



HILLINGDON
LONDON



Audit Committee

Members on the Committee

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

Date: WEDNESDAY, 28
SEPTEMBER 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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Published: 19 September 2011

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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 meeting held on 27 June 2011 **(Pages 1-8)**
- 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 ICT Recommendations Update **(Pages 9-12)**
- 5 Approval of the 2010/11 Statement of Accounts and External Audit Report on the Audit for the Year Ended 31 March 2011 **(Pages 13-42)**
- 6 External Auditor's Report on the Pension Fund Annual Report and Accounts **(Pages 43-64)**
- 7 Internal Audit Progress Report **(Pages 65-116)**
- 8 Corporate Fraud Report **(Pages 117-120)**
- 9 Treasury Management Practices **(Pages 121-122)**
- 10 Audit Committee Work Programme **(Pages 123-126)**
- 11 Changing Legislation and Current Issues

PART II

- 12 Risk Management Quarter 1 Report **(Pages 127-136)**
- 13 Internal Audit Progress Report **(Pages 137-138)**

Minutes

Audit Committee

Monday 27 June 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, Paul Harmsworth and Richard Lewis.</p> <p>Also Present: Councillor Beulah East.</p> <p>Apologies: None.</p> <p>Officers Present: Fran Beasley (Deputy Chief Executive and Corporate Director for Central Services), Kevin Byrne (Head of Policy, Performance and Partnerships), Harry Lawson (Corporate Accounting Manager), Nancy Le Roux (Senior Service Manager – Corporate Finance), Jay Nandhra (Audit Manager), Helen Taylor (Head of Audit and Enforcement), Paul Whaymand (Deputy Director, Finance) and Khalid Ahmed (Democratic Services Manager).</p> <p>Others Present: Heather Bygrave (Deloitte) and Jonathan Gooding (Deloitte).</p>
2.	<p>DECLARATIONS OF INTEREST</p> <p>Councillor Richard Lewis declared a Personal Interest in Agenda Item 9 – Audit Committee Annual Report to Council as he was a Member of the Pensions Committee and he declared a general Personal Interest as the Chairman of the Corporate Services & Partnerships Policy Overview Committee who would be undertaking a review into the effectiveness of the Audit Committee's terms of reference. He remained in the room and took part in discussions on the items.</p>

	<p>Councillor George Cooper declared a Personal Interest in Agenda Item 9 – Audit Committee Annual Report to Council, as he was a contributor to the Local Government Pension Fund. He remained in the room and took part in discussions on the item.</p> <p>Councillor Paul Harmsworth declared a Personal Interest in Agenda Item 9 – Audit Committee Annual Report to Council, 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 Raymond Graham declared a general Personal Interest as he was a Member of the Corporate Services & Partnerships Policy Overview Committee who would be undertaking a review into the effectiveness of the Audit Committee’s terms of reference. He remained in the room and took part in discussions on the items.</p>	
3.	<p>MINUTES OF THE MEETINGS HELD ON 10 MARCH AND 12 MAY 2011</p> <p>Agreed as accurate records.</p>	
4.	<p>EXCLUSION OF THE PRESS AND PUBLIC</p> <p>It was agreed that Agenda Item 13 - Internal Audit Progress Report be considered in private.</p>	
5.	<p>DRAFT ANNUAL GOVERNANCE STATEMENT</p> <p>Members were informed that since providing an update on the preparation on the Annual Governance Statement (AGS) at the meeting of this Committee held on 10 March 2010, steady progress had been made to deliver the key components feeding into the draft AGS. This included updating the evidence map and collecting cross-council assurance statements.</p> <p>The Head of Policy, Performance and Partnerships reported that the Council had implemented a range of improvement actions to strengthen governance arrangements and control systems. Details of the unresolved internal control issues were reported to Members.</p> <p>The Committee was informed that the AGS had been considered by the Corporate Management Team of the Council and was still a draft until the Statement of Accounts were published in September.</p> <p>Officers were asked to amend “S151 Officer” in paragraph 3.14 to read “Section 151 Officer”, define “Hillingdon Partners” in paragraph 3.16 and make reference to “An Independent Audit Committee” being independent of the Executive in paragraph 3.18.</p> <p>RESOLVED –</p>	<p>Action By:</p>

	<p>1. That the information contained in the draft 2010-11 AGS be noted.</p>	<p>Action By: Kevin Byrne</p>
<p>6.</p>	<p>INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) TRAINING</p> <p>Jonathan Gooding from Deloitte provided Members with a brief overview of the changes to the accounts under IFRS. The significant changes were:</p> <ul style="list-style-type: none"> • Lease accounting: under the Code there were differences both in terms of identification and classification of leases • Benefits payable during employment (“holiday pay accrual”): under the Code, authorities were now required to make provision for compensated, short term absences such as annual leave and flexi-time • Accounting for grants: The Code sets out changes to the accounting for grants and contributions which result in significant changes to the face of the Authority’s balance sheet • Investment properties: The Code required all balances in the Revaluation Reserve as at 1/4/2009 relating to Investment Properties to be reclassified to the Capital Adjustment Account, as movements in valuation of Investment properties needs to be recognised in the Income & Expenditure account rather than the Revaluation Reserve • Short term investments: The Code required cash and cash equivalents to be disclosed in the balance sheet • Segment reporting: The Code adopted the provisions of IFRS 8 Operating Segments to require notes to the accounts showing income and expenditure according to the divisions and accounting policies used in the management of the authority. <p>Reference was made to section 3 of the presentation booklet which detailed areas of the Statement of Accounts which Audit Committees might wish to question and it was agreed that this be reproduced for the next meeting to enable Members to discuss in more detail.</p> <p>The Deputy Director of Finance agreed to circulate the unaudited Statement of Accounts to Members for their information</p> <p>RESOLVED -</p> <p>1. That the information provided in the presentation be noted.</p>	<p>Paul Whaymand / Nancy Le Roux</p>

7.	<p>HEAD OF AUDIT ANNUAL ASSURANCE STATEMENT</p> <p>The Head of Audit and Enforcement provided Members with a written report to support the Annual Governance Statement.</p> <p>Members were informed that during the year there were two audits that were issued with no assurance reports; Blue Badges and Chantry School. Details of the actions being taken to rectify the system weaknesses were reported</p> <p>The Deputy Chief Executive and Corporate Director for Central Services outlined to Members the Planning Enforcement role which the Head of Audit had within her responsibilities. This role did not impact on the work of the Audit Team. Members were advised the backlog of outstanding enforcement matters had been reduced since the Head of Audit had assumed management responsibilities for enforcement matters.</p> <p>Reference was made to the recent transfer back to the Council of Hillingdon Homes with the Audit Team providing audit services, within their existing staffing resource. The Deputy Chief Executive and Corporate Director for Central Services advised that the Head of Audit and Enforcement was managing and could cover the extra work, however the situation would be monitored and reviewed to ensure there were no capacity problems.</p> <p>Internal Audit Progress Report</p> <p>The Head of Audit and Enforcement advised that there were no significant causes for concern at this time with the levels of assurance being reported, although 8 audits, including 2 schools, had received Limited Assurance in the current period.</p> <p>In relation to Records Management, Members were informed of the reasons for Limited Assurance and it was acknowledged that this Council held many paper copy files. The Committee noted management comments that the recommendations would be implemented as part of the scanning and document management work stream of the New Ways of Working Group.</p> <p>In relation to Creditors and Protocol Creditors, this had been given Limited Assurance because the audit had been carried out soon after two payment teams were merged and full procedures and controls had not been fully implemented.</p> <p>Discussion took place regarding Court Costs which had been given Limited Assurance and whether awarded court costs were being recovered effectively, efficiently and economically. The Chairman commented that this should be a basic management control but the Head of Audit and Enforcement</p>	Action By:
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	<p>explained this had occurred because the Courts had changed the system in relation to awarded court costs.</p> <p>A number of comments were made in regard to Follow Up Audits:</p> <ul style="list-style-type: none"> • IT Disaster Recovery – Members noted that all four actions points from April 2010 had still not been implemented and remained outstanding. In addition in the Internal Audit Plan 2008-9 Progress report, there were still a number of outstanding IT Audits. Members asked that the Head of ICT be invited to attend the next meeting of this Committee to update the Committee on the implementation of these outstanding actions. The IT Audit Plan for this year would be circulated to Members. • Culture and Arts – The Head of Audit and Enforcement would provide Members with details on why there were still four outstanding actions in this audit. • Ruislip High – The Head of Audit and Enforcement would provide Members with further details on the outstanding recommendations in relation to this audit. <p>RESOLVED –</p> <ol style="list-style-type: none"> 1. That the audit opinion and the evidence on which the opinion was based in relation to the Annual Assurance Statement be noted. 2. That the 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 be noted. 3. That the Head of ICT be invited to attend the next meeting of this Committee to update the Committee on the implementation of the outstanding actions relating to IT. 	<p>Action By:</p> <p>Helen Taylor</p> <p>Helen Taylor</p> <p>Helen Taylor</p> <p>Steve Palmer</p>
8.	<p>ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEMS OF INTERNAL AUDIT</p> <p>Members were provided with a review and an action plan for the systems of Internal Audit which had been carried out by Members of this Committee at a workshop which took place on 3 May 2011.</p> <p>Reference was made to the point made at the meeting that for future reviews, Members would determine which audit files they would like to review.</p> <p>The Head of Audit and Enforcement and her team were thanked for their efforts during the review.</p>	

	<p>RESOLVED -</p> <p>1. That the actions and summary of the outcomes of the review be noted.</p>	Action By:
9.	<p>CONSOLIDATED FRAUD REPORT</p> <p>The Committee noted the contents of the report and the level of compliance with the Audit Commission checklist. The Committee commented on the impact of the Anti-Fraud Team activity on reducing abuses of the blue badge system.</p>	
10.	<p>REPORT TO COUNCIL ON THE WORK OF THE AUDIT COMMITTEE</p> <p>Details of the work carried out by the Committee during 2010-11 were contained in the report.</p> <p>The following minor amendments were suggested:-</p> <p>Reference should be made to the Committee having held scheduled private meetings with the Head of Audit and also with the external auditors before a formal Committee meeting and that the Committee set a yearly work programme.</p> <p>RESOLVED –</p> <p>1. That, with the amendments suggested, the report be noted and Council be asked to approve the report.</p>	
11.	<p>BRIEFING NOTE ON THE CONSULTATION ON THE FUTURE OF LOCAL PUBLIC AUDIT</p> <p>The report provided details of the key issues and principles contained within the consultation on the future of local public audit.</p> <p>Details of the implications for Audit Committees was reported. Reference was also made to a review which the Corporate Services & Partnerships Policy Overview Committee was to undertake on the effectiveness of the Audit Committee and its terms of reference,</p> <p>RESOLVED –</p> <p>1. That the information contained in the report be noted.</p>	
12.	<p>WORK PROGRAMME 2011/12</p> <p>Noted.</p>	

13.	<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>	
	<p>Meeting closed at: 6.50pm Next meeting: 21 September 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.

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Agenda Item 4

ICT Recommendations update

Contact Officer: Steve Palmer
Telephone: 01895 556033

REASON FOR ITEM

At the last Audit committee, members drew attention to a number of ICT recommendations that had been outstanding for some time. The committee asked that the Council Head of ICT and Business Services attend the next audit committee to explain the steps that were being taken to clear these recommendations.

This report summarises for the Committee the current status of Audit recommendations in the ICT area. It details the recommendations outstanding at the last Audit Committee and the actions that have now been taken to deal with them. Significant progress has been made with all recommendations either implemented or agreed with Internal Audit to be classed as no longer relevant.

While carrying out this exercise the Head of ICT and Business Services has reviewed the ICT approach to recording and processing agreed audit recommendations. Central monitoring of progress and actions is now fully in place with structured liaison and contact points between Corporate ICT and the Council's Internal Audit Service

The Head of ICT and Business Services will be in attendance to answer any questions members may have.

RECOMMENDATIONS

The Committee should note the progress made and to seek any explanations of actions from the Head of ICT and Business Services.

INFORMATION

The information supporting this item is attached as a table of actions.

