London Borough of Hillingdon's approach for building a strong relationship with residents, visitors and business throughout the borough. The strategy sets out the commitment to engage, consult and respond to the views and priorities of all communities. At the highest level, the strategy supports and informs corporate intelligence and policy, and decision making including commissioning and procurement of services.

3.27. **The 'Pride of Place' initiative** has been established to enable residents to get involved in community activities that are focused on making the borough cleaner, greener and safer for everyone. The initiative brings together the successful 'Street Champions' and Chrysalis programmes along with opportunities to attend full Council meetings and Council 'Question Time' events. The Council also conducts an Annual Resident's Survey to ask residents for their views on key services.

3.28. In November 2010 the Council adopted a Single Petition Scheme to incorporate new rules regarding local authorities hearing public petitions and support the Council's existing and well established petition procedures.

4. Review of Effectiveness

The London Borough of Hillingdon has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Overall the review of effectiveness concluded that internal control systems have been in place for the financial year ended 31 March 2011 and, except for the internal control issues detailed in section 5, management and control systems are operating effectively in accordance with good practice.

This review took into consideration the arm's length management organisation, Hillingdon Homes Ltd, which reported no significant control issues during the time period 5 April to 30 September 2010. On the 1 October 2010 the process of transferring the control of housing management back to the authority was completed successfully.

The review has been informed by a range of management information and improvement action, including:

- 4.1. A comprehensive annual programme of scrutiny and review by the Policy Overview and scrutiny Committees and the Audit Committee.

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- 4.2. The role and responsibilities of the Chief Finance & S151 Officer, detailed in the Code of Corporate Governance, as a key member of the leadership team actively involved in all material business decisions to safeguard public money and sound financial management on behalf of the authority.
- 4.3. The work of the external auditors as reported in their annual audit letter.
- 4.4. The work of Internal Audit service, which develops its annual work plan after an assessment of risk. The Head of Audit reported regularly during the year to both the Corporate Management Team and the Audit Committee and has provided a satisfactory level of assurance on the internal control environment in 2010-11.
- 4.5. Internal control assurance statements were received from all Service Directors and Heads of Service covering the financial year 2010-11. Statements provide confirmation that the control environment is operating effectively to safeguard the delivery of services and that any significant control issues have been raised and are being dealt with appropriately.
- 4.6. The London Borough of Hillingdon has continued to maintain effective financial management throughout the financial year, with unallocated reserves increasing to £17.022m million as at 31 March 2011.
- 4.7. The London Borough of Hillingdon has a clear commitment to a capable, fit for purpose and sustainable procurement function. Procurement, working through a co-located business partner model supporting the three Directorates of the Council, lead delivery of Procurement objectives. These objectives support the delivery of individual Directorate financial objectives and ultimately the Council's. Progress and performance of Procurement delivery is regularly reviewed with Directorate Senior Management Teams and the Corporate Management Team as appropriate.
- 4.8. The work of managers is vital, particularly through their implementation of performance management to ensure that each area achieves its targets in service delivery, financial control, and good governance.
- 4.9. Throughout 2010-11 the London Borough of Hillingdon has made substantial progress to implement new procedures and protocols and strengthen existing governance arrangements. This includes:
 - A review and refresh of the Council's Constitution
 - Updating scheme of delegations for each directorate
 - A review of the whistle-blowing policy

5. Significant Governance Issues

The London Borough of Hillingdon has implemented a range of improvement actions to strengthen governance arrangements and control systems. All internal control issues reported in the 2009-10 AGS have been resolved, except that:

- Further work is required to fully implement a water management strategy. A tender process has been undertaken to appoint a contractor to measure the Council's water usage. Once measurement figures are obtained a strategy to reduce water usage will be put in place from October 2011.

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Following a review of the effectiveness of the system of internal control the following governance issues have been identified in 2010-11:

- In October 2010 the Council replaced the differing methods of income collection / invoicing of third parties with a single approach which included automatic interfaces between Oracle and the Capita AIM system. Although there were initial issues with reconciliations these are now largely resolved. As part of normal post implementation review, Capita have been engaged to review the many interfaces to resolve these outstanding issues and make recommendations that will further automate processing.
- The Electronic Care Management system monitors home care visits. Discussions are ongoing with some suppliers whose utilisation rate of the system is below the agreed tolerance.
- Some manager assurances have drawn attention to the fact that in a number of areas procedures need to be updated to take account of the changes in roles and responsibilities brought about by the BID process.

The London Borough of Hillingdon will over the coming year take steps to address the above matters to further enhance our governance arrangements. The authority is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Hugh Dunnachie
Chief Executive

Signature..... Date.....

CLlr Ray Puddifoot
Leader of the Council

Signature..... Date.....

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Contact Officer: Helen Taylor
Telephone: 01895 556132

REASONS FOR REPORT

The Code of Practice for Internal Audit in Local Government requires the Head of Audit to provide a written report to those charged with governance timed to support the Annual Governance Statement. It must

- Include an opinion on the overall adequacy and effectiveness of the organisation's control environment
- Disclose any qualifications to that opinion
- Present a summary of the audit work from which the opinion is derived
- Draw attention to issues relevant to the Annual Governance Statement
- Comment on compliance with standards and the results of the internal audit quality assurance programme

OPTIONS OPEN TO THE COMMITTEE

The Committee is requested to review the audit opinion and the evidence on which it is based.

BACKING DOCUMENTS

The code of Practice for Internal Audit in Local Government in the United Kingdom
Previous audit committee reports

INFORMATION

1. Opinion

1.1. Based on the work undertaken during the year Internal Audit can provide **satisfactory** assurance that the systems of internal control within the Council were operating adequately and effectively. Overall there were two No Assurance opinions, including one school and 14 Limited Assurances, including three schools.

2. System Weaknesses identified in year

2.1. During the year two audits were issued with no assurance reports. The areas and the current status of the findings are detailed below.

Blue Badges – This report was issued in November 2010 and with the support of management the issues have all now been resolved.

Chantry School – Major financial irregularities were identified in this school and following thorough investigations two members of staff were dismissed. The school now has a new management team and we will follow up our findings in September 2011 to ensure that everything has been addressed. In the meantime Internal Audit, the Schools' Finance team and Governor Services have been working closely with the school to provide advice and help as they improve their procedures.

3. Summary of Work

3.1. Annex 1 to this report contains a summary of the 2010-11 audit position in its Appendix 1. An update and executive summary of the 2010-11 audits completed since March 2010 is also included in the Annex.

3.2. The original plan for 2010-11 included 129 audits where there was an expected opinion or compliance view. The audit committee have been informed of most deletions from the original plan and the reasons for removal. Three audits have been removed post March 2011. These are notified in this report. At the same time, contingency items have been added as the need arose. As a result of these changes twenty audits have been deleted in year and thirty added giving a total of 142 audits for the year.

4. Comparison of actual and planned work

4.1. Of the 142, the number of planned and completed is 106; with 22 drafts issued and 11 work in progress and three not started.

4.2. A comparison with previous years' performance is included in the tables below. The tables show comparisons with the adjusted plan in all years. There has been a steady overall improvement in the output of the team.

Table 1 - Adjusted plan - Fully completed audits

Adjusted Plan	Percentage of plan		
	2010-11	2009-10	2008-09
Planned and complete	75	84	83
Planned and Work In Progress at year-end	23	16	17
Planned, not started	2	0	0
Total	100	100	100

Table 2 – Adjusted plan - Fully completed or draft issued

Work Planned	Percentage of plan		
		2009-10	2008-09
Planned and complete or draft issued	90	95	92
Planned and Work In Progress at year-end	8	5	8
Planned, not started	2	0	0
Total	100	100	100

4.3. Seventeen investigations into fraud or irregularities have been instigated during the year. Where a conclusion has been reached, these have been reported to the committee in update reports. Largely they have fallen into four categories:

- No issue at the conclusion of the investigation.

- Issues to be addressed by management action
- Disciplinary issues
- Potentially criminal

4.4. Some potentially criminal cases have been referred to the Corporate Fraud team and the outcomes will be reported to the committee as they are known.

4.5. Anti Fraud work significantly exceeded the budgeted time. Although the time set aside for proactive work was around the 80 days allocated, the time spent on investigations was 234 days against a budget of 80. Almost half of this time was spent on the Chantry school investigations, 102 days.

4.6. Other work in support of the assurance statement included:

- Co-ordinating the National Fraud Initiative exercise and reporting savings to the Audit Commission;
- Maintaining the Fraud Hotline and email boxes and organising appropriate advertising;
- Contribution to the Annual Governance Statement (AGS) management group, to review evidence for the AGS.
- Auditing the manager assurance statements and evidence provided to support them for the AGS for 2010-11;
- Providing advice and guidance on a wide range of issues to Directorates
- A review of the audit reports produced by the internal auditors of Hillingdon Homes prior to the council resuming responsibility for council housing. Absorbing relevant parts of its outstanding plan following a re-evaluation of risk.
- Delivering Fraud Awareness workshops to managers and setting up an e-learning fraud awareness module for staff.

5. Issues Relevant to Annual Governance Statement (AGS)

5.1. The following issues require inclusion as control issues in the Annual governance statement.

- Water Utilities - strategy has been put in place but needs to be monitored for achievement.
- The BID programme has resulted in the amalgamation, division and reorganisation of services throughout the council. Changes to processes and procedures have not always matched this pace and this needs to be addressed in the coming year.

6. Performance against targets set

6.1. At the beginning of the year the target was set to deliver 90% of the audit plan to completion stage.

6.2. Staffing in Internal Audit was unchanged in year and although one member of staff had a period classified as long term sick, overall the average of 4.8 days was within the corporate target.

6.3. Seventy six audits have been finalised. This represented 75% of planned audits a slight slip over last year's performance. However, taking into account those completed to draft stage 90% of the plan has been completed, which is again lower than last year but in the target of 90% set. Taking into account adjustments notified to the audit committee, all but three planned audits were at least work-in-progress at the year-end. It is anticipated that the remaining audits will be completed shortly.

6.4. Table 2 above gives a year on year comparison of this year's outturn with the last two for actual completions and Table 3 provides a comparison for audits completed to draft stage.

6.5. Table 4 summarises the performance on other internal audit targets. The most significant change in performance is the number of audits issued within 15 days of the conclusion of the audit fieldwork. This showed a marginal improvement over last year and was slightly above the target of 90%. The response rate to client questionnaires has recovered this year and, where responses have been received, satisfaction levels have also improved. The number of final audit reports issued within five working days of the receipt of the management response declined but was within the target set. A new target of two days for issuing reports was set following last year's good performance and the achievement of 83% is close to the 85% set.

Table 4

Other Targets	Target	2010-11	2009-10	2008-9
% of draft audits issued within 15 days of audit conclusion.	90	92	90	79
% of final reports issued within 5 days of receipt of management response	85	87	96	94
% of final reports issued in 2 days* or 5 for schools	85	83	-	-
% of client satisfaction surveys returned	80	46	23	18
% with good or very good rating	90	86	74	93
% when non returns assumed to be good	90	95	94	n/a
% of recommendations agreed by management	95	99	99	98

*New target in 2010-11

7. Compliance with Standards

7.1. There is an annual requirement to carry out a review of the system of internal audit. For the last three years this has been carried out by

- A self assessment reviewed by a member of the audit committee (2007-8)
- A peer review by another Head of Audit.(2008-9)
- A self assessment by the Head of Audit (2009-10)

Following discussions with the Chairman and the Audit Committee it was felt that a committee review would be useful this year because it would serve both as a challenge and as a training event for Members. This took place on 3 May 2011 and the summary is included in this agenda as a separate paper. Overall we are compliant with the standards.

Internal Audit Progress Report

REASON FOR ITEM

This report provides the Audit Committee with a summary of Internal Audit (IA) activity in the period from 1 February 2011 to 3 June 2011. This fulfils the requirements of CIPFA's Code of Practice for Internal Audit in Local Government to bring to Members' attention periodic reports on progress against planned activity and any implications arising from Internal Audit findings and opinions.