BACKGROUND PAPERS

Head of Audit and Enforcement update report to this Committee of June 2011

YEAR	TOPIC	HIGH/MED/LOW	RECOMMENDATION	ACTION & RESOLUTION	STATUS
2007/8	Business Continuity Planning		A well-defined disaster recovery plan, (including satisfactory secondary ICT site) should be provided for ICT back up/disaster recovery	The Disaster Recovery plan was completed in Quarter 1 of 2011. A full generator test scheduled for 31 st August provided an opportunity to test plans and this was successfully achieved. A further test is scheduled for December 2011	Implemented
	Business Continuity Planning		The Head of Resources, Policy & Performance (for Education and Children's Services) should ensure there is a detailed and approved disaster recovery plan in place	Provision is included and was completed in Quarter 1 of 2011.	Implemented The Civic Centre
			All the above have been submitted to and verified by both Civil Protection and Audit colleagues. The majority of these documents having been completed in December 2010 with the current review cycle planned to close in December 2011. A further review will take place post implementation of the ICT Managed Service Tender and Desktop Review tender which will be let by the end of November 2011.		
2008/9	Help Desk	Medium (04/11)	Development of the Configuration Management Database (CMDB) together with the knowledge base and service catalogue and their alignment and integration should be prioritised and agreed.	Report recommended that CMDB and service catalogue integration be prioritised to obtain an accurate snapshot of the network and its components, e.g. Computers, Servers, etc. Since the report was first issued, we have now implemented a new asset management tool, Centennial, which is fully utilised by the ICT team and provides full functionality. This allows the capture and tracking of all software and hardware connected to our network and assists us in ensuring compliance in licensing regulations. The call logging software we use, LANDesk Service Desk provides a knowledge base feature.	Implemented
	Remote Access	Medium	Management should introduce a programme for analysing the logs of remote access sessions in order to identify any inappropriate or unauthorised activity	Provision of remote access is through a Citrix solution. The costs of linking this to an automated process to flag intrusion alerts would include many false positives due to the volume of forgotten passwords, making this neither a pragmatic or cost effective solution. However, we now obtain reports which are manually reviewed to ensure user accounts are still valid.	Internal audit have now agreed this approach is acceptable and have closed the recommendation
	Remote Access	Medium (03/10)	Management should consider obtaining and implementing an intrusion detection	This has previously been considered and the consensus of ICT management and partners with wider industry	Internal audit have agreed to

Annexe 1

YEAR	TOPIC	HIGH/MED/LOW	RECOMMENDATION	ACTION & RESOLUTION	STATUS
			system, together with procedures for checking and acting upon reported attempts at unauthorised access	experience is that the resources required would be disproportionate to the benefits. Since inception, we have met the required standards of the GCSx Code of Connection and that accreditation closely scrutinises both of the mentioned actions. This assurance that any risks are mitigated is further supported by the lack of any breach in our security	close this recommendation
	Ocella Application			Follow up of this audit action was in progress at the time of the last Audit Committee. The recommendation has now been fully implemented	Implemented
	Email Security & Management		Develop and document business continuity arrangements for the E-mail system	Restoration of mailboxes has now been fully tested as part of the Business Continuity plan and the recommendation is complete	Implemented
2009/10	Environmental Services Application M3			This application has now been superseded by Flare, implemented in Dec/ Jan 2011. As such the outstanding actions are no longer relevant	Application being replaced. Recommendation withdrawn
Page 11	ICT Disaster Recovery (DR)	Medium (end 10) High (08/10) Medium (07/10) Medium (12/10)	Four recommendations were noted as outstanding in June 2010: <ul style="list-style-type: none"> • Order of Service recovery in a power outage • Disaster Recovery Plan produced • Identify systems for backup • Staff adequately trained in DR procedures 	All four recommendations have been fully implemented, tested, documented and approved by Senior management. These recommendations are closely linked with the Business Continuity plan and will continue to be reviewed and updated in line with this plan to reflect changes and updates to our infrastructure and services we support.	Implemented
2010/11	Hardware Disposals			All recommendations were fully implemented	Implemented
	Software Licensing		The Council should expedite and set a target completion date on the current work to prevent all users from installing any software.	In place. Reduces rights and will prevent unauthorised software installations. However, due to the nature of their role, select individuals require administrator rights and their usage is monitored on a regular basis	Implemented

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Agenda Item 5

APPROVAL OF THE 2010/11 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2011

Contact: Paul Whaymand
Telephone: 01895 556074

SUMMARY

The attached report summarises the findings of the External Auditor on the audit of the 2010/11 Statement of Accounts and the Value for Money audit. The report is the proposed final report to be signed by Deloitte following Audit Committee on 21 September.

The auditor has indicated that an unmodified opinion will be given and that the Statement of Accounts give a 'true and fair' view.

The report addresses Key Audit risks that were identified prior to audit with particular focus on those risks associated with the adoption of IFRS for the first time in 2010/11.

RECOMMENDATIONS

- 1. To approve the Statement of Accounts for 2010/11.**
- 2. To note the Auditors findings and adjustments outlined in Appendix 1.**

SCOPE OF EXTERNAL AUDIT

International Standard on Auditing Report 260 (ISA 260)

The Council's auditor, Deloitte, is responsible for undertaking an audit of the Statement of Accounts. The outcome of the audit is set out in the attached report.

The ISA 260 requires that auditors should communicate to elected members matters of governance that arise from the audit of the financial statements. These cover:

- Financial performance and position
- Accounting policies and financial reporting
- Materiality and identified misstatements
- Accounting and internal control systems
- Value for Money (VFM) conclusion

In addition, the Auditor requires a "Management Representation Letter" to be signed by management and the Committee. The contents of this letter are set out at Appendix 4. The letter has to include representations from management on matters material to the statement where sufficient appropriate evidence cannot reasonably be expected to exist.

COMMENT ON THE CONTENTS OF THE REPORT

The audit process for 2010/11 was efficient and rigorous and yet completed earlier than previous years. The report highlights just two judgemental misstatements and four

classification errors. It also provides suggestions for improving certain minor procedural or systems controls and disclosure deficiencies that will assist the Council in future years. This represents a very satisfactory audit outcome and successful transition to reporting under IFRS.

ACCOUNTS SUMMARY

The move to IFRS compliant accounts for 2010/11 has resulted in a number of changes to both the presentation and content of the financial statements. In particular a third balance sheet is provided to enable opening balances for the comparator year, the impact of these are set out in note 49 on page 99.

The Comprehensive Income and Expenditure shows a deficit of £11.3m however, this figure is largely constituted by notional charges, namely:-

- an impairment of £196.7m associated with a downward valuation of council dwellings following CLG's change of indexing for social housing from 37% to 25% of full valuation
- a past service gain within the Pension Fund accounts of £95.6m representing a reduction in liabilities under IAS19 following the move from indexing pension uplifts from RPI to CPI.

The Movement in General Fund Balance reverses items that are not chargeable to the council tax payer and include the above amounts alongside other capital charges. Once this was done, the Council showed a surplus of £6.2m. However of this, schools increased their reserves by £8.3m whilst the Council drew down £2m of reserves as per budget to mitigate against reductions in government grants and to provide for Icelandic bank losses, a portion of which will be credited back to reserves over the forthcoming years until the final wind-up of the banks concerned.

The actual surplus for the year against budget and shown in the Council's Management Accounts was £58k. A reconciliation between this and figures reported within the financial statements is shown in Note 26 on pages 73 and 74.

2010/11 saw the operations of Hillingdon Homes brought back in-house. This has been accounted for following the principles of merger accounting, resulting in an additional £1,494k of HH assets (retained earnings) being credited to HRA reserves.

FINANCIAL IMPLICATIONS

The financial implications are contained within the body of the report

LEGAL IMPLICATIONS

The legal implications are mentioned within the report.

BACKGROUND DOCUMENTS

None

London Borough of Hillingdon

Report to the Audit Committee
on the Audit for the year ended
31 March 2011

Report for the meeting on 28
September 2011

Issued on 8 September 2011

Audit Committee 28 September 2011
PART 1 – MEMBERS, PUBLIC & PRESS

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Executive summary

We have pleasure in setting out in this document our report to the Audit Committee for discussion at its scheduled September meeting. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2011.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

Description	Detail
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Key findings on audit risks and other matters

<p>We have concluded satisfactorily on each of the key audit risks identified in our audit plan. We did not identify any additional risks in the course of our work.</p>	<p>In our planning report, which was presented to you in February, we outlined our key audit risks. The results of our testing on those risks are summarised below.</p> <ul style="list-style-type: none"> • Overall, the assumptions used to calculate the liability relating to the London Borough of Hillingdon Pension Fund fall within a reasonable range. • We have concluded that the revaluation of council dwellings and other land and buildings is reasonable and that the Council has accounted for such losses appropriately. However, we have identified a judgemental misstatement relating to the valuation of assets using a depreciated replacement cost methodology. • Our testing of revenue grants did not identify any instances where the recognition criteria had not been correctly considered in the accounting treatment for these grants. • We have identified one judgemental misstatement relating to a provision within sundry debtors. Otherwise our testing concluded that the provisions for sundry debtors were reasonable. <p>In our audit plan, we also identified a number of audit risks arising from transition to the International Financial Reporting Standards (IFRS) based Code. The results of testing on these risks are set out below.</p> <ul style="list-style-type: none"> • We have proposed a change to the structure of the segmental reporting note following discussions with management and review of information reported internally to management. This change has been accepted and the note has been amended in the latest set of draft financial statements. • We performed specific testing on transitional changes including capital grants, short-term absences accruals, and lease accounting. No issues were identified from our testing. 	<p>Section 1</p>
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Audit status

<p>Subject to the clearance of final points, we expect to issue an unmodified audit opinion on the financial statements.</p>	<p>We are satisfied that the status of the audit is as expected at this stage of the timetable agreed in our audit plan. Details of significant matters outstanding are included at Appendix 3.</p> <p>We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of these matters. On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified audit opinion on the fair presentation of the 2010/11 financial statements.</p>	<p>Appendix 3</p>
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Executive summary (continued)

Identified misstatements		
<p>Uncorrected judgemental misstatements decrease cost of services by £321k, decrease net assets by £2,923k and decrease unusable reserves by £3,244k.</p>	<p>Audit materiality was £7.8 million (2010 £7.1 million). This exceeds the estimate reported to you in our audit plan which is largely due to differences between budgeted and actual full year gross expenditure.</p> <p>Uncorrected judgemental misstatements decrease cost of services by £321k, decrease net assets by £2,923k and decrease unusable reserves by £3,244k.</p> <p>Additionally, a number of misstatements identified through our work have been corrected and are reflected in the Statement of Accounts to be presented to the Audit Committee in your September meeting.</p> <p>A summary of the uncorrected and corrected misstatements and significant disclosure deficiencies is included in Appendix 1.</p> <p>We will report at the committee if there are any further uncorrected misstatements identified from our review of the updated statement of accounts or from the completion of our remaining audit procedures.</p>	<p>Appendix 1</p>
Value for money conclusion		
<p>We expect to issue an unqualified VFM conclusion.</p>	<p>Based on the work we have performed in respect of criteria specified by the Audit Commission, we expect to issue an unqualified value for money conclusion for the 2010/11 financial year.</p>	<p>Section 2</p>
Accounting and internal control systems		
<p>There are no matters to bring to your attention.</p>	<p>We did not identify any significant deficiencies in the financial reporting systems. However, during the course of our audit we identified a number of control observations, the most significant of which are detailed in Section 3.</p>	<p>Section 3</p>
Independence		
<p>We confirm our independence.</p>	<p>Our reporting requirements in respect of independence matters, including fees, are covered in Appendix 2.</p>	<p>Appendix 2</p>
Management representations		
<p>We have attached our standard representation letter.</p>	<p>A copy of the representation letter to be signed by management responsible for the preparation of the financial statements is included at Appendix 4. Non-standard representations have been highlighted.</p>	<p>Appendix 4</p>
Whole of Government Accounts (WGA) return		
<p>We have completed our procedures.</p>	<p>We have completed our procedures in respect of the WGA and expect to submit the audited return by the deadline of 30 September 2011.</p>	<p>N/A</p>

1. Key audit risks

The results of our audit work on key audit risks are set out below:

Valuation of pension liability

The calculation of the pension liability is sensitive to small changes in assumptions. Overall, the assumptions used to calculate the pension liability fall within a reasonable range.

The pension liability was identified as a risk because it is substantial and its calculation is sensitive to comparatively small changes in assumptions made about future changes in salaries, mortality and other key variables. The net liability relating to defined benefit pension schemes for 2010/11 was £248m (£436m 2009/10).

There have also been changes announced by the Government including the move from the use of the Retail Price Index (RPI) to the Consumer Price Index (CPI) as the principal measure of inflation. This has resulted in a past service gain being recognised in the Comprehensive Income and Expenditure Statement of £95m.

Furthermore, the move to bring the Arms Length Management Operation (ALMO), Hillingdon Homes, back in-house during the year, resulted in some additional complexities for the presentation of the London Borough of Hillingdon Pension Fund liability. Where as in the 2009/10 financial statements the liability relating to Hillingdon Homes was presented separately, its results are now amalgamated with the London Borough of Hillingdon pension fund for the year ended 31 March 2011.

Deloitte response

We considered the arrangements over the engagement of the Council's actuary and concluded that these arrangements were satisfactory. We included our own actuarial experts from our specialist pension team to assist in the review of the assumptions used to calculate the pension liability, the related in-year transactions, and the reasonableness of the resulting accounting entries and disclosure. Our actuaries have concluded that, whilst at the slightly prudent end, the assumptions are within a range that we would expect and have been set in a manner consistent with International Accounting Standard (IAS) 19, the applicable accounting standard. For consistency, we note that we reported the Council as being at the prudent end of the assumptions range in the prior year as well.

The effect of the RPI to CPI change is to reduce liabilities. There are two possibilities for accounting for this change in the Comprehensive Income and Expenditure Statement: either as a 'Surplus or Deficit on the Provision of Services' where the reduction is considered to be a change in benefit; or as 'Other Comprehensive Income and Expenditure' representing an 'actuarial gain or loss on pension assets and liabilities' if the reduction in liability is considered to be a change in assumption.

CIPFA guidance is that there is a presumption that communications made to staff on a national basis by the government, prior to the UK budget statement, will have established a constructive obligation to continue to increase staff pensions in line with RPI and therefore the change to CPI represents a change in benefit.

The financial statements have been prepared on a basis which is consistent with this guidance and so the past service gain has been recognised within non-distributable costs within the Deficit on Provision of Services section.

We have included a representation within our draft representation letter at Appendix 4 which states that there has been no local communication worded in such a way that would cause employees to not reasonably infer an expectation that future rises would be based on RPI. On this basis we have concluded that the presentation of this change is appropriate.

1. Key audit risks (continued)

Valuation of property

We focused our work on the valuation of council dwellings and certain other land and buildings. We concluded that the valuation was reasonable except for the inclusion of finance costs in the valuation of buildings using the depreciated replacement cost methodology.

Deloitte response

The Council has a substantial portfolio of properties which is subject to a rolling revaluation programme. For the year ended 31 March 2011 the Council has revalued its council dwellings and certain other land and buildings. We identified these valuations as a key audit risk because of the size of the balance in relation to the financial statements as a whole and because some properties require the application of specialist valuation assumptions.

The carrying value of council dwellings at 31 March 2011 has fallen by £200m compared to the prior year valuation. However, this revaluation loss was largely due to a decision made by the Department for Communities and Local Government (DCLG) to change the factor used for calculating the existing use value for social housing from 37% to 25%, rather than a significant change in the market value of such dwellings.

We have considered the approach and methodology of the external valuers and whether the stated valuation assumptions were well reasoned and supported by appropriate evidence. We engaged our property experts, Drivers Jonas Deloitte, to assist us in the assessment of valuations. For council dwellings, we have concluded that the valuation was reasonable.