The report also satisfies the Audit Commission requirements to keep Members adequately informed of the work undertaken by Internal Audit and of any problems or issues arising from audits

OPTIONS AVAILABLE TO THE COMMITTEE

To note in-year progress against the Internal Audit Plan for 2010-11, and the updated position of those audits undertaken in 2007-8, 2008-9 and 2009-10.

8. INFORMATION

8.1. In addition to the Annual Report, the Head of Internal Audit produces interim reports to Officers and Members throughout the year. These are approximately quarterly, summarise progress to date and bring to the attention of members any issues of note.

9. Progress against Plan and Follow up Status

9.1. There are no significant causes for concern at this time with the levels of assurance being reported to the committee. Although eight audits, including 2 schools, received Limited Assurance in the current period, plans are in place to address the weaknesses identified and we will be closely monitoring implementation by management. All other audits had Satisfactory assurance, with three having Full Assurance.

9.2. The current status of this year's plan is included in Appendix 1.

9.3. The progress and status of those carried out in 2007-8, 2008-9 and 2009-10 is included in Appendices 2, 3 and 4.

9.4. As anticipated when setting the plan, a number of changes have been made to accommodate the changing needs of the council.

9.5. The following audits have been deleted from the current plan.

On-line Payments Management Project – This audit would have started very late in the financial year. Two audits planned for 2011-12, Capita on-line Payments, one of Processes and one of security (IT) will encompass all elements of the On-line Payments Management Project. So the 2010-11 audit was dropped.

9.6. There were three audits planned for the last quarter of 2010/11 that could not be undertaken for the following reasons:-

Placements – This service was undergoing a radical change as part of the BID process and therefore an audit at this time would not add any value. The audit will be undertaken later in 2011/12 when the new arrangements have been established.

Economic Development – New protocols were being introduced which meant the audit would be more beneficial in early 2011/12. This audit is currently underway.

Home Care - Contract Provision – This audit was deferred until 2011/12 due to other audit involvement in this area.

These three audits will be undertaken using the contingency allocation in the 2011/12 plan.

9.7. No audits were added to the plan during the period.

9.8. Unless otherwise stated, all reports have an action plan agreed with internal audit.

9.9. Summaries of the outcomes of the audits completed in the period are provided below.

Audit Title: Records Management

Assurance level: Limited

A record is defined as being any information held by an organisation irrespective of the medium.

Records Management is the practice of maintaining the records of an organisation from the time they are created up to their disposal. This may include classifying, storing, securing, and destruction (or in some cases, archival preservation) of records.

LBH is bound under the Data Protection Act 1998 to safeguard information.

The objective of the audit was to ensure records management is efficient, effective and economical.

We were pleased to report risks are appropriately addressed in these areas:

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- Clear retention and destruction policy in place.
- Procedures are in place outlining how to send/retrieve information to/from Oasis Records Management.
- LBH are registered with the Data Protection – Information Commissioners Officer.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
All elements of Records Management should be incorporated into an existing policy or a new centralised policy to ensure an effective records management culture is created throughout the council.	High	August 11
Roles and responsibilities regarding Records Management should be clarified with someone having oversight of records management and within each directorate a day-to-day nominated lead in order to ensure compliance with legislation and avoid inconsistent practices being adopted.	High	August 11
A review of information being stored at Oasis Records Management should be undertaken in order to ensure the council is not paying for retaining information that should have been destroyed in line with the council's retention and destruction policy and data protection legislation.	Medium	October 11
Procedures to support the policy should be documented and placed on Horizon in order to prevent inconsistent practices occurring and breach of legislation.	Medium	October 11

Management Comments - The recommendations will be implemented as part of the scanning and document management work stream of the New Ways of Working Group.
AWAITING CONFIRMATION FROM AUDITEE

Audit Title: E-Invoicing System

Assurance level: Limited

The London Borough of Hillingdon uses the E-Invoicing system to manage the accounts payables function, including the processing of invoices and payment batches. It is an Oracle Financials module.

The main interface of E-invoicing is with the council's home care financial application ContrOCC for the import of electronic billing information for major home care providers.

The objective of the review was to ensure all processing carried out by the system is complete, accurate, timely and secure.

We were pleased to report risks are appropriately addressed in these areas:

- Password policy
- Identifying and disabling leavers
- Access management

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
A trail restoration should be scheduled in 2011 to gain assurance on the ability to restore E-Invoicing successfully and to confirm that the issues identified in 2010 are now resolved.	High	October 2011
Management needs to ensure that all batches that have been uploaded to E-Invoicing are recorded. Periodic reconciliation by staff without the responsibility for uploading invoices should be performed between the Recording Sheet and E-Invoicing system to ensure data integrity.	High	August 2011
Management should review the existing group defined to ensure that they are aligned with the revised departmental structure to ensure there is no inappropriate access, negating the segregation of duties in the processing of invoices and payments.	Medium	October 2011
Authorisations and audit trails for granting access to E-invoicing should be properly retained.	Medium	April 2011
The use of generic administrator access should be avoided at both the oracle database and server levels.	Medium	April 2011
The process defined in the Guidelines for Supplier Consolidated invoices should be revised in the areas of authorisations, budget monitoring and manual validations, to ensure inappropriate invoices are not uploaded and paid.	Medium	September 2011
The council should investigate and resolve issues that cause the Data Protection Management system not to perform backs	Medium	June 2011

up in line with the schedule.

Overnight back up jobs that have failed or contain errors should be re-initiated as soon as practically possible before the schedule job.

The Head of Services should be notified on a periodic basis the backup status of the servers hosting E-Invoicing, where there are errors or missing back ups.

Management Comment - Management actions agreed and will be monitored to ensure delivery to timetable

Audit Title: Equipment and Adaptations

Assurance level: Limited

The equipment and adaptations service provide a range of daily living equipment such as grab rails, bath seats, walking frames and so on, to help people maintain independence in their own homes.

In some cases, where equipment is not enough to keep people independent, adaptations can be made to a person's home. One example might be the addition of ramps for wheelchair access.

The objective of the audit is to ensure the equipment and adaptations service within the borough is efficient, effective and economical.

We were pleased to report risks are appropriately addressed in these areas:

- There was a single point of access to the service via the Customer Contact Centre;
- Comprehensive assessments were carried out by Occupational Therapists;
- Complete and accurate loans register is in place;
- Authorisation was being received from the Operational Management Group for expenditure on equipment over £1500.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
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Core operational processes should be documented to assist new starters and to ensure a consistent service is provided to service users.	High	March 11
Target timescales should be put in place for authorising MA1 forms to ensure minor adaptations are carried out in a timely manner.	High	March 11
Management information should be produced on overdue care assessment to ensure service users' needs are addressed in a timely manner.	Medium	March 11
Processes should be put in place to ensure high value loaned equipment is returned by the service user so that LBH can recover a percentage of the costs.	Medium	July 11
Back logs of (low and medium) assessments should be reduced. If needs are not met in a timely manner this may lead to higher needs later on.	Medium	March 11
Where minor adaptations are undertaken by contractors', contract or framework agreements should be in place to ensure consistency of pricing and quality.	Medium	March 11

Management Comment: Management note the control improvements required as stated in this report and can confirm that the OT service and Service Manager for Specialist Services have commenced the improvements required and these will be completed within the timescales as detailed above.

Audit Title: Liquid Logic (Protocol System – Post Implementation)

Assurance level: Limited

A proposal (Business case) for the new Children's system (also Protocol) was approved by Cabinet on 17th April 2008. Liquid Logic was awarded the contract for the provision of the Councils Children's Case Management system. The document containing the Cabinet's Decision *stated "It is noted that Officers anticipate that Liquid Logic will be able to deliver similar benefits to Adult Social Care in 1-2 years time, the costs for which are included in this proposal"*.

The ASC Protocol system was procured in 2008 (much earlier than originally envisaged because the Carefirst system was no longer being supported.) and went live in April 2010.

The system was procured before the centralisation of the ICT Department and was therefore very much driven by the Adult Social Care Department, including evaluation and selection of the different options available. The central ICT Team were brought in after the selection phase to implement the architecture required. The ASC Department

had their own IT staff who provided advice to the earlier stages of the selection process and these staff have now been absorbed into the central ICT Department.

An audit of Protocol System (Adult Social Care) - Post Implementation Review was undertaken as part of the approved internal audit periodic plan for 2010/11.

We were pleased to report risks are appropriately addressed in these areas:

- Documented project management methodology providing the council with a strategic and systematic approach to managing and controlling projects.
- Allocation of Project Sponsor role to a Senior Manager within the organisation and formation of a Project Board made of Senior Managers.
- Production of monthly status reports.
- Training

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Management should ensure that a detailed business case is developed for each project within a programme going forwards to ensure success or failure of a project can be measured.	Medium	July 2011
Management should maintain a Risk Log for each individual project going forwards to ensure risks are being managed during the whole life system of the project.	Medium	July 2011
Management should maintain an Issue Log for each individual project going forwards to ensure any threats to the success of a project are identified and mitigating action is taken.	Medium	July 2011
Status reports should be prepared for each individual project going forwards to ensure that the Project Sponsor and Board are provided with regular information.	Medium	July 2011
Management should schedule a Post Completion Review with the following aims:- <ul style="list-style-type: none"> • Assess how well the project has performed against the deliverables set out in the Project Initiation Document; • Identify what went well and not so well and feed back lessons learned to inform future projects. 	Medium	July 2011
Management should review the resourcing of the ASC IS Modernisation Programme during the Post Implementation Review and document lessons learned to aid future projects.	Medium	July 2011

Management Comments - A paper to be prepared for Business Transformation Board in July endorsing the need for all projects to conform to the Council's project management methodology. In addition to recommending that all improvements identified in this report be implemented with immediate effect.

Audit Title: Creditors and Protocol Creditors

Assurance level: Limited

The council use's Oracle Accounts Payable system in order to pay it's suppliers, this has seven sub systems feeding into it, i.e. Housing Benefit, C/Tax , Statement; Tams; Spocc; e-invoices, Controcc.

The objective of the audit was to ensure that only valid, complete, accurate and timely payments are made and recorded. The Scope of the audit focused on the reconciliations being carried out between the feeder systems and Oracle.

We were pleased to report risks are appropriately addressed in these areas:

- Regular reconciliations carried out for Council Tax, Statement, Controcc, and Spocc.
- Procedures in place outlining how to carry out reconciliation for Controcc and NNDR Business Rates.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The Oracle team should review access levels within the payments team and ensure segregation of duties in order to avoid potential fraud.	High	June 2011
Procedures on how to carry out the feeder system reconciliation to oracle should be documented to ensure consistent practices.	High	October 2011
Regular reconciliation of NNDR refunds, E-Invoices, Spocc, and Tams to the Oracle system should be carried out in order to account for all payments.	Medium	August 2011
Systems should be enhanced so that the Payments Control Officers can physically view and check invoices before validating the payments in order to avoid errors, mistakes, potential fraud.	Medium	August 2011

Management Comments - The audit was carried out very soon after two payment teams were merged and procedures and controls had not been fully implemented.

Although we are disappointed in the Limited Assurance, we accept the findings and are fully committed to ensuring the recommendations are fully implemented within the specified timescales.

Audit Title: Court Costs

Assurance level: Limited

Court costs are those incurred in order to bring cases to court. Costs also include Lawyers' and Services' time spent on the case.

In cases where the Council wins, the Judge can decide whether to award costs to the Council in addition to any fine that is paid to the courts.

For costs awarded at the County Court, the defendant pays the Council directly. For costs awarded at the Magistrates' Court, costs are paid to the court, which then sends the Council a monthly composite cheque.

The objective of the audit was to ascertain whether awarded court costs were being recovered effectively, efficiently and economically.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Roles and responsibilities should be formally defined and distributed to avoid duplication or omission of tasks.	High	July 2011
The case management system Axxia should be enhanced to include the recording of costs awarded and received. Otherwise there is no means of extracting information or producing reports on the current recovery status of awarded costs.	High	July 2011
Management information should be produced in order to effectively monitor the difference between awarded costs and sums actually received.	High	July 2011
Procedural guidance should be produced for other services explaining how to record non-legal costs that may be recoverable, otherwise the council may not maximise recoverable costs awarded.	Medium	July 2011

Management Comments - Legal service have already implemented two of the recommendations and made significant progress with the implementation of the others.