For the valuation of other land and buildings we identified one issue resulting from the process undertaken. The 2010/11 Code states "where Depreciated Replacement Cost (DRC) is used as the valuation methodology, authorities should use the 'instant build' approach at the valuation date". Specific reference to this was made in LAAP 88 which did not define instant build but did state that the concept of instant build means the need to remove finance costs from a valuation. From discussions with our internal valuation experts and with the Council, we have established that under the new methodology, an instant build approach would mean valuing relevant assets on the basis of current build costs; in practice this might mean using historic build costs and then accounting for changes in build costs to the date of valuation. The Council has not taken this approach but has used historic build costs and added finance costs of 6.75%. Therefore the potential error is the difference between inflationary build costs and the finance cost used by the Council.

The capitalisation of finance costs amounts to £4.1m of the revalued assets. As building inflation costs change over time, it is not possible to quantify the actual misstatement in relation to this issue unless each asset valued is reviewed. The Council has not proposed to undertake an exercise to identify the actual inflationary build costs that should be included for this year's financial statements on the basis that to do so accurately will take some time and there is a low risk that the amount would be material. However, management has agreed to undertake such an exercise for these assets in the 2011/12 financial year.

Therefore, whilst acknowledging that this will be at the upper level of the actual error, we have proposed a judgemental misstatement of £4.1m within fixed assets to remove the finance cost capitalisation. This is recorded in Appendix 1.

In Section 3, we have identified a control observation relating to the documentation of considerations around valuation methodologies.

1. Key audit risks (continued)

Completeness of bad debt provision for sundry debt

Bad debt provisions are an area of focus due to their judgemental nature. Our testing identified a potential misstatement for the housing benefit overpayment provision.

The sundry debt provision was identified as a risk because the sundry debt balance comprises of a number of sub-categories of debt, all of which have different methodologies for calculating the level of provision required. By nature, provisions are judgemental but should be based on sound assumptions and robust methodologies.

The make-up of the sundry debtor balance is shown in the table below:

	Gross debtor	Provision	Net debtor
	£'000	£'000	£'0 00
Other sundry debts	11,821	(2,685)	9,136
Housing benefit overpayments	7,658	(6,359)	1,299
Housing revenue account	1,043	(738)	305
Council tax and NNDR	884	(770)	114
Prepayments	2,596	-	2,596
Total sundry debtor	24,002	(10,552)	13,450

Deloitte response

Of a gross debt of £24m, £10.5m has been provided for, leaving the Council with a maximum potential exposure of £13.5m at 31 March 2011. Our risk was specifically addressed towards the completeness of the bad debt provision for sundry debt but as part of our work we have considered the level of the provision as a whole, including an assessment of whether the provision appears to be higher than we would expect.

The Council's methods for calculating provisions are different for each sub-category of debt, but all have been calculated using the same processes as the previous year. The general approach adopted by the Council when assessing the level of provision required is to analyse the make-up of sub-categories of debt and then apply provisions based on perceived risk. Whilst the logic for this approach does not appear unreasonable, with the exception of Council tax debtors, officers have not supported this through reference to recent experience of recovery of debt.

In evaluating the reasonableness of the provisions, we have considered the potential exposure where the net debtor is significant. We have also considered the extent to which the provision estimated at 31 March 2010 differed to the amounts actually utilised in the current year. Our findings are noted below.

The table above shows that the largest area of exposure is within other sundry debts. £5.7m of this exposure relates to Corporate and Finance debts where investigation noted that 90% of the outstanding debt is less than 1 year old and has a historic cash collection rate of 91% based on 2009/10 debt. £2m of the other sundry debt exposure relates to social service debt which has a historic cash collection based on 2009/10 of 81% but has had some change in the ageing of the debts in the current year. Based on this work we have concluded that, in terms of completeness, the provisions for sundry debt are not unreasonable.

Our work on the housing benefit overpayment identified that the provision may be overstated. The Council's current policy is to provide for 100% of overpayment debt with former tenants. However, our review of historic cash collection identified that, on average, 27% of debts were recovered per annum from 2008/9 and 2009/10 indicating that the current provision of 100% is not appropriate. As a result we have identified a judgemental misstatement of £1.2m. Management have stated that the economic downturn is likely to result in an increase in residents owing money in relation to housing benefit and this will increase the risk in underrecovery, however, they have agreed to look at the methodology and appropriateness of this provision in 2011/12. This potential error is included in our schedule at Appendix 1.

Aside from the judgemental misstatement identified, we have concluded that the amount of the provision for sundry debt is not unreasonable. A representation covering the reasonableness of the bad debt provision is included in Appendix 4.

1. Key audit risks (continued)

Recognition of revenue grant income

The timing for the recognition of grant income will depend on the scheme rules for each grant. Our testing found no material issues.

Accounting for grant income can be complex as the timing for recognising income in the accounts will depend on the scheme rules for each grant. This risk was identified as a result of changes to the IFRS based Code and due to the relaxation of restrictions on use for a number of grants received by the Council.

Under the Statement of Recommended Practice (SORP) 2009, income from revenue grants was recognised in the income and expenditure account to match the expenditure to which the grant was expected to contribute. Where the revenue grant was not ring-fenced to a particular purpose or period, income was recognised immediately. Under the IFRS based Code, income from grants is recognised in the Comprehensive Income and Expenditure Statement as soon as all conditions are met.

Deloitte response

We performed detailed testing on a sample of revenue grants by reviewing correspondence attached to specific grants and comparing with the Council's accounting treatment. This included reviewing revenue grants recognised in 2009/10 and 2008/09. Our testing did not identify any instances where the recognition criteria had been determined incorrectly or where treatment would change under the Code.

Presumed risk of management override of controls

Recently amended audit guidance includes a presumed risk of management override of key controls

New International Standards on Auditing (ISAs) have been issued which apply to accounting periods ending on or after 15 December 2010. These 'clarified' ISAs impose some new requirements on auditors, one of which is the presumed risk of management override of control, which cannot be rebutted by the auditor.

Our audit work is designed to test the potential risk of management override of controls. Our work focussed on the testing of manual journals, significant accounting estimates and any unusual transactions, including those with related parties.

Deloitte response

In testing journals, we made use of computer assisted audit techniques to analyse the whole population of journals and to identify those which had features which can be indicators of fraud. We tested these journals and did not identify any issues to report to you.

Key areas of accounting estimates are included as separate risks, notably:

- valuation of pension liability;
- valuation of fixed assets; and
- completeness of bad debt provisions.

Our testing of these risks are reported to you in this section. We did not identify any bias from management in preparing these estimates. We did not identify any transactions where the business rationale was not clear.

We did identify one area that was not perceived to be a risk of material misstatement, but is an area of judgement by management. The Council does not currently recognise the whole of income receivable in relation to the BEN01 grant on the basis that it includes potential impairment losses relating to errors in the claim where the Department for Work and Pensions (DWP) could clawback grant funding. We have reviewed the basis for this adjustment and considered in the context of our grant audit of the BEN01 claim. Our testing of this claim to date has identified that it does contain certain errors, which whilst immaterial from the perspective of our audit, do indicate the possibility of clawback of funds. Therefore, we have concluded that this position is not unreasonable and concluded satisfactorily on this risk. The results of our testing of grant claims will be reported separately to the Audit Committee.

1. Key audit risks (continued)

The risks noted below represent key differences between the UK GAAP based Statement of Recommended Practice (SORP) and the International Financial Reporting Standards (IFRS) based Code in place for the current financial year, which require restatement of 1 April 2009 and 31 March 2010 balances.

IFRS transition risk: segment reporting

A change has been made to the initial segmental reporting note included in the first draft of the financial statements presented for audit.

We consider the revised note to be appropriate.

Deloitte response

Under the Code, a new note to the accounts is required. The Council was required to disclose a segmental analysis of income and expenditure, with segments reflecting the structure of financial information used for internal management reporting.

In addition to reporting the results of its segments, the Council was required to disclose additional information included in a subjective analysis of total income and expenditure, and a reconciliation from segmental information presented to the Comprehensive Income and Expenditure Statement.

We have reviewed the rationale adopted by the Council regarding its reportable segments and performed detailed testing on the balances disclosed.

As a result of our discussions with management, the Council has amended the structure of the note since the initial draft of the financial statements presented for audit, so that the table of reportable segments now reconciles directly to the Outturn report for 2010/11 which is reported to the Cabinet. We consider this to be appropriate because it is the outturn report which is closest to the definition in the Code which states the internal reporting considered should be 'the most commonly used within the authority when considering the allocation of financial resources.'

Management has agreed with this change and the adjustment has been reflected in the latest version of the financial statements.

IFRS transition risk: accounting for capital grants

The transition to IFRS required changes to the accounting for capital grants.

No material issues were identified from testing.

Deloitte response

The transition to IFRS requires changes to accounting for capital grants. The Code sets out changes to the accounting for grants and contributions related to capital expenditure. As part of the restatement to IFRS, officers were required to undertake a review of grants and contributions unapplied at 1 April 2009, together with grants received but not applied subsequently, to ascertain whether there are any conditions attached to the grant or contribution.

The Council has restated the 2009/10 and 2008/09 balances to reflect changes to accounting for capital grants.

We reviewed the work performed by officers to assess and restate entries made in relation to capital grants arising from transition to the Code. We also performed detailed testing on a sample of capital grants by reviewing correspondence attached to specific grants and comparing with the accounting treatment. Our testing did not identify any issues and so we have concluded the treatment of capital grants is satisfactory.

1. Key audit risks (continued)

IFRS transition risk: lease accounting

There has been a change in the identification of leasing arrangements and their classification and consequent accounting treatment. No material issues were identified from testing.

The IFRS based Code includes different criteria regarding the classification of leases. This risk was identified because the Council was required to review its leases retrospectively against IFRS criteria and assess whether they should be categorised as operating or finance leases and account for them accordingly. This requirement did not extend to lease-type Private Finance Initiatives as changes resulting from IFRS were fully implemented in 2009/10 as an amendment to the 2009/10 SORP.

Deloitte response

We have reviewed documentation prepared by officers which shows how they have concluded whether leases are classified as operating or finance. We have then performed detailed testing on a sample of these leases to form an independent conclusion. We have not identified any issues from our testing.

IFRS transition risk: holiday pay and other compensated, short-term absences

An accrual for short-term absences has been made in the financial statements for the first time. Our testing has not identified any material issues.

The Council has made provision for compensated, short-term absences such as annual leave and flexitime for the first time as required by the Code.

For council employees, the Council has used data from its Resource Link payroll system as the basis for this accrual. For school term-time employees, the Council has calculated the accrual using specific CIPFA guidance.

Deloitte response

We have tested the calculations for the prior year and current year accrual and the report obtained from the payroll system. For school term-time employees we recalculated the accruals using CIPFA guidance and agreed source data to appropriate evidence. We have not identified any issues from our testing.

2. Value for money conclusion

For the 2010/11 year the Audit Commission introduced a new approach to value for money (VFM) work at bodies previously subject to a use of resources (UOR) assessment.

Our VFM conclusion is based on the following criteria:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Based on the criteria specified by the Audit Commission and the work we have performed against those criteria, we expect to issue an unqualified value for money conclusion for the 2010/11 financial year.

Without affecting our value for money conclusion, from our work we have identified the following recommendations:

Publication of a summary strategic plan

Description The Council is undergoing a significant period of change, both with a revised internal structure and plans to meet challenging savings targets. We have seen evidence of the plans behind such changes but there is no overall Council strategic plan in place which brings together the key strategic priorities of the Council and shows how the changes being made align themselves to this plan and the priorities of the Council.

Recommendation The Council should consider creating a strategic summary for residents and staff which is available on the Hillingdon Council website. The document could discuss the Council's key strategic priorities in the short and medium term and how these priorities are being managed in the context of significant change. It is considered that such a document would be helpful to users to understand the context of these changes and how difficult decisions are being made to balance key priorities.

Management response Each year, in the autumn edition of Hillingdon People, the Council includes an article summarising the Council's annual accounts and explaining to residents how their money has been spent. Resident's value this publication as the most effective means of communication from the council. As part of this year's article we will be explaining how the Council manages to maintain services the residents have said they want, how they are achieving their stated priorities and how this is being done within the context of delivering significant savings and undergoing a major transformation of the Council. Hillingdon People is also published on the Council's web site.

Timeframe: October / November 2011

Owner: Nancy Leroux, Senior Service Manager Corporate Finance

Proposed amendment to annual governance statement

Description On review of internal audit reports we identified some cases where control weaknesses had been identified in capital project management and creditors. We understand that control improvements have been implemented in the year to address these weaknesses. The draft annual governance statement makes some reference to control improvements being made but does not specifically link to these areas.

Recommendation To add more detail to the annual governance statement to discuss these control weaknesses and the specific changes made to address them. This would make the statement more explicit and show that weaknesses are addressed.

Management response The annual governance statement has been updated to include further detail on these issues. The revised version will be included in the final accounts.

Timeframe: Completed

Owner: Helen Taylor, Head of Internal Audit and Enforcement

3. Accounting and internal control systems

Control observations

During the course of our audit we identified a number of control observations, the most significant of which are detailed below.

Ageing of housing benefit overpayments provision

Description We understand that the Northgate system, which is used to calculate and monitor housing benefit overpayments debts, does not have the functionality to report on the ageing or cash recovery of debtors. This results in a limitation of the information available to management when determining the appropriate level of provision for housing benefit debts and could limit a more efficient approach to identifying debts perceived to be of a higher risk.

Recommendation Management may wish to enquire into the possibility of creating ageing and cash recovery reports if they would be useful for debt collection purposes.

Management response This would be useful if Northgate are able to produce such a report as part of the standard suite of reports providing it can be done with minimal effort. If a significant level of resources is needed to produce such report(s) then it is unlikely to be worthwhile as the nature of such debts as well as housing benefit regulations reduce the significance of the age of debtor as an indicator of the likelihood of recovery. The financial status of the debtor can mean that some relatively new debt can be difficult to recover but the reverse can also be true.