Audit Title: Compliance with Driving Policy- Council Vehicles

Assurance level: Satisfactory

The Compliance with Driving Policy applies to all Council employees who drive council vehicles during their working day as part of their set duties, or to travel between locations. It also applies to both agency and permanent staff.

The policy has recently been amalgamated with the Compliance with Driving Policy for employees who drive their own vehicles as part of their duties, and is due to be published.

The objective of the audit was to assess the adequacy of controls in place to ensure compliance with the driving policy.

We were pleased to report risks are appropriately addressed in these areas:

- All fleet vehicles specified on the Operators Licence are checked every 6 weeks
- UK Driver cards are monitored on a regular basis
- Accidents are all recorded and all correspondence kept in file

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The Transport Manager should ensure that where reminders are issued, the relevant manager confirms that they have carried out the necessary checks on the licences. Where confirmation is not received, the Transport Manager should chase managers to ensure all drivers licenses are valid and not void.	High	June 2011
The Depot Manager should check that managers have signed any Accident Reports. Where a report has not been signed, the Depot Manager should send a copy to the relevant Service manager for information this is simply to ensure that all managers are aware of any accidents their staff have been involved in.	High	June 2011

Audit Title: Overpayments

Assurance level: Satisfactory

Overpayments occur; when schools (who use London Borough of Hillingdon as their payroll provider) do not report a change in circumstances in a timely manner, incorrect information is provided, there is a delay in processing a change of circumstances or errors are made by Schools Personnel, Corporate HR or Payroll.

Between April 2009 and September 2010, 88 school employees were overpaid a total sum of £81,964.19.

The objective of the audit was to ensure the process for recovering overpayments, is efficient, effective and economical.

We were pleased to report risks are appropriately addressed in these areas:

- Policy for recovering overpayments
- Monitoring and recovering overpayments from members of staff who are currently employed by schools.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Updating the “Personnel Services to School’s Handbook” to include details of when to notify a change in staff circumstances to Schools’ Personnel. This will minimise overpayments resulting from late notification by schools.	High	June 2011
Schools Personnel need to put in place a “turnaround time” for processing change of circumstances correspondence received from schools. This will help to reduce the amount of overpayments by reducing the number of days as overpayments accrue on a daily basis.	Medium	June 2011

Audit Title: General Ledger
Assurance level: Satisfactory

We were pleased to report risks are appropriately addressed in these areas:

- Monitoring of reconciliations;
- Responsibilities for preparing reconciliations
- Authorising and documenting journals
- Changes to the chart of accounts.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Reconciling items should be promptly investigated and cleared within one month of its appearing on the reconciliation statement. This will give a true and fair view of the account balances.	Medium	Implem'd
Respective line managers should sign and date the reconciliation statement as evidence of supervisory approval. This will prevent unauthorised transactions and detect errors.	Medium	August 2011

Audit Title: Safeguarding Adults

Assurance level: Satisfactory

Safeguarding vulnerable adults is a lead responsibility for Local Authorities and one that has developed quickly, particularly in the last ten years as people have become more aware of vulnerable adults experiencing harm in institutions, in their own homes and in the community.

Government guidance in the form of the “No Secrets” document issued in 2000 set out the responsibilities Local Authorities have in developing and implementing multi agency policies and procedures to protect vulnerable adults.

The objective of the audit was to ensure that the process and procedural arrangements for adult safeguarding in terms of the recording of referrals, care management and review are robust, and are rigorously, accurately and consistently applied.

We were pleased to report risks are appropriately addressed in these areas:

- Existence of policies, protocols, plans, codes and procedures exist.
- The purpose and objectives of the Safeguarding Adults Service have been clearly defined and agreed.
- Staff training.
- Criminal vetting of staff.
- Case management.
- Partnership, agencies and inter service working.
- Performance management.
- Security of client information.
- Complaints process.
- Production of statutory returns.
- Staff health and safety risks.

- Recording computer data base system security.
- Disaster recovery
- Business continuity.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Client risk assessments should be recorded on Protocol so that there is a complete history of risk assessments in one place. Otherwise risk assessment outcomes could be missed / not appropriately recorded which could lead to incorrect client risk assessments applying at any given time and/or putting clients at possible risk.	Medium	October 2011
As part of regular one to one meetings, the updating of staff actions on Protocol should be checked for promptness and any unnecessary delays should be discussed and recorded as part of the officer's performance management monitoring. Recording actions promptly is important to ensure information is up to date otherwise a client's care may be adversely affected.	Medium	Immediate May 2011
A range of exception reports should be developed and produced for regular review and action by management. Without management reports. it would be difficult to identify poor or incomplete recording of actions which could have a detrimental affect on client care.	Medium	June 2011

Audit Title: Risk Management

Assurance level: Satisfactory

The overall objective of the audit was to ensure that risk management processes effectively identify, evaluate, record, rank and mitigate risks. Separate audits were undertaken for each group as they existed prior to the restructuring at the end of 2010/11 and the findings were incorporated into one report.

We were pleased to note that:

- A risk management strategy and written processes were adequately defined and accessible via Horizon.
- Risks had been appropriately identified by groups.
- There was appropriate and consistent risk recording, assisted by standardised input via the EXCELSIS performance management software.
- Risks added to, and retired from group risk registers are appropriately authorised.

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- Due consideration is given to the promotion of risks to the Corporate Risk Register.
- Roles and responsibilities are clearly defined and there were designated “risk officers” in each group.
- Group Senior Management Teams regularly reviewed their risks.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Information to support why a risk rating changes should be recorded otherwise there is no audit trail as to how the risk ranking was assessed.	Medium	July 2011
Risk management information on Horizon should be regularly reviewed to ensure it remains fit for purpose otherwise reference to incorrect information could result in incorrect actions.	Medium	Sept 2011
The completion of the electronic risk management training module should be mandatory for all new senior officers as part of their induction, to ensure that they are conversant with risk management arrangements in their work, otherwise ignorance or misunderstanding of risk concepts may result in incorrect actions.	Medium	July 2011
The format of risk information presented to SMT's should be reviewed and a best practice format introduced, otherwise there may not be a common and consistent approach, which could result in risks not being adequately reviewed.	Medium	June 2011

Audit Title: Section 251 (formally 52) Statement

Assurance level: Full

At the beginning of each financial year, local authorities are required, under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 to prepare an annual budget statement. This is a way of informing schools and the public about their funding plans. The statement is produced in a form which allows benchmarking by schools forums and local authorities.

At the year end, local authorities are also required to publish an outturn statement for that year. The format and content of the tables are prescribed by the Education (Budget Statements) (England) Regulations 2007.

The objective of the audit was to ensure that the Council abides by requirements under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 and the requirements are delivered in an efficient, effective manner.

From 2010/2011 the document has been renamed as the Section 251 Budget Statement.

We were pleased to report risks are appropriately addressed in these areas:

- Budget Statement preparation
- Outturn Statement accuracy

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Internal checking of the Budget and Outturn Statements should be evidenced in writing in order to confirm management checking and approval.	Medium	April 2011

Audit Title: Debtors

Assurance level: Full Assurance

The Corporate Income Team are responsible for monitoring and recovering all invoiced income other than Social Services, Council tax, National Non-domestic Rates (NNDR), Housing rents and leasehold charges, Housing benefit overpayments.

A new debtors system "Oracle Accounts Receivable" was implemented on the 25th October 2010.

The audit objective was to ensure the data transferred into Oracle Accounts Receivable was complete, accurate and timely.

We were pleased to report risks are appropriately addressed in these areas:

- Clear audit trail existed in order to verify that data from Sundry Debtors was transferred accurately into the Oracle Accounts Receivable system.
- Snapshot/backup taken of the system before transfer began.
- Access levels changed to read only for all users of the Sundry Debtors system.

Audit Title: Housing and Council Tax Benefits

Assurance level: Full

We were pleased to report risks are appropriately addressed in these areas:

- Established policies and procedures that comply with Department for Works and Pensions regulations and guidance.
- Manuals, procedures, policies and circulars are regularly updated and reviewed.
- Adequate documentary evidence to support processes.
- Financial records are promptly updated with relevant transactions.
- Training.
- Data quality and accuracy check.

Building Control – A review of key processes within Building Control was undertaken and the outcomes have been reported so that they can be used as input into the service’s BID process.

Self Directed Support (SDS) – We attended the Transformation Board meetings in an advisory capacity from September 2009 until the Board was dissolved in October 2010. The project did not develop to a stage where an audit would have been productive, so audit input related to reviewing the initial stages of the Reablement programme and the SDS Resource Allocation System (RAS). No major concerns were found.

Hayes and Harlington Community Association - Following questions at council where a reduction in rent additional to the usual charitable status was requested, Internal Audit were asked to examine the accounts of this organisation, particularly whether the high levels of cash balances was available for general use. We concluded that they were and reported this to inform Members decisionmaking.

Schools’ Audits

The table below summarises the school audits finalised in the period.

2010/11	Assurance Level
Schools - Primary	
Guru Nanak Primary	Limited
Newnham Infants	Limited
Grange Park Junior	Satisfactory
Harefield Junior	Satisfactory
Laurel Lane Primary	Satisfactory
Whiteheath Junior	Satisfactory
Warrender Primary	Satisfactory
Oak Farm Junior	Satisfactory
Heathrow Primary	Full
Lady Bankes Infant	Full

10. Follow up audits

10.1. We continue to make progress in following up and clearing action points from previous audits. We have also started to follow up on the Hillingdon Homes recommendations that were carried out by Mazars and the outcomes will be reported to the next Audit Committee.

10.2. The table below shows the results of follow ups for general audits and school audits. Implementation rates on follow ups have increased from 73% to 79% in this period.

Audit Title	DATE ISSUED				IMPLEMENTED			NOT IMPLEMENTED			REVISED TARGET DATE
		HIGH	MEDIUM	LOW	HIGH	MEDIUM	LOW	HIGH	MEDIUM	LOW	
IT Disaster Recovery 1st f-up	Apr-10	1	3	0	0	0	0	1	3	0	Sep-11
Northgate Application Review	Mar 09	0	1	0	0	1	0	0	0	0	N/A
Youth Offending Team	Aug-10	0	4	0	0	4	0	0	0	0	N/A
Axxia (2nd f-up)	Apr-10	0	1	5	0	1	5	0	0	0	N/A
Asylum Accommodation (2nd FUp)	Apr-10	2	8	1	2	5	1	0	3	0	Oct-11
PSRG & DFG (2nd FUp)	Sep-10	3	4	2	2	4	2	1	0	0	Nov-11
Payroll (2nd)	Aug-10	4	2	1	4	2	1	0	0	0	N/A
Estates and Valuations	Jul-10	1	5	2	1	5	2	0	0	0	N/A
Physical and Environmental	Mar-09	0	2	5	0	2	5	0	0	0	N/A
Children's Centres (1st f-up)	Dec-10	1	0	3	1	0	3	0	0	0	N/A
Mental Health (2nd)	Jun-10	0	8	0	0	7	0	0	1	0	Aug-11
Parking Permits (1st f-up)	Oct-10	1	4	1	1	2	1	0	2	0	Sep-11
Nursery Education	Jul-10	9	8	1	9	8	1	0	0	0	N/A
Flexi	Jul-10	6	0	0	6	0	0	0	0	0	N/A
FOI/Data Protection (2nd F/up)	Jun-10	1	4	1	1	2	0	0	2	1	Jun-11
Higher Mileage	Nov-10	2	2	1	2	2	1	0	0	0	N/A
Equipment and Adaptations	Jun-10	1	0	0	1	0	0	0	0	0	N/A