Timeframe: April 2012

Owner: Maqsood Sheikh

Bank housekeeping arrangements

Description Our bank confirmation letter from HSBC identified that an unlimited multilateral guarantee was still held between Hillingdon Council and Hillingdon Homes Ltd. Such an agreement would now be redundant as Hillingdon Homes was amalgamated back into the Council in the 2010/11 year.

The confirmation letter also identified a bank account that was open but when discussed with management, we understand that management believed this account was closed.

Recommendation Management should regularly review banking arrangements to ensure that any open bank accounts are regularly reconciled to the ledger and that any other additional agreements are removed when the related contractual relationship has ended. In the instance of the two issues identified above, we understand that the Council has now contacted the bank to close the bank account concerned and remove the guarantee.

Management response The guarantee was required for the first six months of the financial year 2010/11. HSBC were informed at the time that Hillingdon Homes had ceased to be a legal entity. The paperwork has now been updated by HSBC.

All bank accounts are reconciled to the ledger on a monthly basis. The bank account referred above was opened several years ago and had never been used. The account has now been closed by HSBC.

Timeframe: August 2011

Owner: Annette Reeves

3. Accounting and internal control systems (continued)

Consideration of modern equivalent asset valuation basis for fixed assets

Description We raised a control observation in the our report on the 2009/10 audit which recommended that where the Council is valuing assets under the depreciated replacement cost (DRC) methodology, there should be explicit reference to whether or not a modern equivalent asset (MEA) basis had been applied. Where appropriate, the MEA basis of DRC is to be used for all assets; this means consideration of the replacement cost of an existing asset if new materials were to be used or potentially a different site.

Our review of detailed valuation papers, and discussion with the valuers, has identified that an MEA basis has been adopted. However, we did not see detailed commentary that documented the thought process in arriving at this valuation.

Recommendation Whilst our testing has not identified any issues with the valuation process undertaken by the Council, given the complexities of this area, we suggest robust documentation of valuation approach is used.

Management response Management agree to review the documentation process for future revaluations to ensure that the methodology is clear and followed.

Timeframe: April 2012

Owner: Virginia De Matos

Land registry housekeeping

Description Our testing of fixed assets identified a property, Lapwing site at Heathrow, which is still being shown as the property of the London Borough of Hounslow, despite being transferred to Hillingdon over 10 years ago.

Recommendation Management should contact the Land registry to effect this change and ensure that the same process is followed for any other sites of this type.

Management response The legal department have been instructed to begin the process of transferring the title into Hillingdon's ownership.

Timeframe: December 2011

Owner: Boe Williams Obasi

3. Accounting and internal control systems (continued)

Valuation of investment properties

Description Under the IFRS based Code, investment properties are required to be revalued on an annual basis. However the Council did not revalue their investment properties during the 2010/11 financial year. Whilst the investment property balance is not material; the Code explicitly requires annual valuations for these properties.

Recommendation Management should perform annual revaluations on the Council's investment properties to comply with the Code of Practice.

Management response The Council holds few Investment properties and these would normally be valued during the usual five year revaluation cycle. The Code now requires annual valuations for which the Council will undertake in 2012.

Timeframe: April 2012

Owner: Virginia De Matos

Calculation of homecare accrual

Description The homecare accrual, which forms part of sundry creditors, was calculated using a system generated report which had a number of faults including issues where more than one provider was used for an individual's care package. Although the accrual was not materially misstated, there is a risk that using the system generated report in the future can lead to a misstated accrual.

Recommendation Management should review the controls around the production of the report and aim to rectify these. In addition to this, a review of the report should be performed after it has been generated to assess if correct.

Management response Management agree with the recommendation. The report is due to be reviewed and will be tested prior to being used to accrue expenditure for 2011/12.

Timeframe: April 2012

Owner: Sheila Congram

Schools balances

Description The returns which are received from schools, providing the Council with financial information, do not include an analysis of payroll costs such as national insurance and employer's pension contributions. One effect of this is that the Council's Whole of Government Accounts (WGA) return does not include employers' national insurance contributions for schools when this data is requested.

Recommendation To include more detail on schools returns to enable national insurance and pension costs to be split from salary costs. We also recommend that the school returns include details of the school staff full time equivalents for the period.

Management response Management agree to review the school returns requirements to ensure the capture of all required data as part of the year end process. This may require additional review of the Scheme for Financing Schools.

Timeframe: April 2012

Owner: Peter Malewicz

4. Other matters for communication

As part of our obligations under International Standards on Auditing (UK & Ireland), we are required to report to you on the matters listed below.

Independence	<p>We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and the objectivity of the audit engagement partner and audit staff is not compromised.</p> <p>If the audit committee wishes to discuss matters relating to our independence, we would be happy to arrange this.</p>
Fees and Non-audit services	<p>An analysis of professional fees earned by Deloitte and non-audit services performed in the period from 1 April 2010 to 31 March 2011 is included in Appendix 2.</p>
International Standards on Auditing (UK and Ireland)	<p>We consider that there are no additional matters in respect of those items highlighted in our publication "Briefing on audit matters" issued in February 2010 to bring to your attention that have not been raised elsewhere in this report or our audit plan.</p>
Liaison with internal audit	<p>The audit team, following an assessment of the independence and competence of the internal audit department, reviewed the findings of internal audit. There were no areas where we needed to adjust our audit approach as a result.</p>
Written representations	<p>A copy of the representation letter to be signed on behalf of Council has been attached at Appendix 4. Non-standard representations have been highlighted.</p>
Note on electronic publication	<p>If you publish or distribute your statement of accounts electronically, you are responsible for ensuring that any such publication properly presents the annual report and any report by us thereon and for the controls over, and security of, the website. You are also responsible for establishing and controlling the process for electronically distributing such reports. ISA (UK and Ireland) 720 and APB Bulletin 2001/1 set out the procedures auditors follow before electronic distribution of their reports. In order that we can carry out these procedures you will provide us with a copy of the financial information in electronic form before it is published. You agree that you will obtain our written consent to any electronic publication including the use of our name or our report(s) before it occurs. We reserve the right to withhold consent to electronic publication if we are not able to satisfactorily perform the procedures set out in the Bulletin.</p>

5. Future developments

For reference, the following developments are likely to have an impact the financial statements of the Council.

Changes to the 2011/12 Code

Background	<p>The 2011/12 Code includes a number of key accounting changes. We have listed some of the potentially significant changes below.</p> <ul style="list-style-type: none">• The requirements of FRS 30 Heritage Assets are adopted, with all heritage assets identified to be carried at valuation if possible, and disclosed. We note that the Council has already considered the potential impact of this change and concluded that at this stage no heritage assets are held.• Additional disclosures are required in respect of remuneration and exit packages. Specifically, there is a requirement to disclose the number and cost of exit packages agreed.• Various legislative changes, including regulations mitigating the impact of the transition to IFRS and the remuneration reporting requirements.• Clarification of requirements in a number of areas where uncertainty was identified in the 2010/11 Code.
Potential impact on Hillingdon	<p>Regarding heritage assets, the Council has conducted an exercise to identify potential heritage assets and has concluded that it does not currently hold any assets which fall in to this category. The Council should be aware of any potential new heritage assets and account for valuation and disclosures appropriately.</p> <p>In the 2010/11 draft financial statements the Council has disclosed compensation paid to senior employees. The 2011/12 Code requires further disclosure in this area for exit packages, which includes compulsory and voluntary redundancy, ex-gratia payments and other departure costs.</p>
Effective date	<p>The Council is required to account for these changes from 1 April 2011.</p>

Code of practice on transport / infrastructure assets

Background	<p>CIPFA has published the Code of practice on transport / infrastructure assets (the transport Code) which suggests a change in the financial reporting valuation of infrastructure assets.</p> <p>Infrastructure assets are currently valued on a historic cost basis, with the transport Code suggesting a move to a depreciated replacement cost (DRC) based valuation. The transport Code suggests the withdrawal of the current method of historic cost accounting for infrastructure assets from 2012/13.</p> <p>The consultation on the 2012/13 Financial Reporting Code (the financial Code) includes the option for a voluntary disclosure of infrastructure assets on a DRC basis but currently maintains the required historic cost valuation for these assets.</p>
Potential impact on Hillingdon	<p>The financial Code remains the primary accounting source for the Council when preparing the financial statements. The 2011/12 financial Code states that the current historic cost valuation basis will be maintained for the next financial year and so there is no proposed impact for this period. Additionally, the consultation on the 2012/13 Code is only suggesting an additional voluntary disclosure for infrastructure assets under a DRC basis.</p> <p>However, considering the carrying value of infrastructure assets on the current historic cost basis at 31 March 2011 of £147m, if a change in valuation is adopted in future financial Codes, the impact could be significant for the Council.</p>
Effective date	<p>The consultation on the 2012/13 financial Code suggests an additional voluntary disclosure is required for that year end. We recommend the Council monitors this area for potential future changes.</p>

5. Future developments (continued)

Self-financing for council housing

Background The reform of council housing subsidy system was included as a Coalition agreement commitment. Significant changes to the current system are expected with a planned implementation date of April 2012.

Currently central government determine an amount deemed necessary for each council to maintain its housing stock on an annual basis. Council's then either receive a housing subsidy from government or pay excess rents to the Housing pool (negative subsidy). The Housing subsidy is calculated by the government based on estimated income and spending for each local authority's HRA. The calculation involves a number of assumptions. Where the government's subsidy estimates show that expenditure for a local authority is greater than its income, then a subsidy is paid to the local authority. However, where the government's subsidy estimates show that income is greater than expenditure, then the local authority makes a payment to the government. This calculation changes annually.

The new proposals suggest an end to the current subsidy system moving to a self-financing system after redistribution of current national housing debt.

Potential impact on Hillingdon

We understand that a baseline subsidy valuation will be undertaken from which the government will determine the opening valuation of council dwellings with the new valuation being based on assumptions about each local authority's income and need to spend over 30 years.

There will be a readjustment of each local authority's housing debt. If the re-valuation is lower than the amount of housing debt which is currently supported through the housing revenue account subsidy system, Government will pay the difference. If the valuation is higher than the debt supported by Housing Revenue Account subsidy, the local authority will be required to pay Government the difference. Management has provided information based on draft figures produced by DCLG which indicate that Hillingdon will be required to pay £172m to government and in return will keep £15m (rising to £25m) annually in negative subsidy. This represents a doubling of Council debt and will require separation of HRA and general fund pools of debt.

Effective date 28 March 2012

Consultation - accounting for non-current schools' assets

Background CIPFA/LASAAC has issued a consultation on proposals for developing the 2011/12 Code in relation to non-current schools' assets.

The issue of the accounting treatment of non-current assets used by the different categories of maintained schools has been subject to debate for a number of years, without a firm conclusion being reached. The debate arises because the circumstances of each of the categories of maintained schools, such as ownership and access to economic benefits and service potential, are different. The move to IFRS has resulted in authorities and auditors reconsidering the issue.

Potential impact on Hillingdon

CIPFA/LASAAC's proposals are:

- recognition or otherwise of all maintained schools on local authority balance sheets will require a subjective analysis of the indicators of control of the assets;
- it is likely that for foundation and voluntary aided schools the non-current assets are not assets of the authority;
- the case for voluntary controlled and community schools is less clear and CIPFA / LASAAC's preliminary view is that voluntary controlled schools appear not to be the assets of the authority whilst community schools appear to be the assets of the authority; and
- the proposed interpretation may require some local authorities to change their accounting policy for one or more of the categories of schools, and this interpretation would need to be applied retrospectively.

Effective date Effective for financial years commencing on or after 1 April 2011

5. Future developments (continued)

Consultation: proposals for business rates retention

Background	<p>A consultation covering the retention of business rates has been issued by DCLG. Currently, business rates are collected on a local basis and repatriated to central government. Funds are then reallocated to local authorities on the basis on the local government finance settlement.</p> <p>The consultation introduces proposals to enable local authorities to retain more of locally collected business rates. Various control measures are discussed within the consultation such as setting a baseline position and introducing tariffs or top-ups based on business rate yield.</p> <p>Proposals are also made for options to implement the concept of Tax Increment Financing, where a local authority could borrow for capital projects against future predicted increases in business rate growth, provided they can afford to service the borrowing costs out of revenue resources.</p>
Potential impact on Hillingdon	<p>Management has stated that due to the large size of Hillingdon's business rate tax base there are potentially significant financial gains for Hillingdon from this proposal. However, at this stage of the consultation, there are many unknowns in the design of this scheme and until they can be clarified they are as yet unable to assess the impact on Hillingdon.</p>
Effective date	<p>1 April 2014</p>

6. Responsibility statement

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and in this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

This report should be read in conjunction with the "Briefing on audit matters" circulated to you in February 2010 and sets out those audit matters of governance interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to Council and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP

Chartered Accountants

St Albans
8 September 2011

Appendix 1: Audit adjustments

Uncorrected misstatements

The following uncorrected judgemental misstatements were identified during the course of our audit. They have not been corrected by management. As stated in our Planning report, we only report to you misstatements that are not clearly trivial, which is greater than £392,000.

		Charge / (credit) to current year Comprehensive Income and Expenditure Statement	Increase/ (decrease) in Net assets	Decrease/ (increase) Reserves
		£'000	£'000	£'0 00
<u>Judgemental misstatements</u>				
Fixed assets instant build	[1]	839	(4,083)	3,244
Housing benefit overpayment provision	[2]	(1,160)	1,160	
Total		(321)	(2,923)	3,244

- [1] This adjustment relates to the capitalisation of finance costs for assets revalued under the DRC method. It is discussed further in Section 1 under Valuation of property.
- [2] The Council currently provides for 100% of housing benefit overpayment debt relating to former tenants. From work we have performed we have seen that in the last 2 years the Council has, on average, recovered 27% of debt per annum and so we estimate the provision is overstated by this amount.

Appendix 1: Audit adjustments (continued)

Corrected audit adjustments

The following misstatements have been corrected by management in the latest draft financial statements.

		Charge/ (credit) to current year Comprehensive Income and Expenditure Statement	Increase/ (decrease) in Net assets	Decrease/ (increase) Reserves
		£'000	£'000	£'0 00
<u>Factual misstatements</u>				
Disclosure of VAT	[1]			
Government department creditors		-	(2,355)	-
Government department debtors		-	2,355	-
Disclosure of Past Service Gain	[2]			
Non distributable expenditure		(95,470)	-	-
Non distributable income		95,470	-	-
Housing rents reclassification	[3]			
Housing rents debtor		-	857	-
Sundry creditors		-	(857)	-
Section 106 Creditors reclassification	[4]			
Long term creditors		-	(10,053)	-
Capital grants in advance		-	10,053	-
Total		-	-	-

- [1] The Council had disclosed VAT payable and receivable on a gross basis (in debtors and creditors). However, as the net position is settled with HMRC, we consider that only the net amount should be presented in the balance sheet.
- [2] The past service gain relating to the change from the use of the Retail Price Index (RPI) to the Consumer Price Index (CPI) had been appropriately recognised in the Statement of Comprehensive Income and Expenditure but as income rather than expenditure. Given that this gain effectively reverses expenditure previously incurred, it is more appropriate to recognise it in the expenditure column of the Statement of Comprehensive Income and Expenditure.
- [3] Testing identified credit balances within housing rents debtors. These credits relate to rents received in advance and rent overpayments which are due to be refunded and so they should be reclassified as creditors.
- [4] To reclassify Section 106 receipts from long-term creditors to capital grants in advance where monies received relate to capital projects where funding has been received but conditions have not yet been met.

Appendix 1: Audit adjustments (continued)

Disclosure deficiencies

During the course of our audit we have discussed a number of disclosure changes with management. Auditing standards require us to highlight significant disclosure deficiencies to enable audit committees to evaluate the impact of those matters on the financial statements. In the tables below we have included what we consider to be the significant corrected and uncorrected disclosure deficiencies that we have identified.

Corrected disclosure deficiencies

The following disclosure deficiencies have been corrected by management:

Disclosure	Detail
Capital grant creditors	A misclassification was identified in the creditors note between sundry creditors and government department creditors as a result of a capital grants reclassification being misallocated. This amounted to £8.4m in 2009/10 and £4.2m in 2008/09. The disclosures have subsequently been corrected.
Segmental reporting	This adjustment has been discussed in detail in section 1. We suggested the Council should present segmental data based on their outturn report, which is the most commonly used reporting document when considering the allocation of financial resources. Management has agreed with this change and the adjustment has been reflected in the latest version of the financial statements.
Cash flow statement	The Code allows two methods of deriving cash flow balances, the direct or indirect method. The initial draft of the financial statements included both the direct and indirect method. Our testing identified difficulties obtaining evidence supporting the direct method. However, the Code's suggested approach is the indirect method and so we have suggested that the Council includes only this note. This has been agreed by management and reflected in the latest draft of the financial statements.
Financial instruments: receivables provision, payables presentation and ageing of investments	Financial receivables (debtors) were originally presented on a gross basis when there is a requirement to be shown net of their associated provision in the financial instruments notes. Additionally, the initial draft of the financial statements included showing deferred income as a financial liability when it does not meet the appropriate criteria. Both adjustments have been accepted by management and adjusted in the financial statements. Additionally, the ageing analysis of investments in UK banks was initially incorrect. It has now been corrected by management.

Uncorrected disclosure deficiencies

The following disclosure deficiencies have been identified through our audit procedures but have not been corrected by management:

Disclosure	Detail
Financial Instruments: ageing of assets	There is a requirement to provide an analysis of assets which are past due but not impaired. This requirement includes a need to disclose the ageing of such assets. This is relevant to debtors where an ageing analysis is considered to be appropriate. The Council has not made this adjustment on the basis that it would be onerous to prepare and that some debtors systems cannot currently produce an aged debt analysis.
Revaluation losses disclosure	The Code requires a table of revaluation losses over the preceding five years to be presented in the notes to the accounts. The Council has not made this adjustment as it considers the current narrative to be reasonable.

Appendix 2: Analysis of professional fees

The professional fees earned by Deloitte in respect of the period 1 April 2010 to 31 March 2011 are as follows:

	2011 £'000	2010 £'000
Fees payable in respect the Council	359	368
Fees payable in respect of the certification of grants	155*	155
Fees payable in respect of the pension scheme	37	38
	<hr/>	<hr/>
Total fees payable in respect of our role as appointed auditor	551***	561
	<hr/>	<hr/>
DJD contract monitoring project**	-	-
	<hr/>	<hr/>
Total non-audit fees payable	-	-

* Our work in respect of the certification of grants for 2010/11 is ongoing and the amount shown above is an estimate only based on the 2009/10 fees. We have regular dialogue with officers to keep them informed of progress for this work.

** In our audit plan presented to you in February 2011 we highlighted that one of our divisions, Drivers Jonas Deloitte, submitted a proposal to the Council to monitor the delivery of a building contract for the expansion of six primary schools. We have since been informed that Drivers Jonas Deloitte was successful in this proposal and that work has now started. However, this work had not started at 31 March and the Council has not incurred any charges to date relating to this project.

We do not consider this to compromise our independence as external auditors to the Council. We have also received approval from the Audit Commission to undertake this work.

*** The fees disclosed above do not reconcile directly to the audit fees disclosed in the financial statements. The audit fees disclosed in the financial statements exclude pension scheme costs noted above but include £20k of costs which related to the 2009/10 audit but were invoiced in the 2010/11 financial year.

Appendix 3: Audit status

Our audit, conducted in accordance with our Audit Plan presented to you at your meeting in February 2011 is ongoing and is subject to the satisfactory completion of the matters set out below:

- Finalisation of internal review procedures.
- Closedown of certain audit procedures in non risk areas. This includes:
 - Receipt of remaining bank confirmations for schools.
- Representation letter (as attached at Appendix 4).
- Update of post balance sheet events review including value for money and going concern conclusion.

Appendix 4: Draft management representation letter

This representation letter is provided in connection with your audit of the financial statements of the London Borough of Hillingdon for the year ended 31 March 2011 for the purpose of expressing an opinion as to whether the financial statements present fairly the financial position of London Borough of Hillingdon at 31 March 2011 and of the results of its operations, other comprehensive income and expenditure and its cash flows for the year then ended in accordance with the applicable accounting framework and Accounts and Audit Regulations 2003 (as amended).

We acknowledge our responsibilities for preparing the financial statements for the London Borough of Hillingdon ("the local authority") which present fairly the results for the period and for making accurate representations to you. For the avoidance of doubt, references to the local authority should be taken as applying equally to the London Borough of Hillingdon Pension Scheme and references to the financial statements of the local authority, includes information in those financial statements dealing with the London Borough of Hillingdon Pension Scheme.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework and the Accounts and Audit Regulations 2003 (as amended) which give a true and fair view.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. The measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
6. We confirm that the financial statements have been prepared on the going concern basis. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. The effects of uncorrected misstatements and disclosure deficiencies reported in Appendix 1 are immaterial, both individually and in aggregate, to the financial statements as a whole.
8. We are not aware of events or changes in circumstances occurring during the period which indicates that the carrying amount of fixed assets or may not be recoverable.
9. The methods and assumptions used to determine fair values in the context of the applicable financial reporting framework are appropriate and have been applied consistently.
10. We have reconsidered the remaining useful lives of the infrastructure assets and confirm that the present rates of depreciation are appropriate to amortise the cost less residual value over the remaining useful lives.*

11. Except as disclosed in the Statement of Accounts, as at 31 March 2011 there were no significant capital commitments contracted for by the local authority.
12. We confirm that in our opinion the bad debt provision policy currently in place reflects our best estimate and is considered to be adequate but not excessive.*
13. We consider that our current policy for depreciation of fixed assets takes into account the guidance in the Code regarding componentisation of assets.*
14. We confirm that the disclosures made in the Statement of Accounts in respect of Heritage assets represent, to our best knowledge, a complete disclosure of the existence of assets which fall within the scope of Heritage assets under The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12, and our most accurate available information on the valuation of these assets.*
15. The annual governance statement is representative, to the best of our knowledge, of the activities and performance of the local authority in the financial year.
16. We consider the organisation has proper arrangements in place for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness.
17. We have not provided information to current and former staff of the Council prior to 1 April 2010 which would give rise to an expectation other than that pensions would rise in line with the Retail Price Index. As a result we confirm our view that the reduction in the liability arising from the change to the Consumer Price Index is properly accounted for as a change in benefits.*
18. We acknowledge our responsibilities for the following in relation to the adoption of IFRS:
 - (a) analysing the impact of the introduction of IFRS on the business;
 - (b) developing plans to mitigate the effects identified by this analysis; and
 - (c) assessing any impact of the introduction of IFRS on the appropriateness of adopting the going concern basis in preparing the financial statements (and preparation of relevant disclosures).

Information provided

19. We have provided you with all relevant information and access.
20. All minutes of member and officers meetings during and since the financial year have been made available to you.
21. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
22. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
23. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
24. We are not aware of any fraud or suspected fraud that affects the Council and involves:
 - (i). management;
 - (ii). employees who have significant roles in internal control; or
 - (iii). others where the fraud could have a material effect on the financial statements.
25. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
26. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements
27. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

28. We have considered all claims against the Council and on the basis of legal advice have provided for the amount. No other claims in connection with litigation have been or are expected to be received. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
29. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
30. We are not aware of any events or changes in circumstances occurring during the period which indicate that the carrying value of fixed assets may not be recoverable.
31. We confirm that:
- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments have been identified and properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the London Borough of Hillingdon

* denotes a non-standard representation.

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EXTERNAL AUDITOR REPORT ON THE PENSION FUND ANNUAL REPORT AND ACCOUNTS

Contact: Nancy Leroux
Telephone: 01895 250353

SUMMARY

The attached report summarises the findings of the External Auditor on the audit of the 2010/11 Pension Fund Annual Report and Accounts. The report is in draft pending the conclusion of the audit. It is expected the audit will be largely complete by the time the committee meets and a verbal update on the final outcome will be given at the meeting.

The auditor has indicated that it is expected that an unmodified opinion will be given on the Pension fund statements by 30 September 2011.

RECOMMENDATIONS

To note the auditor's findings and to approve the Annual Report of the Pension Fund.

BACKGROUND

1. The Council as an administering authority under the Local Government Pension Scheme Regulations is required to produce a separate set of accounts for the scheme's financial activities and assets and liabilities.
2. The contents and format of the accounts are determined by statutory requirements and mandatory professional standards as established by the Chartered Institute of Public Finance (CIPFA) in their Statement of Recommended Practice (SORP).
3. The Pension Fund Accounts were subject to a separate audit by the Council's external auditors, Deloitte LLP, which must be completed by 30 September 2011.
4. Whilst Audit Committee formally approves the Council's Statements of Accounts, which incorporates the Pension Fund Accounts, the Annual Report requires the approval of Pensions Committee. This report will also be taken to Audit Committee on 21 September 2011.

Audit Committee 28 September 2011
PART 1 – MEMBERS, PUBLIC & PRESS

SCOPE OF THE EXTERNAL AUDIT

5. Auditors are required to communicate to elected Members matters of governance that arise from the audit of the financial statements. These cover:
 - Key audit risks
 - Accounting and internal control systems
 - Current Accounting and Regulatory Issues
6. In addition, the Auditor requires a “Representation Letter” to be signed by management and the Committee. The contents of this letter are set out at Appendix 1 to the attached Deloitte report. The letter has to include representations from management on matters material to the statement where sufficient appropriate evidence cannot reasonably be expected to exist.

COMMENT ON THE CONTENTS OF THE REPORT

7. The report gives a comprehensive account of the work undertaken during the audit and includes several auditor mandatory reporting requirements. The report is very positive and there were no audit adjustments to report.
8. In relation to accounting and internal control systems, Deloitte have made one recommendation to implement an additional review as part of the closing process for the financial statements of the Private Equity Funds. Management has agreed with the recommendation which is discussed in Section 2 of the report.

FINANCIAL IMPLICATIONS

The financial implications are contained within the body of the report

LEGAL IMPLICATIONS

The legal implications are mentioned within the report.

BACKGROUND DOCUMENTS

None

London Borough of Hillingdon

Report to the Pension Committee and Audit Committee on the 2010/11 Local Government Pension Fund Audit

September 2011

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PART 1 – MEMBERS, PUBLIC & PRESS

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Executive summary

We have pleasure in setting out in this document our report to the Pension and Audit Committee's of the London Borough of Hillingdon for the year ended 31 March 2011 for discussion at the committee meetings scheduled for 20 September 2011 and 21 September 2011 respectively. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2011.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

Description

Key findings on audit risks and other matters

We have concluded satisfactorily on each of the key audit risks identified in our audit plan. We did not identify any additional risks in the course of our work.

We discuss within Section 1 the results of our work in relation to key audit risks which have been identified as being significant to the 2010/11 accounts, and which were presented to the Audit Committee in February 2011 as follows:

Key risks

1. **Contributions:** The risk surrounding identification, calculation and payment of contributions, due to the complexities surrounding admitted bodies, has been addressed through our testing. No issues were noted with the exception of an incorrect classification of the contributions between employer deficit and employer normal contributions. As such an adjustment was posted decreasing deficit contributions and increasing normal contributions by £2 million;
2. **Benefits:** Complexities in the calculation of both benefits in retirement and ill health and death benefits have been reviewed during our testing with no issues identified;
3. **Investments:** The unquoted investments have been agreed to independent returns from the investment managers. We identified that in one case the value of the private equity fund for LGT from the February was used. An adjustment was posted amounting to £467,000 for the movement in valuation to 31 March 2011.