Audit Title	DATE ISSUED	HIGH	MEDIUM	LOW		IMPLEMENTED	IMPLEMENTED	IMPLEMENTED		NOT	NOT	NOT	REVISED TARGET DATE
						HIGH	MEDIUM	LOW		IMPLEMENTED HIGH	IMPLEMENTED MEDIUM	IMPLEMENTED LOW	
Major Planning Applications (3rd f/up).	Apr-10	2	2	1		2	2	1		0	0	0	N/A
Budgetary Control (2nd f/up)	Mar-10	0	6	2		0	3			0	3	2	Sep-11
Culture and Arts (1st f/up)	May-10	4	3	0		1	2			3	1	0	Jul-11
ICT Helpdesk Review (2nd f-up)	Mar-09	0	1	0		0	0	0		0	1	0	Aug-11
Utilities - Gas and electricity	Mar-10	0	1	1		0	0	0		0	1	1	Jul-11
MCP - Current Contracts	May-11	3	0	0		3	0	0		0	0	0	N/A
Blue Badge	Nov-10	0	0	1		0	0	1		0	0	0	N/A
LGPS - Governance (1st f/up)	Sep-10	0	5	1		0	3	1		0	2	0	Dec-11
Section 52 (251) (1st f/up)	Feb-11	0	1	1		0	0	1		0	1	0	Jun-11
Domestic Waste - Civic Amenity Sites (2nd f/up)	Jun-10	4	5	3		4	4	3		0	1	0	Dec-11
Commercial Properties	Sep-08	0	2	0		0	2	0		0	0	0	N/A
Private Sector Leasing	Jun-10	1	2	0		0	2	0		1	0	0	Jul-11
Ruislip High (2 nd f/up)	Mar 10	1	2	0		0	0	0		1	2	0	Dec 11
Street Cleansing	Nov-10	2	2	0		1	0	0		1	2	0	Sep-11
Pension Administration	Jan-09	0	1	0		0	1	0		0	0	0	N/A
Performance Management	Mar-10	0	2	2		0	1	2		0	1	0	Dec-11
Dr Triplett's	Sep 10	3	7	1		2	7	1		1	0	0	Jul 11
Debt Recovery Processes	May 10	0	3	0		0	0	0		0	3	0	Sep-11
Minet Junior	Dec 10	5	2	2		5	2	2		0	0	0	N/A
Oak Farm Infants	Sep 10	2	4	2		2	4	2		0	0	0	N/A
Highways Planned Maintenance (2 nd f/up)	Jan 10	0	3	0		0	0	0		0	3	0	Mar 12

Audit Title	DATE ISSUED	HIGH	MEDIUM	LOW		IMPLEMENTED	IMPLEMENTED	IMPLEMENTED		NOT	NOT	NOT	REVISED TARGET DATE
						HIGH	MEDIUM	LOW		IMPLEMENTED HIGH	IMPLEMENTED MEDIUM	IMPLEMENTED LOW	
Glebe Primary	Jul 10	1	5	0		0	5	0		1	0	0	Mar 12
Grounds Maintenance (2 nd f/up)	Feb 10	0	1	0		0	0	0		0	1	0	Jul 11
Harefield Infants	Oct 10	1	0	0		1	0	0		0	0	0	N/A
Temporary Accommodation	Aug-10	1	2			0	2	0		1	0	0	Sep-11
Stray Dog Service	Sep-10	2	7	2		2	6	2		0	1	0	Sep-11
		64	125	42		53	91	38		11	34	4	
% Implemented by Risk						83 %	73%	90 %					
Overall % Implemented										79%			
Overall % Not Implemented										23%			

10.3. Details of audits followed up, but where High or Medium risk issues remain outstanding are as follows:

Audit Title	No. of Outstanding Recommendations	Revised Target Date	Comment
Ocella	1	Apr 2011	Follow up in progress
Carefirst Debtors- 2009/10 Review	1	Mar 2011	Follow up in progress
Environmental Services Application (M3) 09/10	3	Apr 2011	Includes 1 Low - Follow up in progress
Remote Access(ICT)	2	Jun 2011	
Hillingdon Grid for Learning	1	May 2011	Follow up in progress
Business Continuity Management & Civil	3	May 2011	Follow up in

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Audit Title	No. of Outstanding Recommendations	Revised Target Date	Comment
Emergency			progress
Data Security and Transfer	1	Feb 2011	Follow up in progress
Debt Recovery Processes - 2009/10 Review	3	Sep 2011	
Subsistence	2	Sep 2011	
Wood End Park	1	Mar 2011	Follow up in progress
Barnhill Community High	1	Mar 2011	Follow up in progress
Utilities Gas and Electricity	2	Jul 2011	Includes 1 Low
Budgetary Control	5	Sep 2011	Includes 2 Low
Primary Sickness Scheme	2	Jul 2011	Includes 1 Low – Follow up in progress
Private Sector Leasing 07/08	1	Jul 2011	
ICT Helpdesk Review	1	Aug 2011	
ICT - Business Continuity Management	2	May 2011	Follow up in progress
Securicor	1	Apr 2011	Follow up in progress
Email Security and Management	1	Aug 2011	
Domestic Waste - Civic Amenity sites	1	Dec 2011	
Highways – Planned Maintenance	3	Mar 2012	
HR Payroll Changes & Trigger Dates	3	May 2011	Follow up in progress
Performance Management	1	Dec 2011	
Ruislip High Secondary School	3	Dec 2011	
Cherry Lane Primary	1	May 2011	Follow up in progress
Stray Dogs	1	Sep 2011	
Asylum Accommodation	3	Oct 2011	
Freedom of Information/Data Protection	3	Jun 2011	Includes 1 Low
ICT Disposals	3	Mar 2011	Includes 1 Low - Follow up in progress

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Audit Title	No. of Outstanding Recommendations	Revised Target Date	Comment
Private Sector Renewal Grants & Disabled Facilities Grants	1	Nov 2011	
Dr Triplett's Glebe Primary Grounds Maintenance	1	Jul 2011	
Highways Reactive Maintenance	1	May 2012	
ICT Disaster Recovery	1	Jul 2011	
Mental Health	3	May & Jul 2011	Follow up in progress
Parking Permits	4	Sep 11	
Culture & Arts	1	Aug 2011	
Local Government Pension Scheme Governance	2	Sep 2011	
Section 52 (now 251)	4	Jul 2011	
Street Cleansing	2	Dec 11	
Temporary Accommodation	1	Jun 11	
	3	Sep 11	
	1	Sep 11	

11. Advice Guidance and Consultancy

Management continue to request ad hoc advice from us on operational issues within their service .

12. Anti Fraud Work

12.1. We completed three anti-fraud audits during the period. Summaries of their outcomes are detailed below:

Agency and Consultancy Staff

We reviewed a sample of payments for Agency and Consultancy staff to ascertain whether the new process for authorising their employment had been followed since its introduction in April 2010. We found some weaknesses regarding agency/consultancy staff who were employed prior to the new authorisation process and management are to address these.

Creditors

Using our Interactive Data Extraction and Analysis software, we analysed creditor data to identify any cases of possible conflict. None were identified.

Increases in Pay Rate – We checked a sample of staff who had received pay rate increases in 10/11 to confirm that documentation existed as evidence that the pay rate

increase was had been properly authorised. All changes had been authorised correctly and had sufficient documentation relating to them.

Fraud Awareness

12.2. A further Fraud Awareness Bitesize session was presented to new managers in March 2011 and these will continue throughout 2011/12.

12.3. The new e-Learning Pool module on Fraud that was due to be in place from April 2011 has been delayed but it is envisaged that this will be accessible to all staff by August 2011.

National Fraud Initiative (NFI)

12.4. The data match reports from the NFI are being investigated by directorates and we are monitoring progress on the investigations to ensure that they are being investigated promptly and properly.

Other work

12.5. There are six confidential investigations underway and the results of these will be reported upon conclusion of the investigations.

12.6. The outcomes of the confidential investigations completed are in Part 2.

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
CROSS CUTTING CORPORATE ISSUES							
Anti Fraud and Investigation							
Taxes Management Act	No Returns Requested						
National Fraud Initiative (NFI)	2010/11 Closed						
Anti Fraud Promotion	2010/11 Closed						
Fraud/Irregularity Investigations	2010/11 Closed	See below					
Planned proactive (to be determined)	2010/11 Closed						
- Pensioners Abroad - Life Certificates	Finalised	19/5/10	Satisfactory	Oct 10 – Revised date Sep 2011	0	0	0
- Subsistence	Finalised	6/7/10	Satisfactory	Oct 10	2	0	0
- Council Tax Student Exemptions	Finalised	15/6/10	Full		0	0	0
- Agency/Consultancy Staff	Finalised	2/3/11	Satisfactory		0	0	0
- Pooled Car Usage	Finalised	19/11/10	Satisfactory		0	0	0
- VDA Cancellations	Finalised	15/09/10	Satisfactory		0	0	0
- Increases in Pay Rate	Finalised	3/6/11	Satisfactory		0	0	0
- Overtime	Completed		Satisfactory		0	0	0
- Creditors	Completed		Satisfactory		0	0	0
Other Cross-Cutting							
Annual Governance Statement - Audit	Completed		Satisfactory		0	0	0
Annual Governance Statement - Input	2010/11 Closed						
Advice and Information (Ad hoc)	2010/11 Closed						
Consultancy Advice - Specific Projects	2010/11 Closed						
Carbon Reduction Strategy	Deleted						
IT Policy Compliance	In progress						
Records Management	Finalised	01/06/2011	Limited		2	3	3

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
Healthy Hillingdon	Deleted						
Compliance with Driving Policy	Finalised	03/06/2011	Satisfactory		2	0	1
Risk Management – Corporate Issues arising from individual Directorate audits	Finalised	03/06/2011	Satisfactory		0	4	2
Misc Audit Tasks							
Follow ups	2010/11 Closed						
Brought forward Audits	Completed						
FINANCE & RESOURCES							
Risk Management	Finalised	04/05/11	Full	See Corporate report under Cross Cutting Issues			
Payroll - Starter & Leaver testing	Finalised	16/12/10	Full		0	0	0
Debtors	Finalised	18/02/11	Full		0	0	0
Debtors - ASC Protocol	Draft issued						
CT/NNDR - Contractor visit	Completed						
CT/NNDR - System	Draft issued						
LG Pension Scheme - Governance	Finalised	30/09/10	Satisfactory	May 2011 – revised date Dec 2011	0	2	0
Online Payment Management Project	Deleted						
Creditors	Finalised	03/06/11	Limited		2	5	0
Creditors – Protocol (encompassed in overall Creditors report)	Finalised						
General Ledger	Finalised	31/05/11	Satisfactory		0	2	1
Blue Badges	Finalised	9/11/10	No Assurance	May 2011	0	0	0

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
DCEO							
Risk Management	Finalised	13/05/11	Full	See Corporate report under Cross Cutting Issues			
Performance Reward Grant (LAA)	Completed				0	0	0
Economic Development	Deferred to 2011/12						
Grants to Voluntary Organisations	Finalised	9/6/10	Satisfactory	Dec 2010	0	0	0
Learning & Development	Draft issued						
Establishment Control and Authorisation	Draft issued						
EDUCATION & CHILDREN'S SERVICES							
Risk Management	Finalised	04/05/11	Full	See Corporate report under Cross Cutting Issues			
Schools - Primary							
Cowley St Laurence	Finalised	21/5/10	Satisfactory	Jan 2011	0	0	0
Harefield Infants	Finalised	18/10/10	Satisfactory	May 2011	0	0	0
Cherry Lane Primary	Finalised	02/09/10	Limited	Jan 2011 – revised date May 2011 – Follow up in progress	1	0	0
Glebe Primary	Finalised	19/7/10	Satisfactory	May 2011 - revised date May 2012	1	0	0
Coteford Infants	Finalised	26/6/10	Satisfactory	Jan 2011	0	0	0