We also identified that some of the private equity funds audited financial statements included an emphasis of matter paragraph indicating the uncertainties over valuation of equities in illiquid markets. We have held discussions with the managers of these funds to ensure that the valuation techniques represent the most accurate fair value of the equities;
4. **Accounting for International Financial Reporting Standards ('IFRS'):** management have elected to disclose the actuarial liability following the requirements in Option B, which allows for the actuarial liability to be disclosed separately but does not require it to be recognised. The note to the financial statement on the actuarial liability of the Fund as at 31 March 2011 complies with the requirements of the Code;

Other areas

Management Override of Controls: all testing was completed with satisfactory results; and

Revenue recognition: work performed in the current year has indicated that the rebuttal of revenue recognition risk is still considered appropriate.

Executive summary (continued)

Audit status	
<p>Subject to the clearance of final points, we expect to issue an unmodified audit opinion on the financial statements.</p>	<p>We are satisfied that the status of the audit is as expected at this stage of the timetable agreed in our audit plan.</p> <p>We have substantially completed our audit in accordance with our Audit Plan which was presented to you prior to the commencement of the audit subject to the satisfactory completion of the matters set out below:</p> <ul style="list-style-type: none"> • receipt of signed management representation letter (see appendix 1); and • update of post balance sheet event review. <p>We will report to you verbally in respect of any modifications to the findings or opinions contained in this report that arise on completion of these matters.</p> <p>At the date of this report and subject to the satisfactory completion of the outstanding matters referred to above, there are no matters in relation to the Local Government Pension Fund information that would result in the issuance of a modified audit opinion.</p>
Identified misstatements	
<p>No uncorrected misstatements</p>	<p>Audit materiality was set at £7.8m (2009/10 £6.0m), which is consistent with that of the local government audit.</p> <p>This is slightly higher than set out in the planning meeting report, however we continue to report all unadjusted misstatements greater than £0.4m (2% of materiality) to the Audit and Pension Committees.</p> <p>There are no identified uncorrected misstatements above this level, and no qualitatively material misstatements that we wish to bring to your attention.</p>
Accounting and internal control systems	
<p>Review of underlying private equity funds</p>	<p>During the audit we identified one area for improvement in relation to the internal control system. This improvement related to the review of the underlying private equity funds.</p> <p>Further detail on the area for improvement in the internal control system is included in Section 2 of the report.</p>
Current accounting and regulatory issues	
<p>Summary of issues</p>	<p>On 2 June the Audit Commission announced proposals that the audits currently undertaken by their in-house practice should be outsourced to the private sector for the year ended 31 March 2013 onwards.</p> <p>Audits already outsourced, like this Council, are unaffected by this announcement.</p> <p>Consultation on the proposals for the new audit framework (where “audit quality is regulated within a statutory framework, overseen by the National Audit Office and the accountancy profession and where local public bodies will be free to appoint their own external auditors with stringent safeguards for independence”) closed on 30 June 2011 when proposals will be published in a draft bill to allow full Parliamentary scrutiny.</p> <p>We have included within this report accounting and regulatory issues that affect the pension fund industry, particularly focus areas of the Pensions Regulator (TPR). Although the London Borough of Hillingdon is not regulated by TPR these are guidelines for improving process and represent best practice in the industry.</p>

1. Key audit risks

The results of our audit work on key audit risks are set out below:

Contributions

Audit risk

Unlike the positions in the private sector, we are not required to issue a separate statement on contributions for the Fund. Nevertheless, in view of the complexity arising from the participation of different employers within the Fund, we have included the identification, calculation and payment of contributions as an area of significant risk.

Deloitte response

We have performed the following testing to address the significant risks around contributions:

- reviewed the design and implementation of controls present at the Fund for ensuring contributions from all Scheduled and Admitted bodies are identified and calculated correctly;
- we have received from officers an analysis of contribution rates by employer and signed monthly statements from each Scheduled and Admitted body;
- we performed tests of details to test whether each material income stream was calculated in accordance with the actuarial valuation and schedule of rates; and
- we developed an expectation based on changes in membership numbers and changes in contribution rates to analytically review the contributions received in the year, the results of which fell within our tolerance level.

It was noted that an incorrect allocation of the contributions was being disclosed in the fund account. As such £2.0 million was re-allocated from deficit funding to employer normal contributions. All other testing was completed with satisfactory results.

1. Key audit risks (continued)

Benefits

Audit risk

Changes were made to the Fund from April 2008 which introduced complexities into the calculation of both benefits in retirement and ill health and death benefits which are in addition to the annual increases required by the 1997 Regulation and Pension (Increases) Act 1971.

On 8 July 2010 the Government announced its intention to move to the Consumer Price Index (CPI) as the measure of inflation for pension increase purpose. This change will come into effect for the 2011 increases.

Deloitte response

The following tests were performed to address the significant risk around benefits:

- we reviewed the design and implementation of controls present at the Fund for ensuring the accuracy, completeness and validity of benefits through discussion with the pensions team and testing to controls were in force during the year under review;
- we obtained a schedule of benefits paid and supporting calculations and tested whether benefits paid were in accordance with the appropriate rules;
- we performed tests of detail, on a sample of benefits paid, by agreement to supporting documentation, to test whether benefits were in all material respects correctly calculated, by reference to their qualifying service, Fund rules and benefit choices made; and
- we developed an expectation based on changes in membership numbers and pension increases to analytically review the benefits paid in the year.

All testing was completed with satisfactory results.

1. Key audit risks (continued)

Investments

Audit risk

The Fund makes some use of investments in unquoted investments vehicles, such as private equity houses.

Although these funds are normally subject to external audit, up to date audited accounts were not available at the time that the pension fund accounts were compiled and audited. In such cases, year end fair values of investments in such funds will need to be estimated on the basis of unaudited information. In addition, market volatility raises questions about how to value these investments. It would normally be expected that the reasonableness of the fund managers' valuation could be assessed by comparison with the funds' latest available audited accounts as adjusted for subsequent cash movements (investments and distributions) between the pooled investment vehicle and the investors. However, market volatility means such comparison may be inappropriate especially when there is a significant time period between the latest audited accounts and the fund year end.

As these investments are more complex to value we have identified the Fund's investments in property and pooled investment vehicles as a significant risk.

Deloitte response

The following tests were performed to address the significant risk around investments:

- we have reviewed the design and implementation of controls present at the Fund for ensuring investments are valued correctly;
- we have obtained a further understanding of the valuation of investments. The value of unquoted investments vehicles represents less than 6% of the assets of the Fund as a whole. The majority of the investments held by the Fund being in investments which have a quoted value;
- we have reconciled the total value of the investments held by the Fund as reported in the investment report from Northern Trust to the value of investments reported in the Net Assets Statement;
- We have compared the valuations provided by Northern Trust to the reports provided by the investment manager;
- we have performed a test of detail on a sample basis of quoted investment and compared the value reported by the Northern Trust to the quoted price obtained from Bloomberg, DataStream or other third party sources; and
- we have performed a test of detail on a sample basis of the unquoted pooled investments to the valuations received from the external investment managers.

We identified that in one case the Northern Trust reports had taken the value of the private equity fund for LGT from the February month end. This was due to the lack of availability of the valuation at March when the report was produced. An adjustment was posted amounting to £467,000 for the movement in valuation to 31 March 2011.

1. Key audit risks (continued)

Investments (continued)

Deloitte response (continued)

In addition it was noted that the audited accounts for the LGT funds contained modified opinions. The financial statements of the funds included an emphasis of matter paragraph over the valuation of the illiquid investments. We held discussions with the fund manager to satisfy ourselves that the values of the investments are unlikely to contain a material error. Our discussions included gaining a further understanding of the valuation process used and comparing this to the industry standard.

This has caused an additional disclosure included in the accounts which have now included the following wording to bring the users attention to this uncertainty:

“The carrying value of private equity holdings has been sourced directly from the valuations provided by the private equity fund managers. Due to the inherent nature of this type of investment and the lack of a liquid market, it can be difficult to obtain precise realisable values and hence, the carrying value of these investments may differ from the realisable value.”

We have recommended that the committee annually review the funds audited accounts to satisfy themselves that the valuations provided are sufficiently accurate, see section 2.

Other than the above no issues were identified during our audit procedures.

1. Key audit risks (continued)

Accounting for International Financial Reporting Standards (IFRS)

Audit risk	<p>The Code of Practice on Local Authority Accounting sets out how Local Government Pension Funds should apply IFRS. The main implications for the London Borough of Hillingdon are as follows:</p> <ul style="list-style-type: none">• The requirement for the actuarial present value of promised retirement benefits to be disclosed, with three options for disclosure:<ul style="list-style-type: none">○ Option A – in the Net Asset Statement disclosing the resulting surplus or deficit;○ Option B – in the notes to the Financial Statements; or○ Option C – by referring to the actuarial information in an accompanying actuarial report.• Additional note disclosures required around the actuarial positions of the fund and the significant assumptions made. <p>From discussion with the administrators we note that the London Borough of Hillingdon have adopted Option B.</p>
Deloitte response	<p>The disclosure made complies with the requirements for Option B as detailed in the Code of Practice on Local Authority Accounting 2010/11.</p>

Other areas – Management override of controls

Audit risk	<p>We are required by ISA 240 ‘ The auditors responsibility to consider fraud in an audit of the financial statements’ to presume there is a significant risk of management override of the system of internal control</p>
Deloitte response	<p>Our audit work included:</p> <ul style="list-style-type: none">• we have reviewed analysis and supporting documentation for journal entries, key estimates and judgements;• we have performed substantive testing on journal entries to confirm that they have a genuine, supportable rationale;• we have reviewed ledgers for unusual items and on a test basis investigated the rationale of any such postings;• we have reviewed significant management estimates and judgements such as year end accruals and provisions and consider whether they are reasonable; and• we have made enquiries of those charged with governance as part of our planning and detailed audit processes. <p>All testing was completed with satisfactory results.</p>

1. Key audit risks (continued)

Other areas – Revenue recognition

Audit risk We are required by ISA 240 'The auditors responsibility to consider fraud in an audit of the financial statements' to presume there is a significant risk of fraud in revenue recognition and conduct our audit testing accordingly, unless the presumption is rebutted.

Deloitte response We have considered the risk of fraud in revenue recognition in respect of the Fund and no significant risks have been identified. Revenue in respect of a pension Fund related to contributions income and we have concluded that there is no incentive to misstated contributions on this Fund.

We are satisfied that the work performed in the current year has indicated that the rebuttal of the revenue recognition risk is still considered appropriate.

2. Accounting and internal control systems

Control observation

During the course of our audit we identified one area for improvement in the internal control system which is detailed below:

Review of private equity funds financial statements

Observation	There was no procedure in place to complete a detailed review of the private equity funds annual audited financial statements. It was noted that the audit opinion on some of the funds was modified to include an emphasis of matter paragraph raising attention to the possibility the valuation may differ from that shown due to the illiquid market for these securities. This could lead to incorrect valuation of these funds in the pension scheme financial statements.
Recommendation	We recommend that a process is implemented to review annually the audited financial statements for all private equity funds. The committee should consider any issues identified by the auditors and the impact on the scheme should be assessed and disclosure included in the accounts to explain any uncertainties identified.
Management response	Agreed, as a result of this issue being raised, we will implement an annual process to undertake a review of the private equity funds financial statements. Any issues found during the review will be reported to Pensions Committee.
Owner	Nancy LeRoux

3. Current Accounting and Regulatory Issues

Upcoming financial reporting developments

For reference, the following developments in the pension industry may impact the governance arrangements and financial statements of the London Borough of Hillingdon. Whilst we appreciate that Local Government Pension Fund are not regulated by the Pensions Regulator we consider their guidance to be indicative of what is currently considered to be best practice in the pensions sector.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

The key change to The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 that apply from 1 April 2011 is a new requirement for each pension Fund to have a bank account which is separate from any which the Administering Authority has in its capacity as a local authority. This change is being adopted because it will enable pension Fund monies to be clearly ring-fenced from other monies of the local authority, and thus reflects a longstanding Audit Commission view on best practice. Some pension Funds already have a separate bank account, but this change will ensure consistency across all 89 administering authorities in England and Wales.

It is noted that London Borough of Hillingdon implemented these requirements during January 2009 and are fully compliant.

The Local Government Pension Scheme (Benefit, Membership and Contributions) (Amendment) Regulations 2011

There are no key changes to regulation contained in this statutory instrument. The purpose of the statutory instruments is to clarify the regulation contained in the Local Government Pension Fund (Benefit, membership and Contributions) Regulations 2007 where the member retires on the grounds of ill health. This change applies from 1 April 2011.

3. Current Accounting and Regulatory Issues (continued)

Preparing for the UK Bribery Act

It is important for all organisations to take the time to make a considered response and consolidate the processes that they already have in place to ensure that they are in a strong position to demonstrate that “adequate procedures” can be evidenced from July 2011 onwards. Guidance has just been released with the key principals being:

- **Proportionate procedures** – an organisation should have anti-bribery and corruption procedures that are proportionate to the specific risks faced by the business and to the nature, scale and complexity of its operations.
- **Top level commitment** - senior management should demonstrate their commitment to preventing bribery, establish a culture that supports this commitment and communicate the company’s anti-bribery policy throughout the organisation.
- **Risk assessment** - the company should perform a regular and comprehensive assessment of the nature and extent of its corruption risks.
- **Due diligence** - the company should understand the background and reputation of the parties with whom it does business.
- **Communication (including training)** - the company’s anti-bribery policies should be effectively embedded in day to day business processes.
- **Monitoring and review** - the company should implement appropriate monitoring and review mechanisms to ensure compliance with relevant policies and procedures.

The Pension Regulator – final employer support guidance

In November 2010, the Pensions Regulator published guidance focusing on encouraging those charged with governance to take proactive steps to ensure there is adequate security for their pension Fund.

Given the partnership working that is being undertaken by Local Authorities with private sector, Local Government Pension Fund are in general seeing an increased number of applications for employers to be admitted to the Fund. Given the last man standing nature of the Local Government Pension Fund we consider that this guidance may be relevant to you when determining whether to admit new employers to the Fund and if they are to be admitted what security should be requested of employers.

The guidance provides information on what those charged with governance should do to measure and monitor employer covenant, which could be used as part of assessments of potential admitted bodies.

Detailed guidance is available at:

<http://www.thepensionsregulator.gov.uk/guidance/monitoring-employer-support.aspx>

4. Other matters for communication

As part of our obligations under International Standards on Auditing (UK & Ireland), we are required to report to you on the matters listed below.

Independence	<p>We consider that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and the objectivity of the audit engagement partner and audit staff is not compromised.</p> <p>If the Audit or Pension Committee's wishes to discuss matters relating to our independence, we would be happy to arrange this.</p>
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Non-audit services	<p>We are not aware of any inconsistencies between APB Revised Ethical Standards for Auditors and the Administering Authority's policy for the supply of non audit services or of any apparent breach of that policy.</p> <p>Fees payable to the auditors for the audit of the annual accounts of the London Borough of Hillingdon (excluding VAT) have been provided to the audit committee in the report covering the local authority.</p> <p>Our fee is consistent with the scale fee determined by the Audit Commission.</p>
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International Standards on Auditing (UK and Ireland)	<p>We consider that there are no additional matters in respect of those items highlighted in our publication "Briefing on audit matters" to bring to your attention that have not been raised elsewhere in this report or our audit plan.</p>
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Liaison with internal audit	<p>The Audit team, following an assessment of the independence and competence of the internal auditor, reviewed the findings of internal audits to inform the risk assessment and considered the impact on our audit approach.</p> <p>No adjustments were made to the audit approach as a result of our review of the work of internal audit.</p>
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Written representations	<p>A copy of the representation letter to be signed on behalf of the Authority is attached at Appendix 1.</p>
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Relationships	<p>There are no relationships (including the provision of non-audit services) we have with the London Borough of Hillingdon, its trustees and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence, together with the related safeguards that are in place.</p>
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5. Responsibility statement

The Audit Commission published a 'Statement of responsibilities of auditors and of audited bodies' alongside the Code of Audit Practice. The purpose of this statement is to assist auditors and audited bodies by summarising where, in the context of the usual conduct of the audit, the different responsibilities of auditors and of the audited body begin and end, and what is expected of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do.

Our audit plan has been prepared on the basis of, and our audit work carried out in accordance with the Code and the Statement of Responsibilities, copies of which have been provided to the Council by the Audit Commission.

The audit may include the performance of national studies developed by the Audit Commission, where the auditors are required to follow the methodologies and use the comparative data provided by the Audit Commission. Responsibilities for the adequacy and appropriateness of these methodologies and the data rests with the Audit Commission. The audit may also include reviews such as this report which address locally determined risks and issues the scope of which is agreed with management in advance of the work. In this case it is for management to determine whether the scope is adequate and appropriate to their needs.

While our reports may include suggestions for improving accounting procedures, internal controls and other aspects of your business arising out of our audit, we emphasise that our consideration of the Pension Fund's system of internal control was conducted solely for the purpose of our audit having regard to our responsibilities under Auditing Standards and the Code of Audit Practice. We make these suggestions in the context of our audit but they do not in any way modify our audit opinion which relates to the financial statements as a whole. Equally, we would need to perform a more extensive study if you wanted us to make a comprehensive review for weaknesses in existing systems and present detailed recommendations to improve them.

Any conclusion, opinion or comments expressed herein are provided within the context of our opinion on the financial statements and our conclusion on value for money as a whole, which was expressed in our auditors' report.

We view this report as part of our service to you for corporate governance purposes and it is to you alone that we owe a responsibility for its contents. We accept no duty, responsibility or liability to any other person as the report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Deloitte LLP

Chartered Accountants
St Albans
XX XXXXX 2011

Appendix 1: Draft representation letter

Deloitte LLP

Our Ref: MGB/HB/2011

Date:

Dear Sirs

London Borough of Hillingdon Pension Fund (the “Fund”)

This representation letter is provided in connection with your audit of the financial statements of the Fund for the year ended 31 March 2011 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Fund, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010, the financial transactions of the Pension Fund during the year ended 31 March 2011, and the amount and disposition of the Fund’s asset and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the Fund year.

We acknowledge as members of London Borough of Hillingdon Council our responsibilities for ensuring that the financial statements are prepared which give a true and fair view, for keeping records in respect of active members of the Fund and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

1. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of Officer and Committee member meetings, have been made available to you.
2. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We are not aware of any significant facts relating to any frauds or suspected frauds affecting the Fund involving:
 - (i). management;
 - (ii). employees who have significant roles in internal control; or
 - (iii). others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund’s financial statements communicated by members, former members, employers, regulators or others.
6. We are not aware of any actual or possible instances of non-compliance with laws and regulations, the effects of which should be considered when preparing financial statements.

7. Where required, the value at which assets and liabilities are recorded in the net asset statement is, in the opinion of the Authority, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Fund. Any significant changes in those values since the balance sheet date have been disclosed to you.
8. We confirm the completeness of the information provided regarding the identification of related parties, and the adequacy of related party disclosures in the financial statements. We have made enquiries of any key managers or other individuals who are in a position to influence, or who are accountable for the stewardship of the Fund and confirm that we have disclosed in the financial statements all transactions relevant to the Fund and we are not aware of any other such matters required to be disclosed in the financial statements, whether under Statement of Recommended Practice – Financial Reports of Pension Funds (revised May 2007) (“Pensions SORP 2007”) or other requirements.
9. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to wind up the Fund. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund’s ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
10. You have been informed of all changes to the Fund rules during the year and up to the current date.
11. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund’s financial statements.
12. No claims in connection with litigation have been or are expected to be received.
13. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
14. There have been no events subsequent to 31 March 2011 which require adjustment of or disclosure in the financial statements or notes thereto.
15. There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
16. The pension Fund accounts and related notes are free from material misstatements, including omissions.
17. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
18. The Fund has satisfactory title to all assets.
19. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
20. No transactions have been made which are not in the interests of the members of the Fund during the Fund year or subsequently.
21. We confirm that:
 - all retirement benefits and Funds, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments have been identified and properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary’s attention;

- the actuarial assumptions underlying the valuation of the Fund liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.
22. All trades in complex financial instruments are in accordance with our risk management policies, have been conducted on an arm's length basis and have been appropriately recorded in the accounting records, including consideration of whether the complex financial instruments are held for hedging, asset/liability management or investment purposes. None of the terms of the trades have been amended by any side agreement and no documentation relating to complex financial instruments (including any embedded derivatives and written options) and other financial instruments has been withheld.
23. We confirm that the Pension Fund Annual Report is compliant with the requirements of Regulations 34(1)(e) of the Local Government Pension Fund (Administration) Regulations 2008 and related guidance.
24. We confirm that the information that is contained within the Pension Fund Annual Report and Accounts for the year to 31 March 2011 is complete, accurate and consistent with the information that is contained within the Accounts.

We confirm that the above representations are made on the basis of adequate enquiries of other officials of the Fund (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of London Borough of Hillingdon

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INTERNAL AUDIT PROGRESS REPORT

Contact Officer; Helen Taylor
Telephone 01895 556132

REASON FOR REPORT

This report provides the Audit Committee with a summary of Internal Audit (IA) activity in the period from 4 June 2011 to 31 August 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 2011-12, and the updated position of those audits undertaken in 2007-8, 2008-9, 2009-10 and 2010-11.

1. INFORMATION

1.1. 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.

2. Progress against Plan and Follow up Status

2.1. There are no significant causes for concern at this time with the levels of assurance being reported to the committee in the current year. Only five audits received Limited Assurance in the current period and plans are in place to address the weaknesses identified which we will be closely monitoring for implementation by management. All other audits had Satisfactory assurance, with five, including one school having Full assurance.

2.2. One prior year audit recently completed, Project Management (MCP), raises issues that will need to be added to the Annual Governance Statement. Following comments from the external auditors I have agreed that the limited report on the 2010-11 creditors also merits inclusion in the AGS. Appropriate wording has been agreed with the AGS working group.

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

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2.4. The progress and status of those audits carried out in 2007-8, 2008-9, 2009-10 and 2010-11 is included in Appendices 2, 3, 4 and 5.

2.5. It was anticipated when setting the plan that amendments will always be needed to accommodate the changing needs of the Council. Amendments made up to the 31 August 2011 have all been additions to the planned work. These can be accommodated from the contingency provision at this stage.

2.6. The additions to the plan are as follows:-

Pulse – Recruitment Checks – Added at the request of the Social Care, Recruitment and Retention Manager to confirm that Pulse staff provided to us had completed the full requirements of the recruitment procedure. The contract for the supply of unqualified social care workers was due for review and the audit results informed this process.

Music Service Private Fund – Added at the request of the Head of Adult Education who had taken over responsibility for this service area following the Council re-structuring.

Economic Development – This was a planned audit for 2010/11 that was deferred until 2011/12 due to new protocols that were being introduced.

New Year's Green Lane Weighbridge – Added to plan by Internal Audit.

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

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

Audit Title: Homecare ECMS – Manual Logins

Assurance level: Limited

The audit review was carried out as three cases were brought to our attention where it appeared that homecare services had been charged for when the service was not actually provided. Two were where the service users had been admitted to hospital and one was where the service user was attending a Day Centre and no longer required homecare on that day. For all three cases, the ECMS entries were all from manual timesheet records and not from using the client's telephone.

This review concentrated on these three cases in particular and the use of manual entries on the ECMS. A comprehensive review of homecare is planned to take place later in 11/12 which will cover all aspects of the external provision of homecare services. This will review the weaknesses identified in the Care Management Team during the course of this audit.

The audit objective was to ascertain the circumstances of the three cases and make recommendations where necessary to strengthen controls.

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

- Prior to our investigation, the Contracts Team had been working on developing a system to flag up manual logins that exceed the acceptable tolerance level and track the home carers who consistently use manual login's.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The Contracts Team should discuss with the provider the two cases identified where the legitimacy of the claims may be in question. If not investigated, the Council may have paid for a service that was not delivered.	High	31 August 2011
Reports from the Electronic Call Monitoring System (ECMS) System should be produced and monitored in order to identify if providers exceed their manual logging parameter. If so, this should be brought to their attention and payments should not be paid, unless sufficient evidence is presented to prevent the Council from paying for Homecare not received.	High	31 August 2011
The Contracts Team ensure that all homecare providers have produced a list of service users who refuse to let home carers log in and out using their telephone, in order to discuss alternative methods that can be used for logging in and out by the home carer. Otherwise, carers can manipulate the information on care provided.	Medium	31 August 2011
Reports from the ECMS system should be produced and monitored detailing visits commissioned by the Council and visits claimed by providers to identify anomalies.	Medium	31 August 2011

Management Comment - Whilst it is disappointing to have received an audit with Limited assurance this should be seen in context. The ECMS system processes approx 73% of all OPS PV Homecare spend; and 59% overall (approx £4.7m out of £8m). The annual number of transactions handled is estimated at 785,000; and the number of clients managed on the system is estimated at 1,250. The implementation of ECMS in 2006/7 has reduced Homecare spend by a minimum of £0.25m/annum as the service was able to challenge supplier invoices and they in turn adapted to invoice only for time behind the door.

The audit recommendations in respect of reports were already In Progress pre-audit and have now been completed.

Audit Title: Oracle Financials – Debtors IT System

Assurance level: Limited

The Council implemented the system in October 2010. It is the Corporate Accounts Receivables (AR) module of Oracle Financials. The Corporate AR application is primarily used by the Corporate Debt Team although access is also given to a selection of staff across the Council for posting receivables.

The administration of the Corporate AR application is the responsibility of the ICT Business Partner Team, while the Council’s outsourced provider NorthGate provides system and server maintenance.

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:

- An access hierarchy has been defined on the Corporate AR application to segregate user privileges.
- Access to the Corporate AR application can only be granted with approval from the Corporate Debt Manager, who is the owner of the application.
- A password policy has been defined to manage the construction of user passwords when accessing Oracle Financials.
- A process has been developed to identify and disable leavers’ access to Oracle Financials.
- A contract is in place with NorthGate to provide maintenance support for Oracle Financials.
- A backup schedule has been designed for the servers that host Oracle Financials.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The Corporate Debt Manager should periodically review a report of access and hierarchy to ensure no one has excessive privileges and redundant accesses are identified as a result of changes to staff roles and responsibilities.	Medium	Immediate
Provided that there is no serious adverse effect to	Medium	1 September

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performance, the Council should enable auditing functions to database records to enable changes to key information to be traced retrospectively.

2011

The current reporting arrangement should be revised to ensure that all errors in batch files imported from the on-line payments system onto the Corporate AR application are reported so that they can be addressed.

Medium 1 September
2011

Management Comment - This is a fair reflection of the current position and that the outstanding applications will be completed to given timescale.

Audit Title: Fusion Contract Management Audit 2010/11

Assurance level: Limited

The new Hillingdon Sports and Leisure Complex costing £31 million was opened in January 2010, offering a new sporting and healthy living hub for everyone in the community.

in February 2010, the council entered into partnership agreement with Fusion Lifestyle an independent registered charity, to manage the complex on behalf of London Borough of Hillingdon.

One of the objectives of the Council is to increase participation in physical activities and sports within the Borough.

The objective of the audit is to ensure that there are adequate and effective processes in place to manage the partnership with Fusion Lifestyle.