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
Botwell House	Finalised	03/09/10	Satisfactory	Follow up in progress	2	1	0
Breakspear Junior	Finalised	17/09/10	Full		0	0	0
Dr Triplets CE	Finalised	16/09/10	Satisfactory	May 2011 - revised date Jul 2011	1	0	0
Field End Infants	Finalised	28/09/10	Satisfactory	Follow up in progress	1	1	1
St Catherine's RC Primary	Finalised	07/10/10	Satisfactory	Follow up in progress	1	6	1
Oak Farm Infants	Finalised	30/09/10	Satisfactory	May 2011	0	0	0
Highfield Primary	Finalised	12/11/10	Satisfactory	Follow up in progress	1	2	1
Rabbsfarm Primary	Finalised	11/10/10	Satisfactory	Follow up in progress	2	5	2
West Drayton Primary	Finalised	26/01/2011	Satisfactory		3	6	1
Guru Nanak Sikh Primary	Finalised	27/04/2011	Limited		4	4	1
Lady Bankes Junior	Finalised	26/01/2011	Satisfactory		1	5	2
St Andrew's CE Primary	Finalised	02/12/10	Satisfactory	Follow up in progress	2	2	0
Brookside Primary	Finalised	20/01/11	Satisfactory		2	4	1
Warrender Primary	Finalised	30/03/2011	Satisfactory		3	3	0
Harefield Junior	Finalised	16/03/2011	Satisfactory		2	1	1
Laural Lane Primary	Finalised	15/03/2011	Satisfactory		3	4	3
Whiteheath Junior	Finalised	10/02/2011	Satisfactory		1	1	1
Heathrow Primary	Finalised	17/02/2011	Full		0	0	0
Lady Bankes Infants	Finalised	17/05/2011	Full		0	1	1
Minet Junior School	Finalised	9/12/2010	Limited	March 2011	0	0	0
Oak Farm Junior	Finalised	11/05/2011	Satisfactory		0	2	2
Newnham Infants	Finalised	03/03/2011	Limited		5	5	1

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
Grange Park Junior	Finalised	18/05/2011	Satisfactory		1	5	2
Sacred Heart RC	Finalised	27/04/2011	Full		0	1	1
Belmore Primary	Deleted	N/A	N/A	N/A	N/A	N/A	N/A
Charville Primary	Deleted	N/A	N/A	N/A	N/A	N/A	N/A
Field End Junior	Deleted	N/A	N/A	N/A	N/A	N/A	N/A
Harlyn Primary	Deleted	N/A	N/A	N/A	N/A	N/A	N/A
Hillside Junior	Deleted	N/A	N/A	N/A	N/A	N/A	N/A
Wood End Park Primary	Deleted	N/A	N/A	N/A	N/A	N/A	N/A
Secondary							
Swakeleys	Finalised	18/6/10	Satisfactory	Academy from 01/04/2011	0	0	0
Special							
Chantry School	Finalised	11/11/10	No Assurance	Implementation dates Sept 2011	17	11	0
Grangewood School	Finalised	18/10/10	Satisfactory		3	2	2
Other School Related							
FMSIS Certification	Deleted	N/A	N/A	N/A	N/A	N/A	N/A
School Liaison/Newsletter/briefings	2010/11 Closed						
BS21	No longer applicable	N/A	N/A	N/A	N/A	N/A	N/A
Pupil Transport	Deferred to 11/12	N/A	N/A	N/A	N/A	N/A	N/A
Education - Looked After Children	Draft issued						
Section 52	Finalised	14/02/11	Full	May 2011 – revised date Jun 2011	0	1	0
Overpayments	Finalised	21/03/2011	Satisfactory		1	4	1

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
CHILDREN'S SERVICES							
Contact Point	Completed	N/A	N/A	N/A	N/A	N/A	N/A
Child Protection and Reviewing (Safeguarding Children)	Draft issued						
Referral and Assessments	Draft issued						
Placements	Deferred to next year						
Research and Statistics	Finalised	03/09/10	Full	Jan 2011	0	0	0
Target Youth Support	Draft issued						
Children's Centre's	Finalised	16/12/2010	Satisfactory	April 2011	0	0	0
Children's Centre's – McMillan Early Childhood Centre	Finalised	16/12/2010	Satisfactory		1	3	0
Extended Schools	Finalised	30/11/2010	Satisfactory		1	5	1
EMAS	Discontinued	N/A	N/A				
Youth Offending Service	Finalised	6/8/10	Full	February 2011	0	0	0
ADULT SOCIAL CARE HEALTH & HOUSING							
Risk Management	Finalised	03/06/11	Satisfactory	See Corporate report under Cross Cutting Issues			
Community Transport	Deleted						
Equipment and Adaptations (All client groups)	Finalised	14/03/11	Limited		2	7	1
Financial Assessments	Draft issued						
Self Directed Support	Completed	03/06/11	N/A		0	0	0
Housing							
Hillingdon Homes Dissolution	Completed						

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
Supporting People	Draft issued						
Housing & Council Tax Benefit	Finalised	22/02/2011	Full		0	0	0
Private Sector Renewal & Disability Grant	Finalised	30/09/10	Limited	Apr 2011 – revised date Nov 2011	1	0	0
Older People's Care							
Homecare - Contract Provision	Deferred to 2011/12						
Residential Block Contracts	Combined with Spot Contract						
Residential Spot Contracts	Draft Issued						
Residential to Independent living	Draft Issued						
People with Physical and Sensory Disability							
Children with Disabilities - Transition	Draft issued						
Stroke Care Grant	Completed						
Other Adult Services							
Safeguarding Adults	Finalised	18/05/11	Satisfactory		0	3	1
ENVIRONMENT AND CONSUMER PROTECTION							
Risk Management	Finalised	16/05/11	Satisfactory	See Corporate report under Cross Cutting Issues			
Street Cleaning	Finalised	13/12/10	Satisfactory	May 2011 -	1	2	0

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
				revised date Sep 2011			
Improvement Projects	Draft issued						
Parking Cash Collection	Draft issued						
Parking Permits (Residents, Visitors & Brown Badges)	Finalised	12/10/10	Limited	April 2011 – revised date Sep11	0	2	0
Stray Dog Service	Finalised	14/09/10	Satisfactory	May 2011 – revised date Sep 2011	0	1	0
Abandoned & Untaxed Vehicles	Finalised	09/09/10	Full	Jan 2011	0	0	0
PLANNING AND COMMUNITY SERVICES							
Risk Management	Finalised	16/05/11	Satisfactory	See Corporate report under Cross Cutting Issues			
Major Construction Projects							
Individual Project Management x 2	Drafting						
Property							
Civic Centre Security contract	Finalised	21/09/10	Limited	Follow up in progress	6	3	0
Civic Centre Mechanical and Electrical contract	Deleted						
Facilities Management Contract	Drafting						
Utilities - Water	Completed						
Arts, Culture, Libraries & Adult Education							

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
Adult Education	Draft issued						
Culture and Arts Strategy	Finalised	11/11/10	Satisfactory	May 2011 – revised date Jul 2011	3	1	0
Sport and Leisure							
Fusion Management Contract	Drafting						
Leisure Facilities Management Contract	Deferred to 11/12						
Contingency							
Audits							
S31/1717 NEW BURDENS (EFFICIENCY INFORMATION AND COUNCIL TAX DEMAND	Completed						
Conflicts of Interest	Completed	N/A	N/A	N/A	N/A	N/A	N/A
Higher Mileage User Status	Finalised	17/11/10	Limited	16/5/2011	0	0	0
Engineering Consultancy	Completed	31/1/11	N/A	N/A	N/A	N/A	N/A
Payment Vouchers - Non-Invoice Payments	Completed	07/09/10	N/A	N/A	N/A	N/A	N/A
Investigation 028	Completed	2/12/10	N/A	N/A	N/A	N/A	N/A
Investigation 029	Completed	30/11/10	N/A	N/A	N/A	N/A	N/A
Investigation 030	Completed	1/10/2010	N/A	N/A	N/A	N/A	N/A
Investigation 031	In Progress						
Investigation 032	Completed	30/11/10	N/A	N/A	N/A	N/A	N/A
Entertainment License Review	Completed	8/12/10	N/A		0	0	5
Investigation 033	Completed	1/10/2010	N/A	N/A	N/A	N/A	N/A
Football Foundation Grant	Completed	19/10/10	N/A	N/A	N/A	N/A	N/A
Hayes and Harlington Association	Completed	15/04/11	N/A	N/A	N/A	N/A	N/A

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
Investigation 034	Completed						
Investigation 035	In Progress						
Agency Car Mileage	Completed	17/12/10	N/A	N/A	0	0	0
Estate Services Contracts	Drafting						
Court Costs	Finalised	03/06/11	Limited		4	2	0
Investigation 036	Completed	07/01/11	N/A	N/A	N/A	N/A	N/A
Investigation 037	In Progress						
Investigation 038	In Progress						
Investigation 039	Completed	04/02/11	N/A	N/A	N/A	N/A	N/A
Investigation 040	Completed	08/04/11	N/A	N/A	N/A	N/A	N/A
Investigation 041	Completed	01/06/10	N/A	N/A	N/A	N/A	N/A
Building Control	Completed	10/05/11	N/A	N/A	N/A	N/A	N/A
Investigation 042	Completed	03/06/11	N/A	N/A	N/A	N/A	N/A
Investigation 043	In progress						
Investigation 044	In progress						
ICT audit contract							
Disposals	Finalised	Sept	Satisfactory	November 2010 - revised date March 2011- Follow up in progress	0	2	1
Liquid Logic	Finalised	May 11	Limited		0	6	1
Software Licensing	Finalised	Oct 10	Limited		1	11	2
Oracle Financials- Debtors	Draft issued						
E-Payments	Finalised	April 11	Limited		2	6	3
Information Assurance & Security	Finalised	31/1/11	Satisfactory		0	3	1

Internal Audit Plan 2009-10 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
CROSS CUTTING CORPORATE ISSUES							
Budgetary Control	Finalised	02/03/10	Satisfactory	May 2011 – revised date Sep 2011	0	3	2
Performance Management	Finalised	29/03/10	Satisfactory	May 2011- revised date Dec 2011	0	1	0
Flexi Leave - Monitoring, Approval and Control	Finalised	15/7/10	Limited	May 2011	0	0	0
DEPUTY CHIEF EXECUTIVE/FINANCE & RESOURCES							
HR Payroll changes and trigger dates	Finalised	29/6/10	Limited	Feb 2011 – revised date May 2011 – Follow up in progress	1	2	0
Payroll	Finalised	17/08/10	Limited	March 2011	0	0	0
Corporate Property							
Estate and Valuation Service	Finalised	19/7/10	Satisfactory	March 2011	0	0	0
Utilities Contracts Gas & Electricity	Finalised	26/03/10	Satisfactory	May 2011 - revised date July 2011	0	1	1
Legal							
Freedom of Information /Data Protection	Finalised	11/06/10	Satisfactory	May 2011 – revised date Jun 2011	0	2	1
AXXIA System	Finalised	16/04/10	Satisfactory	February 2011	0	0	0
Debt Recovery Processes	Finalised	10/5/10	Satisfactory	Jun 2011 – revised Sep 2011	0	3	0
Major Construction Projects							
Contracts - Current	Finalised	25/05/10	Limited	May 2011	0	0	0
ENVIRONMENT & CONSUMER PROTECTION							
Grounds Maintenance Contracts - Parks and Open spaces	Finalised	23/02/10	Satisfactory	May 2011 – revised date Jul 2011	0	1	0

Internal Audit Plan 2009-10 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
Highways Reactive Maintenance	Finalised	7/9/10	Limited	Feb 2011 - revised date May & July 2011 – Follow up in progress	2	1	0
Highways Planned Maintenance	Finalised	26/01/10	Satisfactory	May 2011 – revised date Mar 2012	0	3	0
Domestic Waste Collection & Disposal –Civic Amenity Sites	Finalised	3/6/10	Limited	May 2011 – Revised date Dec 2011	0	1	0
PLANNING AND COMMUNITY SERVICES							
Major Applications	Finalised	15/04/10	Satisfactory	May 2011	0	0	0
Business Continuity & Civil Emergency Audit	Finalised	08/06/09.	Limited	Dec 2010 – revised date May 2011 – Follow up in progress	2	1	0
CHILDREN'S SERVICES							
Nursery Education - Private Provision	Finalised	15/7/10	Satisfactory	May 2011	0	0	0
Asylum Accommodation	Finalised	23/04/10	Satisfactory	Mar 2011 – revised date Oct 2011	0	3	0
Schools - Primary							
Wood End Park	Finalised	11/2/10	Satisfactory	Nov 2010 – revised date Mar 2011 - Follow up in progress	1	0	0
Schools - Secondary							
Barnhill Community High	Finalised	09/10/09	Limited	Nov 2010 – revised date Mar 2011 - Follow up in progress	0	1	0
Ruislip High Secondary School	Finalised	25/03/10	Satisfactory	May 2011 – revised date Dec 2011	1	2	0
Other School Related							

Internal Audit Plan 2009-10 Progress

Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
Primary Sickness Scheme	Finalised	29/01/10	Satisfactory	Sep 2010 – revised date Dec 2010 ¹ - Follow up in progress	1	0	1
Hillingdon Grid for Learning	Finalised	2/12/09	No Assurance	Nov 2010 – revised date May 2011 – Follow up in progress	0	1	0
ASCHH							
Finance systems							
Carefirst Debtors	Finalised	12/2/10	Satisfactory	Jun 2010 – revised date Mar 2011 – Follow up in progress	1	0	0
Housing							
Private Sector Leasing	Finalised	23/06/10	Satisfactory	May 2011	0	0	0
Temporary Accommodation (formerly B&B)	Finalised	26/08/10	Limited	May 2011 – revised date Sep 2011	1	0	0
Older People's Care							
Homecare In-House Provision	Finalised	13/05/10	Satisfactory	Feb 2011	0	0	0
Learning Disabilities							
Sec 75 Agreement (Funding of LD Services)	Finalised	6/10/10	Satisfactory	Follow up in progress	0	2	0
Mental Health Service							
Mental Health Service	Finalised	29/06/10	Limited	April 2011 - revised date Aug 2011	0	1	0
ICT Contracted Days							
IT Disaster Recovery	Finalised	14/04/10	Limited	May 2011 - revised date Sept 2011	1	3	0
Environmental Services Application	Finalised	25/08/09	Limited	Dec 2010 - revised date Apr 2011 – Follow up in progress	1	1	1

Internal Audit Plan 2008-9 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
					H	M	L
FINANCE & RESOURCES							
Pensions Admin	Finalised	07/01/09	Satisfactory	May 2011	0	0	0
Commercial Properties	Finalised	11/09/08	Satisfactory	May 2011	0	0	0
IT Audits							
IT Physical and Environmental Security	Finalised	25/03/09	Satisfactory	April 2011	0	0	0
Helpdesk Application	Finalised	05/03/09	Satisfactory	May 2011 - revised date August 2011	0	1	0
Remote Access (ICT)	Finalised	29/7/09	Satisfactory	Jan 2011 - revised date June 2011	0	2	0
Northgate Application Review	Finalised	25/03/09	Satisfactory	Feb 2011	0	0	0
Ocella Application Review	Finalised	Feb 09	Limited	Jan 2011 - revised date April 2011 – Follow up in progress	0	1	0
IT Data Security and Transfer (from Contingency)	Finalised	26/03/09	Limited	August 2010 – revised date Feb 2011 – Follow up in progress	0	1	0
Email Security and Management	Finalised	27/05/09	Limited	Feb 2011 – revised date August 2011	0	1	0

✓ for
Finalised/Satisfactory/Full
⇒ for in progress
⇩ for Limited

Key

Number of outstanding
recommendations

Comments

PLAN 2007-8

Assurance

Audit Title

Status

Level

High

Med

Low

ADULT SOCIAL CARE, HEALTH &
HOUSING

Page
63

Private Sector Leasing

✓

✓

1

0

0

Followed up May 2011 - Revised date Jul
2011

FINANCE & RESOURCES

ICT

Business Continuity Planning

✓

✓

0

2

0

Revised date May 2011 – Follow up in
progress

FINANCE AND RESOURCES

Securicor Collection

✓

⇩

1

0

0

Revised date April 2011 - Follow up in
progress

Contact Officer: Helen Taylor
Telephone: 01895 556132

REASONS FOR REPORT

The Accounts and Audit Regulations 2011 require a review of the systems of Internal Audit.

This report summarised the outcome of the review and provides an action plan for improvement.

OPTIONS OPEN TO THE COMMITTEE

Review the actions and summary of the outcomes and confirm that this reflects their understanding of the outcome.

1. INFORMATION

1.1. The Accounts and Audit Regulations 2011 require a review of the effectiveness of Internal Audit. The findings of the review must be considered as part of the consideration of the systems of internal control. In local government this means they must be taken into consideration when constructing the Annual Governance Statement.

1.2. Our approach to the review has varied over the years from self assessment by the Head of audit, review by a Committee Member and a Peer Review by another Head of Audit. Following discussions with the committee the approach adopted this year was a review by the whole committee. A special (non public) meeting of the Committee was held on 3 May 2011. All members of the committee attended, as did The Head of Audit and Enforcement, two Audit Managers and representatives of the external auditors, Deloitte.

1.3. The review followed the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Head of Audit and Enforcement had completed the assessment and confirmed compliance under the various headings. The Committee was presented with evidence to support that opinion and was invited to discuss and evaluate it as they felt necessary.

1.4. Example files and work programmes were available at the meeting. During discussions, the committee commented that rather than present files they should have been able to determine which file they wanted to see. An offer to send for any other files was acknowledged but the feeling was that if the committee followed this format for review in the future then it would determine which files it wished to examine.

1.5. The live electronic audit management system was available for review and interrogation. The team uses the system for recording risk in all areas of the audit universe, setting timetables and budgets for audits, as well as recording their own time against individual jobs. It provides a variety of management information on individual audits

the plan as a whole, outstanding recommendations, as well as performance information on individuals.

1.6. The Committee questioned the Head of Audit on how she went about ensuring that all risks had been taken into account and that no serious issues were missed. The Head of Audit and the Audit Managers provided information on the links they maintained with the Directorates and how the business partner model helped to inform them of the major issues affecting the council. The Head of Audit commented that there were no 100% guarantees in looking at risk but felt that the processes in place should pick up most major issues.

1.7. The review confirmed that Internal Audit was compliant with the standard. This report has been prepared on an exceptions basis and only those issues that merited comment have been included in the table below.

1.8. There were some instances where the committee did not think the standard was relevant or useful and these are commented on below, as are instance where the committee thought improvements could be made in internal audit. A note has also been made of these.

REF	STANDARD		FILE REF	EVIDENCE / COMMENT	ACTION REQUIRED	DATE
1	SCOPE OF INTERNAL AUDIT					
1.1	Terms of Reference					
1.1.1	Do terms of reference: a) establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	P		Does not cover partnerships. Would rather addresses through working with partners rather than in a TOR of this type as partnerships vary in type.	Agreed no action required	
1.2	Scope of Work					
1.2.3	Where services are provided in partnership has the Head of Internal Audit identified: a) how assurance will be sought? b) agreed access rights where appropriate?	P		We have previously worked with the Mental Health service on one audit to obtain assurance. Where we have contracted out services such as Council Tax administration we have access rights and have visited remote sites to confirm processes.	As the local government delivery mechanisms changes, Audit will need to continually scan the horizon for changes.	
2	INDEPENDENCE					
2.1	Principles of Independence					
2.1.1	Is Internal Audit: c) free from any non-audit (operational) duties?	P		a) The Head of Audit is responsible for the management of Corporate Fraud Team and the Planning Enforcement Team. Any audits in this area have a TOR agreed with the Deputy Chief Executive and Corporate Director, Central Services and results will be reported directly to her without interference from the Head of Audit & Enforcement.	The Committee will confirm this understanding with the Deputy Chief Executive when she attends the Committee in June 2011.	
2.5	Independence of Internal Audit Contractors					
2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also	Y		We only have one contractor now, RSM Tenon for IT audit. As far as I am aware they don not	The committee would like to seek assurance from RSM	

REF	STANDARD		FILE REF	EVIDENCE / COMMENT	ACTION REQUIRED	DATE
	provide non-internal audit services?			work in other areas of the council. Any future contracting out would exclude Deloitte as they are now our external auditors.	Tenon that there are no conflicts of interest for them, e.g. if they are giving us assurance on systems supplied by their clients	
5.1	Principles of Good Relationships					
5.1.2	Is there a protocol that defines the working relationship for Internal Audit with: a) management? b) other internal auditors? c) external auditors? d) other regulators and inspectors? e) elected members?	P		a) yes approved by CMT in 2011. b) Governed by the contract we have with RSM Tenon c) No formal protocols with Deloitte but good working relationships are maintained. d) Have not managed to identify any IA team that has this. e) There is an officer member protocol	c) Deloitte were present at the meeting and confirmed good working relationship. d) Committee accepted that the nature of regulation and inspection made this an unrealistic aim.	
5.4	Relationships with External Auditors					
5.4.2	Is it possible for Internal Audit and External Audit to rely on each other's work?	Y			Deloitte attended the training session and gave no adverse opinion.	
5.5	Relationships with Other Regulators and Inspectors					
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?	P		We meet with the external auditors But have not really found any synergies between other inspection agencies.	Committee accepted that such dialogue was not practical in view of the short notice and speed of some inspections.	
8.3	Recording Audit Assignments					
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	Y		We amend this continually and there are standard templates on our shared areas. It is covered in the audit manual but the latter needs a complete overhaul to accommodate all the changes we	Completely update audit manual	Dec 2011

REF	STANDARD		FILE REF	EVIDENCE / COMMENT	ACTION REQUIRED	DATE
				have introduced in risk based auditing.		
8.3.3	Is there an access policy for audit files and records?	N		Staff would not disclose anything without reference to an audit manager or the HIA because they are aware of confidentiality. Access would only be granted to those with a legitimate reason to see the information. Other requests would probably be dealt with under FOI.	Include in the revision of the Audit Manual.	Dec 2011
11.3	Performance and Effectiveness of the Internal Audit Service					
11.3.4	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	P		Yes to performance management No to quality assurance	Examine ways of reporting on quality assurance in the future.	

In the following areas the committee were satisfied, after discussion that there were no unresolved areas.

- 1.3 Other Work
- 1.4 Fraud and Corruption
- 2.2 Organisational Independence
- 2.3 Status of the Head of Internal Audit
- 2.6 Declaration of Interest
- 3. ETHICS FOR INTERNAL AUDITORS
- 4. AUDIT COMMITTEES
- 5.2 Relationships with Management
- 5.3 Relationships with Other Internal Auditors
- 5.6 Relationships with Elected Members
- 6. STAFFING, TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT
- 7. AUDIT STRATEGY AND PLANNING
- 8.1 Planning
- 9. DUE PROFESSIONAL CARE

REF	STANDARD		FILE REF	EVIDENCE / COMMENT	ACTION REQUIRED	DATE
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10. REPORTING

11 PERFORMANCE, QUALITY AND EFFECTIVENESS

11.1 Principles of Performance, Quality and Effectiveness

11.2 Quality Assurance of Audit Work

Consolidated Fraud Report

Contact Officer: Helen Taylor
Telephone: 01895 556132

REASON FOR ITEM

To date the Audit Committee has received regular reports on the counter fraud measures included in the remit of Internal Audit. This mainly consist of

- internal proactive audit work aimed at detecting potential fraud,
- reactive investigations into fraud and irregularity,
- co-ordinating National Fraud Initiative data returns and the associated follow up work on investigation matches,
- running awareness programmes across the council,
- ensuring that policies and procedures are updated on a regular basis and
- advising managers on the measures they can take to prevent and detect fraud.

However, Internal Audit is only one arm of the council's counter fraud work. Since October 2010 the Housing Benefit Fraud team has come within the Audit and Enforcement function. This has allowed us to broaden the scope of their work into Corporate Anti Fraud. The Audit Commission Publication, Protecting the Public Purse, provides a checklist for those responsible for governance, to assess their organisations fraud defences against recommended good practice.

This report matches Hillingdon against this checklist, giving examples. It is followed by a summary of the anti-fraud and investigation work undertaken in the year, together with appropriate statistics.

OPTIONS AVAILABLE TO THE COMMITTEE

Note the contents of the report and the level of compliance with the audit commission checklist for those charged with Governance. Monitor actions in the report to ensure anti-fraud measures are given an appropriate profile in the council.

INFORMATION

Consolidated Report on Hillingdon's Counter Fraud Measures in 2009-10

1. Have we committed ourselves to zero tolerance against fraud?

Yes, this is clearly stated in the current anti-fraud and corruption policies and strategy approved by Council this year.

2.0 Do we have appropriate strategies, policies and plans?

Yes, we have an anti-fraud and corruption policy and strategy which is supported by codes of conduct, whistleblowing, rules for declarations of interest and gifts and hospitality and a Standards Committee for Members.

3. Do we have a dedicated counter-fraud resource?

Yes the Corporate anti fraud team now reports to the Head of Audit and Enforcement as does a small team dealing solely with Planning Enforcement. Other prosecuting teams such as Trading Standards are appropriately resourced for their counter fraud work.

4. Do the resources cover all of the activities of our organisation?

Yes

5. Do we receive regular reports on fraud risks, plans and outcomes?

Yes, for internal fraud issues?

6. Have we assessed our management of counter-fraud resources against good practice?

yes.

7. Do we raise awareness of fraud risks including, new staff (including agency staff), existing staff and Members?

Yes, we are continually refining this and improving our methods of delivery. Fraud awareness sessions for managers are held regularly throughout the year. Induction includes a requirement to complete fraud awareness training. An e-learning programme for staff is available on the intranet.

The Housing Benefit Fraud Team runs an annual seminar for Members on the work that they do. Three times a year they run their 'Bigger Picture' seminar for staff, which also deals with HB fraud.

8. Do we join in appropriately with national, regional and local networks and partnerships to ensure we are up to date with current fraud risks and issues?

Hillingdon chairs the West London Fraud Managers forum, which meets quarterly to compare performance, working practices and review current issues. We are members of Local Authority Investigation Officers Group (LAIOG) London Boroughs Fraud Investigation Group (LBFIG), as well as the National Anti-Fraud Network (NAFN). The Corporate Fraud Manager has been in active talks with representatives from the DWP as they prepare for a single investigation unit.

9. Do we have working arrangements with relevant organisations to ensure effective sharing of knowledge and data about fraud?

Yes – We work with the local police team and the UK Border Agency and other social landlords.

10. Do we identify areas where internal controls may not be performing as intended?

Yes this is done in a number of ways, most obviously by the audit of risk areas. Internal Audit reviews summaries of disciplinary case for potential control failures that may need further investigation. There is also a good culture of managers approaching Internal Audit when they think they have a problem area.

11. Do we maximise the benefit of our participation in the audit commission NFI and receive reports on outcomes?

Yes, this is co-ordinated and monitored by the Internal Audit team. The ICT team provide timely and accurate data downloads for matches and within each department there is a lead person who deals with matches in their area of expertise.

12. Have we reassessed our fraud risks because of the recession?

We continually review our fraud risks and look for new ways of detecting and preventing fraud. The formation of the Corporate Fraud team provides greater resilience in investigation for the council. Their expertise can now be utilised in the wider anti-fraud arena and we have plans in place to undertake some proactive work with the team.

13. Have we amended our counter fraud action plan as a result?

Yes, we plan to do more work on external fraud other than benefits, e.g. Blue Badge and will be looking at internal issues in the coming year..

14. Have we reallocated staff as a result?

The Fraud team has been subject to BID. Although there was an overall reduction in staff ways of working have been altered to ensure the most efficient use.

15. Do we take effective action to ensure that social housing is allocated only to those in need?

Yes – Hillingdon successfully applied for a grant of £50k to run a publicity campaign to publicise social housing fraud, called Blow the Whistle on Housing Cheats. Some money was used for partnership working with social landlords in Hillingdon. We carried out visits on behalf of one social landlord on a contract basis. We are planning some data matches with that may help us to identify further abuses.

Housing Application verification visits are made to all new applicants that go onto the housing register to ensure that their details are correct and to confirm the eligibility of their application--in 2010-11 166 potentially fraudulent applications were stopped. The Audit Commission estimates that it would cost £4,000 to recover possession of a property which has been illegally obtained. There are also substantial savings where tenants in receipt of benefits are moved from the private to the social rented sector.

16. Do we take effective action to ensure that social housing is occupied by those to whom it is allocated?

We have an ongoing poster campaign in the borough to blow the whistle on housing cheats. We will also be carrying out data matches to help indentify further anomalies.

17. Are we satisfied that payment controls are working as intended?

The payment system changed in year and some controls now need to be strengthened.

18. Have we reviewed out contract letting procedures against the good practice guidance issues by the office of Fair Trading to reduce the risk of illegal practices such as cartels?

Yes

19. Are we satisfied that our recruitment procedures are; preventing employment of people working under false identities; validating employment references effectively and ensuring applicants are eligible to work?

We have a liaison officer in the Borders and Immigration Service who makes regular visits to the council. UKBA have been working closely with Hillingdon's HR team to ensure that they are appropriately trained in examining identity documents.

All identity documents are now checked centrally by trained staff. Further work on verifying references and past employment is planned for 2011-12

20. Where we are moving to direct payments (for example, social care) have we introduced suitable and proportionate control arrangements in line with recommended practice?

Yes.

21. Are we effectively controlling the discounts and allowances we give to council tax payers?

Yes, have continuous a programme of checking single person discount and other reliefs.

22. Are we satisfied that we are doing all we can to tackle housing and council tax benefit fraud?

Yes, in 2010-11 there were 42 prosecutions, 23 cautions and 35 administrative penalties (fines) imposed for Housing Benefit Fraud. Overpayments identified as a result of fraud amounted to £375,000

In total the Housing Benefit Fraud team carried out 10,448 visits.

23. Do we have a reporting mechanism that encourages our staff to raise their concerns about money laundering?

Yes, Head of Audit and Head of Revenues are money laundering reporting contacts. No reports were made this year.

Anti Fraud and Corruption Statistics

The internal Audit team instigated 17 investigations in year of which xx have been closed. The remainder are ongoing or details have been passed to the Corporate Fraud team for consideration of prosecution.

The Corporate Fraud team's performance on Hosing and council tax issues is as follows;

- 1371 referrals
- 166 cancelled Hsg waiting list applications
- 100 Sanctions
- 10448 visits

The sanctions fall into the following categories;

- Prosecutions 42
- Cautions 23
- Administrative Penalties 35

The achievement of these sanctions has been consistent throughout the year. There are a number of benefits to the residents of Hillingdon as a result of prosecutions. A number of community service hours have been used to improve the environment, community activities and services in the Borough.

Prosecutions are reported in Hillingdon People where residents who have been prosecuted are named and shamed, which act as a deterrent to others. There has been frequent coverage in the local press.

Council Tax checks are aimed at maximising Council Tax revenue data base. To do this that any new builds are scrutinised, exemptions and discounts are checked by ensuring that occupancy details are correct and that the correct level of council tax is being paid

Blue Badge checks have been initiated in the Borough. The first of these were in February and March of this this year when the following results were achieved.

	February 2011	March 2011
Inspected	49	66
Seized	14	6
Penalty Charge Notice Issued	10	2
Interviews under caution arranged	12	8

This exercise will continue throughout the borough in the coming year.

Other work

A staff survey was conducted to test awareness of Fraud and corruptions issues in the authority. The results were reported to the Audit Committee and showed an improvement in awareness the same survey conducted some years before.

During the year the Anti-fraud and Corruption Policy and the Strategy were completely rewritten to take account of the changing environment and the new Bribery Act. These were approved by Cabinet.

BACKGROUND PAPERS

Audit Commission document - Protecting the Public Purse, local government fighting fraud.

REPORT TO COUNCIL ON THE WORK OF THE AUDIT COMMITTEE	
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**Contact Officer: Helen Taylor
Head of Audit & Enforcement
Telephone: 01895 556132**

REASONS FOR REPORT

For good governance it is essential that the audit committee not only to meet and consider the reports and information within its remit, but that it ensures that the wider Council is aware of the breadth and extent of the work it does on its behalf. This report contains the information that it is proposed to present to Full Council so that it can be assured that the committee is acting appropriately on its behalf.

OPTIONS OPEN TO THE COMMITTEE

- If necessary, suggest any amendments that should be made before the report is presented to Full Council.
- Approve the report

SUMMARY

This report summarises for Council the work of the Audit Committee during 2010-11 in undertaking its responsibilities for overseeing and challenging the key areas within its remit, specifically:

- Internal Control;
- Risk Management;
- Internal Audit;
- Additional financial assurances;
- Anti Fraud; and,
- Annual Accounts and External Audit.

The report provides an opportunity for members to review the work of the Committee and comment on its contribution and performance.

This report details the key areas reviewed by the Committee in 2010-11. The Committee has had an impact on all areas of its remit. Notable areas were:

- Raising the profile of Internal Audit through its review of its activities and acknowledged support for the service;
- Receiving and reviewing
 - the annual plan for Internal Audit
 - the periodic progress reports presented by the Head of Internal Audit & Corporate Governance;

- Audit assessment of their arrangements for the transfer of responsibilities for Hillingdon Homes audit on its return to the council.
 - Internal Audit's Terms of Reference
 - reports on the risk management process;
 - updates on International Financial Reporting Standards.
 - reports on Revised Treasury Management Practices
 - Treasury management Strategy Statement and Investment policy and associated training
 - regular reports from the external auditors on the accounts
 - External Audit report on the Pension Fund Annual Report and Accounts
 - the Comprehensive Area Assessment indicative report
 - External Audit report on the key Financial Risks relating to the Icelandic bank investments
 - Results of a Fraud Awareness Survey and a Consolidated Fraud Report
 - Revised Anti - Fraud and corruption strategy.
 - and;
- Approved the annual accounts and presented a robust challenge by addressing questions and seeking assurances from both officers and the external auditors
 - Monitored the production of the Annual Governance Statement and its supporting evidence, and recommended the adoption of the statement to the Leader and Chief Executive.
 - Conducted a review of the Internal Audit Function.
 - Reviewed and set its work programme
 - Kept up to date on changing legislation and emerging issues.

RECOMMENDATION

That the Council approves the annual report.

INFORMATION

1. Background

1.1. The Audit Committee has a wide ranging brief that underpins the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control including audit, anti-fraud and the financial reporting frameworks. The Audit Committee also approves the Annual Accounts and receives regular reports on the work of the external auditor. The Terms of Reference for the Audit Committee are reproduced at Appendix 1 for information.

2. Membership

2.1. Details of the Committee members are in Table 1. They have a wide range of skills and bring both technical and professional experience to the role. The independent chair is a qualified accountant with wide experience in the private and public sector.

Table 1

Member	Role
Mr. John Morley	Independent Chair
Cllr. George Cooper	Deputy Chair
Cllr Phoday Jarjussey	Appointed May 2011
Cllr Richard Lewis	Appointed May 2011
Cllr Raymond Graham	Appointed May 2011

2.2. During the course of meeting members, they were briefed on relevant issues in relation to local government accounts, External Audit, Internal Audit, Use of Resources, Anti-Fraud arrangements, and risk management.

3. Internal Control

3.1. In compliance with the Accounts and Audit Regulations 2011, the Committee has reviewed the effectiveness of the systems of internal control by receiving regular reports from those areas that contribute to the control framework, specifically;

- Internal Audit;
- External Audit
- Risk Management;
- Anti Fraud activities;
- Annual Governance Statement steering group.

3.2. The Committee has received reports from the Annual Governance Statement Steering Group This group reviews and challenges the assurances used to support the Annual Governance Statement that accompanies the statutory accounts. It also reviewed the resultant draft Annual Governance Statement 2009-10 and recommended its approval to the Leader and Chief Executive and will do the same for 2010-11.

4. Risk Management

4.1. Regular reports on the Council's corporate risks are produced and presented to the Audit Committee, which presents a further challenge to the identified risks.

4.2. The committee received assurance that the Corporate Risk Management Group (CRMG) continued to meet regularly and to challenge and review the risks and mitigation strategies.

4.3. All corporate risks have a Risk Management Action Plan, which is effectively a strategy for reducing the effect of the risk.

5. Internal Audit

5.1. The Council's Internal Audit is mainly provided by an in-house team, with IT audit outsourced to a private firm. Staffing and resources have continued to improve with 90% of the plan completed to draft stage by the end of May 2011. High levels of assurance are key to the production of the Head of

Audit's assurance statement, which in turn supports the Annual Governance Statement. Consistent with last year 99% of audit recommendations were accepted, against a target of 95%. Acceptance and implementation of audit recommendations is a key element of improving overall control. Implementation rates of around 80% were achieved at follow up and the committee continues to present a challenge where recommendations have been outstanding for long periods of time.

5.2. During the year, the Audit Committee received regular updates on performance and summaries of audit reports. The Committee plays an important role in raising the profile of Internal Audit by supporting it in its role of assisting management in the Council. Senior officers are required to provide a commentary on the actions they are taking where a report received no or limited assurance and the Committee can, if it considers it necessary, ask officers to appear before it.

5.3. The audit plan and strategy approved by the Committee for 2011-12 is risk based and uses a methodology adopted three years ago. Using this methodology the highest risk-ranked audits are undertaken each year with the risks being re-evaluated annually to take account of emerging and receding issues. As part of their review of Internal Audit the Committee were able to view the system used for recording and updating risks.

5.4. In line with CIPFA guidance, an annual review of Internal Audit was undertaken. This year, the Committee itself carried out the review in a specially organised training session. The service was found to be largely compliant and the Committees suggestions will be taken on board in the forthcoming year.

6. Additional Financial Assurance

6.1. The banking crisis continued to have an effect on the finance of all areas of government and during the year the committee received reports on the Council's Icelandic Bank investments and our updated Treasury Management and Investment Strategy.

7. Anti-Fraud

7.1. In June the Committee reviewed the results of the Fraud Awareness Survey and noted the improved level of awareness among staff of all elements of the anti-fraud strategy.

7.2. During the year, the Audit Committee received summarised reports of the outcome of Internal Audit investigations into alleged Fraud and Irregularity.

7.3. Seventeen investigations were carried out into fraud or irregularities and these have been reported to the committee in updates throughout the year. Largely they have fallen into three categories:

- No issue at the conclusion of the investigation.
- Issues to be addressed by management action

- Disciplinary issues

7.4. In October 2011 the Head of Audit assumed responsibility for the Housing Benefit Fraud Team and that team now forms the Corporate Fraud team. This has facilitated the use of the team's skills to tackle wider fraud issues affecting residents. Most notably Blue Badge fraud where initial checks in Uxbridge town centre have led to a number of seizures and the issuing of penalty notices. Prosecutions may follow some investigations.

7.5. Investigations where serious continue to account for a significant proportion of the total time for all investigations.

8. External Audit

8.1. The external auditors have attended each meeting of the committee. The Head of Audit has met with Deloitte's Audit Manager to discuss the respective approaches to audit. Deloitte staff have reviewed internal audit files to satisfy themselves that they can place reliance on our work. Both the Partner and Audit Manager attended and provided input to the session held for the committee to review Internal Audit. The relationship is now well established. Deloitte are currently reviewing Internal Audit files for their 2000-11 audit and we expect that they will be able to place reliance on the work. Representatives from both Deloitte continue to attend Audit Committee meetings to present various reports and answer questions. The Chairman of the Audit Committee has met the Deloitte auditors independently, in keeping with good governance arrangements.

9. Annual Accounts and Financial Reporting

9.1. The Audit Committee received or approved the following reports

- In June 2010 the Audit Committee approved the 2009-10 Statement of Accounts;
- In September 2010 it received the auditor's draft Annual Governance Report on the audit of the statement of Accounts, prior to formal sign off
- Also in September Deloitte's report on the Pensions Fund Annual Report and accounts
- In March, Deloitte's Annual Grant Audit Letter and their 2010-11 Annual Audit Plan.

9.2. Although on 26 May 2010 the coalition Government announced the abolition of the Use of Resources Assessment, Deloitte had already substantially completed their assessment. An indicative report was therefore provided to the committee in June 2010. This indicated a significant improvement in the council's score to 3 in every category except one concluding in an overall score of 3. Deloitte drew particular attention to the council's 'sustained performance in financial management.'

9.3. The Committee have maintained an active interest in all financial matter, including Treasury Management and in the move to International Accounting Standards. Reports have been received on Revised Treasury Management

Practices, Treasury Management strategy Statement and Investment Strategy 2011-12, International Accounting Standards.

9.4. In support of 2009-10 work, the committee received an Audit and Inspection plan from Deloitte in March 2010.

10. Committee Training and Development

10.1. Following the Local Government elections, The Committee membership underwent some substantial change, with two Members joining for the first time and one being reappointed after an absence. All the new members have financial skills and one has audit experience. The Head of Audit and the Chair of the Committee met independently with the new members (and some substitutes) to assess their training needs prior to their first committee meeting.

10.2. In December the whole Committee received training and guidance on the Treasury Management Strategy 2011-12 to 2013-14. During the review of Internal Audit they were guided through the process of carrying out a risk based audit and reviewed examples of working papers.

11. Conclusion

11.1. The Audit Committee believes it has made 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.

BACKGROUND PAPERS

Terms of reference for Audit Committee
Annual Governance Statement Framework

BREIFING NOTE ON THE CONSULTATION ON THE FUTURE OF LOCAL PUBLIC AUDIT

Contact Officer: Paul Whaymand
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SUMMARY

This briefing note provides a summary of the key issues contained within the consultation on the future of local public audit and sets out the principles contained within the consultation document issued by the Department for Communities and Local Government (CLG). It sets out proposals for arrangements in relation to the appointment of external auditors and the role of local authority Audit Committees. The consultation runs until 30 June 2011.

BACKGROUND INFORMATION

In launching the consultation, the DCLG stated:

“On the 13 August 2010, the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission, and refocus audit of local public bodies on helping local people hold those bodies to account for local spending decisions, the very essence of localism”.

The current audit regime has operated since the inception of the Audit Commission in 1983 with the Commission acting as regulator, commissioner and provider of local audit services with approximately 70% of local authority audits carried out by its own in-house teams. This is now considered over centralised, lacking transparency, costly and bureaucratic. Proposals for a new audit framework are designed to more closely align with the statutory arrangements, professional ethical and technical standards that currently apply to companies.

The design principles underlying the proposed framework are as follows:-

- **Localism and decentralisation** – enabling public bodies to appoint their own independent external auditors from a more open and competitive market.
- **Transparency** - ensuring that the results of audit work are easily accessible to the public, helping local people to hold councils and other local public bodies to account for local spending decisions
- **Lower audit fees** - achieving a reduction in the overall cost of audit
- **High standards of auditing**

Regard has also been paid to the principles of local public audit, which were codified in 1998 by the Public Audit Forum:

- Independence of public sector auditors from the organisations being audited

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- The wide scope of public audit, covering the audit of financial statements, regularity, propriety and value for money
- The ability of public auditors to make the results of their audits available to the public, to democratically elected representatives and other key stakeholders

KEY THEMES AND ISSUES

The key proposals contained within this consultation are detailed below, with the associated issues identified in italics:

- All local public bodies with a turnover of over £6.5m will appoint their own independent (external) auditor
As with all council procurement the processes would need to be transparent to avoid the potential for challenge. Additionally the audit market experienced in this field is relatively small which could bring capacity problems or potentially lead to the appointment of inappropriate audit firms.
- This appointment would be made by full council, taking into account the advice of an independently chaired audit committee, and with an opportunity for the electorate to make an input.
- The National Audit Office would prepare audit codes of practice and prescribe the way in which auditors are to carry out their functions.
The NAO already has a role in providing accountability to parliament, but not necessarily locally (to residents).
- The registration of audit firms and auditors, as well as monitoring and enforcement of audit standards, would be undertaken by the accountancy professional bodies under the supervision of the Financial Reporting Council and its operating bodies.
- Proposals include changes to the structure of audit committees, with the chair being independent of the local authority. The vice chair would also be independent to allow for possible absence of the chair. A further proposal is that elected members should be non executive and non cabinet members, and the majority of the members of the committee should be independent of the authority (in support of the increased transparency agenda).
The availability and costliness of recruiting independent and non executive members with the requisite competence may be problematic. Examples from Charities and the NHS where independent chairs are often paid £20,000 per year demonstrate the potential struggle to recruit the necessary expertise.
- The audit committee would have responsibility for the engagement of the external auditor and also the monitoring of its independence and quality of work. The committee would advise full council on the appropriate criteria for

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engaging an auditor and how these could be weighted. The committee would also be involved in the evaluation of bids.

Whilst this is an additional duty for the audit committee, the procurement would need to be done in accordance with council Standing Orders and procurement processes and the council would provide the technical expertise in this area.

- Other proposals are made regarding failure to appoint an external auditor, rotation of audit firms, resignation / removal of auditors and auditor liability.

IMPLICATIONS FOR AUDIT COMMITTEE

As outlined above, the role of the Audit Committee could change through taking on advising Council on the appointment of auditors and also the monitoring of external auditors would be increased.

It is likely that the CLG would want to specify in legislation some responsibilities that the audit committee should have in relation to engagement of an auditor and monitoring the independence and quality of external audit.

The proposals for additional independent members could also affect the membership of the Audit Committee.

NEXT STEPS

The Council is aiming to submit a response to the consultation to comment on some of the issues identified above. Once all the responses have been collated, CLG will publish a summary and a government response. Following this a further report will be brought to audit committee.

It is anticipated that the review of Audit Committee by the Corporate Services & Partnerships Policy Overview Committee will be partially informed by this consultation.

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Agenda Item 11

WORK PROGRAMME 2011/12

Contact Officer: Khalid Ahmed
Telephone: 01895 250833

REASON FOR ITEM

This report is to enable the Committee to review meeting dates and forward plans.

OPTIONS AVAILABLE TO THE COMMITTEE

1. To confirm dates for meetings
2. To make suggestions for future working practices and/or reviews.

INFORMATION

All meetings to start at 5.00pm

Meetings	Room
27 June 2011	CR 3
21 September 2011	CR 3
8 December 2011	CR 3
15 March 2012	CR 3

AUDIT COMMITTEE

2011/12 DRAFT Work Programme

27 June 2011	Future of Local Public Audit - Consultation	Deputy Director of Finance
	Consolidated Fraud Report	Head of Audit & Enforcement
	Annual Review on the Effectiveness of the systems of Internal Audit	Head of Audit & Enforcement
	Draft Annual Governance Statement	Deputy Chief Executive, Central Services
	Head of Audit Annual Assurance Statement	Head of Audit & Enforcement
	IFRS Training	Deputy Director of Finance/Deloitte
	Audit Committee Annual Report to full Council	Head of Audit
	Audit Committee Work Programme	Democratic Services Manager

Meeting Date	Item	Officer/member
21 September 2011		
	External Audit Annual Governance Report	Deputy Director of Finance/Deloitte
	External Auditor's report on the Pension Fund Annual Report and on the Statement of Accounts 2010/11	Deputy Director of Finance/Deloitte
	Internal Audit Progress Report and plan amendments	Head of Audit & Enforcement
	Risk Management Quarter 1 Report – PART II	Head of Policy
	Audit Committee Work Programme	Democratic Services Manager

8 December 2011	* Private Meeting with External Auditors to take place before the meeting	
	Internal Audit Progress Report and plan amendments	Head of Audit & Enforcement
	Treasury Management Strategy 2011/12	Deputy Director of Finance
	Deloitte – Annual Audit Letter	Deloitte
	Audit Committee Work Programme	Democratic Services Manager

15 March 2012	* Private meeting with the Head of Audit & Enforcement to take place before the meeting	
	Internal Audit Progress Report	Head of Audit & Enforcement
	Internal Audit Strategy	Head of Audit & Enforcement
	Internal Audit Operational Plan	Head of Audit & Enforcement
	Review of Internal Audit Terms of Reference,	Head of Audit & Enforcement
	Annual Governance Statement – Interim Report	Head of Policy
	Report on the Revisions to the Treasury Management Strategy Statement and Investment Strategy	Deputy Director of Finance
	Balances and Reserves Statement	Deputy Director of Finance
	Deloitte Annual Grant Audit Letter	Deputy Director of Finance/Deloitte
	Deloitte – 2011/12 Annual Audit Plan	Deputy Director of Finance/Deloitte
	Risk Management report Part II	Head of Policy
	Audit Committee Work Programme	Democratic Services Manager

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