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

- Health & safety policy and responsibilities of Fusion Lifestyle
- Sports centre staff CRB checks
- Security and safety at the complex
- Leisure services, fees & charges
- Leisure centres Insurable risks
- Advertisements and Publicity
- Complaints procedure and users survey

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Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Management should set a time-table for resolving the issue of signing the Fusion contract and ensure that procedures are in place which prevents a similar situation arising in any future contract. This will avoid any disputes and associated legal costs and maintains an audit trail, if key staff on either side changes.	High	September 2011
The Corporate Construction Manager should negotiate with the contractors to accept repairs of the defects to ensure that LBH do not incur costs that are due to the contractors.	High	September 2011
Wherever possible costs incurred b the Operator prior to the opening of the centre should be deducted from the Contractor's retention to ensure that LBH don not incur unnecessary costs.	High	September 2011
Minutes of weekly meetings should be produced so that there is an audit trail of decisions made. In the absence of key personnel, follow ups or corrective action regarding health & safety issues may not be taken or delayed, leading to harm or injury.	High	September 2011
The Corporate Construction Manager should liaise with the GM of the Leisure Centre to ensure that the outstanding bills are settled by the appropriate contractors. Without amicable resolution of the utilities bills the onus of of bill payment may fall on the council.	High	September 2011

Management Comment - The Deputy Chief Executive and Corporate Director of Planning, Environment, Education and Community Services has confirmed that all of these issues are being dealt with as a high priority and that the Leader is also involved in bringing about a resolution

Audit Title: Residential to Independent Living (Swakeleys Road) 10/11
Assurance level: Limited

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LBH's Swakeleys Road Supported Housing unit provides a transition service (from six months to two years) for adults with a learning disability to learn the skills needed for independent living. The Floating Support Outreach Team support Swakeleys Road by offering person centred services to each resident who lives in their own or in unstaffed shared tenancies.

During the course of the audit, Management of the home brought to our attention some financial irregularities they had identified and as a result of this we reviewed the financial processes in place at Swakeleys Road as part of the audit. This included benchmarking against processes already in place at Goshawk Gardens, a similar service.

The objective of the audit is to ensure that the transition from Swakeleys Road Supported Housing Unit to independent living is efficient, effective and economical.

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

- All Supported Housing Workers and the Supported Housing Unit Managers hold the relevant NVQ qualification in Care of at least level 3.
- Daily log records detailing support provided to service users at Swakeleys Road are maintained.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Operational procedures should be produced guiding Swakeleys Road staff on how to produce, review and authorise Support Plans. If staff are not fulfilling their basic duty, then residents are at risk from not receiving co-ordinated support to enable them to move out of Swakeleys Road.	High	August 2011
Financial guidance covering the following areas should be produced relating to: <ul style="list-style-type: none"> • Financial support that residents should receive from Swakeleys Road staff whilst in supported housing and when living independently • Discouraging residents from lending money to other residents • Advising residents how much money they should keep within their safes at all times • Ensuring residents have a unique pin code to gain entry to their safe • Staff conducting a monthly review with residents of their spending • Encouraging residents to pay rent and amenities 	High	August 2011

charges by direct debit/standing order
Maintaining a record of items put into/taken out of the safe within Swakeleys Road.

The Service Manager for Personalised Services should establish why the decision to provide only floating support at certain times was not authorised and establish if any disciplinary action needs to be carried out. If residents do not receive regular contact and support, Swakeleys staff cannot ensure residents are leading a happy, safe and healthy lifestyle within the community. High July 2011

The rent and amenities charge payable by each tenant should be reviewed on an annual basis by the Social Care, Health & Housing Finance Team. If charges for rent and amenities are not reviewed on an annual basis, cost will be under recovered, putting pressure on the council's overall budgets. Medium February 2012

The Service Manager for Personalised Services should request assurances from the Team Manager for Personalised Services confirming six month and yearly PADAs have been completed for all staff. If PADAs are not reviewed staff performance cannot be tracked and reviewed. Training needs and poor performance are not identified. Medium July 2011

The Team Manager for Personalised Services should ensure that 1-2-1 supervision meetings for Swakeleys Road staff are conducted by the Sheltered Home Unit Manager on a monthly basis. If regular 1-2-1 supervision meetings do not take place, issues affecting staff and their performance are not identified, potentially leading to long term sickness or low motivation because staff do not feel supported. Medium July 2011

Management Comments – The Corporate Director of Social Care, Health and Housing has explored in some detail with the Head of Service and they are satisfied that the required actions are in hand.

Audit Title: Project Management-MCP (2010-11)

Assurance level: Limited

Spend on major constructions is significant, £13.2 million was spent in 2010/11 while a total sum of £45 million has been budgeted for 2011/12. The council has a programme that is aiming to deliver improvement in the areas of Education, Housing and Leisure services.

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The objective of the audit is to determine and verify that management have put adequate and effective control processes in place.

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

- Strategy, policy and procedure
- Key stakeholders' involvement

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
All relevant decision making documents in the tendering and selection process such as the PQQ should be securely kept because in the event the council is challenged it needs to provide sufficient evidence to avoid any penalties.	High	Immediate
An investigation should be conducted and reasons established for the sudden cost escalation on the Laurel Lane Primary School project to guide against future occurrence.	High	August
Cabinet should be informed of the reasons when contingencies are used on projects, giving reasons and costs, to enable adequate challenge to take place on projects. This will ensure the council does not use scare resources on a few projects rather than many projects.	Medium	Immediate
An invoice should be raised to recover £16,977 from Laurel Lane Primary School so that the council does not incur the expenditure.	High	July 2011
Post completion information should be produced so that lessons can be learnt and council's project management can improve efficiency and effectiveness.	Medium	August 2011

Management Comment - The Deputy Chief Executive and Corporate Director of Planning, Environment, Education and Community Services has agreed the Control Improvements required. She has confirmed that systems have now changed in the department and that both she and audit will monitor the implementation of the recommendations. She has also satisfied herself that the necessary control actions are in hand

Audit Title: Financial Assessments**Assurance level:** Satisfactory

The Financial Assessment Team assesses service users for their financial contribution towards the cost of their care package. They also ensure that all referrals are in receipt of the benefits they are entitled to. Where relevant they work closely with the Police and the Fire Brigade to review the safety and independence of clients in their own home.

The team's primary objective is to financially assess a service user's financial contribution towards the cost of their care package in line with the relevant legislation / charging policy. The team also carry out an annual review of every service user's assessed contribution.

The objective of the audit is to ensure financial assessments are being undertaken promptly and accurately.

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

- Policies and procedures were up to date and accessible to all staff.
- Visits are carried out for each assessment at the earliest point possible
- Assessments were accurate and authorised.
- The Income Team is notified promptly of all contributions payable.
- Charges are promptly put against properties where clients own their own property.
- Annual reviews are carried out promptly.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
A statement must be added to the Financial Assessment Application Form stating that we may use their information for the prevention and detection of fraud; otherwise the Council may find it difficult to justify using the data for these purposes.	High	31/8/2011
Reports should be produced and monitored on a monthly basis so management can review the assessment dates otherwise late assessments may not be queried and the council may lose revenue because assessments cannot be backdated.	High	31/8/2011
Laptops must be locked away securely when not in use, and kept out of sight otherwise they are an easy target for thieves.	High	31/7/2011

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Audit Title: Referrals and Assessments

Assurance level: Satisfactory

The Referral and Assessment team are the first in line to deal with any concerns about a child's welfare. Referrals received are screened, processed and investigated before a decision is made.

The objective of the audit is to ensure that all children who are referred are assessed and protected from any significant harm.

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

- Detailed procedures available on Horizon in line with the Department of Health's 'Framework for the Assessment of Children in Need and their Families'
- There were adequate processes in place to ensure staff had valid CRB checks within the Referrals and Assessments Team.
- The referrals process was compliant with documented procedures.
- Initial plans and initial assessments records were completed, recorded and authorised in line with procedures.
- There was adequate performance information collated and published to monitor outcomes.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Procedures should be updated to include the seven-working-day timescale for carrying out initial assessments as set out in the national indicators.	Medium	September 2011
Overdue assessment should be reviewed to Identify the cause of the delay and whether alterations in training, processes or staff are needed in order to ensure quality of service delivery.	Medium	June 2011

Audit Title: Parking Cash Collection

Assurance level: Satisfactory

Hillingdon Council owns 217 Pay and Display machines, which are situated throughout the borough and also operates schemes that charge for on street parking.

Car Park Management used to be based at Harlington Road Depot (HRD) but is now based at the Civic Centre. The LBH cash collectors however still take the cash from machines to HRD and BDI (Contractors) Collect monies from HRD.

The objective of the audit is to assess the adequacy of controls in place for Parking Cash Collections.

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

- Parking machines have sufficient insurance cover
- Keys to open parking machines are linked to individual cash collectors.
- There is a clear audit trail to see when a parking machine has been opened and by who.
- Sealed cash boxes are collected on a regular basis.
- BDI promptly bank all monies collected.
- Reconciliations between income collected as per parking machine tickets and income banked are undertaken.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Procedures for parking cash collection should be updated to ensure all tasks carried out are reflected clearly within them. Otherwise, inconsistent practices may occur as staff have no up to date source of reference.	High	8 th July 2011
The council should re-tender the cash collection contract to ensure value for money is being obtained.	High	31 st August 2011

Audit Title: Residential Care Contracts

Assurance level: Satisfactory

Six authorities are part of the West London Alliance who are pooling together their financial resources and using it to bargain with care home supplies.

The Hillingdon Care Services Inspection Team has been established since December 2007 to ensure the council takes a more active role in ensuring that all care homes used by the borough, meet quality standards.

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The audit objective was to ensure the Residential Care Contract is efficient, effective and economical.

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

- Invoices are only paid for amounts authorised by the panel and recorded on Controcc.
- A specialist resource panel is in place which reviews each case in order to make decisions on care/expenditure
- All placements exceeding the council's target expenditure had been authorised by service management.
- Capturing and recording of complaints.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Once the restructure is complete the Social Care Inspection Team should update procedures to reflect current operational processes in order to avoid inconsistent practices being adopted.	Medium	1 July 2011
A schedule should be maintained on the shared drive of recommendations made after inspections and when they should be followed up and when they are followed up, to ensure they have been implemented. This will ensure follow ups are not missed and the council takes prompt action against care homes that are not implementing recommendations.	Medium	10 June 2011

Audit Title: Targeted Youth Support Team 2010/2011

Assurance Level: Satisfactory

The Targeted Youth Support Team (TYST) is responsible for delivering early intervention programmes for those young people identified by partner agencies as being “at risk” of a wide range of factors such as offending, anti-social behaviour, teenage pregnancy, school exclusion or truanting, family breakdown etc.

TYST provides support and assistance to young people by challenging poor behaviour, developing young people’s aspirations and by supporting the family. Without early intervention services there is a risk that these young people are the most likely to require

input from higher tier and more expensive services in the future. The service is a voluntary one which young people and their carers may choose not to engage with.

The objective of the audit was to ensure that there were appropriate processes in place to ensure that there were adequate and timely intervention processes in order to achieve the desired outcomes.

The audit also included a review of the financial systems of both the TYST and Youth Offending Service.

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

- Service purpose and objectives
- Case management
- Performance management
- Training
- Business continuity planning

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Value Added Tax should be accounted for in imprest account records otherwise the Council cannot reclaim these monies.	High	Immediate
Purchase orders must be created prior to paying invoices otherwise expenditure commitment would not be known which could result in budget overspending.	High	June 2011
Management quality checks of client files should be evidenced by signature and date otherwise files may not have been checked and any file irregularities would not be identified.	Medium	June 2011
Copies of staff lone working risk assessments should be made available to staff otherwise the mitigation of risks to staff cannot be demonstrated which could have compensation implications if staff are harmed.	Medium	June 2011
Staff expense claims should be reimbursed via Payroll in compliance with corporate policy to ensure accuracy of coding and statistical information.	Medium	June 2011
Keys used to secure cash should be removed from the Targeted Youth Support Team premises overnight as best practice to reduce the risk of cash loss.	Medium	June 2011

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TYST sub-imprest petty cash float monies should be regularly reconciled and evidenced by two officers otherwise there is no internal check and losses and errors may not be promptly identified. Medium June 2011

Audit Title: Safeguarding Children & Quality Assurance

Assurance level: Satisfactory

Hillingdon has a statutory Local Safeguarding Children’s Board (LSCB), which meets 5 times a year.

There are currently 420 looked after children under review, with another 240 children on a Child Protection Plan.

There are 10 National Indicators that relate to children’s social care and these are monitored by the Safeguarding Children and Quality Assurance Team.

The objective of the audit was to ensure vulnerable children are protected through the services delivered by London Borough of Hillingdon.

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

- A strategy is in place to protect children and young people in Hillingdon.
- A LSCB board is in place that meets 5 times a year.
- CRB checks are in place and renewal dates are monitored.
- All members of staff are registered with the GSCC (General Social Care Council).
- Procedures in place incorporate relevant legislation.
- A Child Protection Register is held that is updated regularly.
- Statutory reviews and case conferences are planned and conducted within set Government deadlines.
- Reviews and conferences are attended by other partners and are clearly minuted.
- Performance against National Indicators is validated and reported to SMT, with relevant service managers informed of results.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed
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		Date
The Safeguarding Children & Quality Assurance Service Manager should produce for the Deputy Director of Children and Families reports of all instances where dates have been identified as being incorrectly entered in Protocol care system. This will then given an indication of where the main problems lie and can be prioritised.	High	Sept 2011
The Deputy Director of Children and Families should address late uploading of reports onto Protocol by identifying those responsible and ensuring that appropriate training is provided. Decisions on care plans could be made based on inaccurate information.	High	Sept 2011
Management should introduce a process for reviewing the cases of children who are removed from the child protection register but subsequently re-entered on it to. This will ensure that the Council reviews its risk assessments process for removing children in the light of each experience.	High	Sept 2011
The service areas should be provided with the Protocol reports as well as the manually altered reports to allow them to recognise the level of error in their Protocol data. This will ensure that service areas are aware of the level of errors they are producing and will give a basis for change, reducing the use of resources taken away from front line services.	Medium	Sept 2011
Information on the Council website should be reviewed annually to ensure it is up to date and accurate, with the date of review recorded on the page. Without up to date information, the public could be using inaccurate information and guidance.	Medium	Oct 2011
Management should obtain exception reports on a monthly basis to analyse the performance of the SC & QA Team, ensuring that no case reviews or conferences are missed or delayed without good reason. Reviews that are overdue will not be identified which could lead to a child being at risk from harm.	Medium	Sept 2011

Audit Title: Adult Education
Assurance level: Satisfactory

The Adult Education service provides a wide range of full and part time adult learning courses and activities, throughout the borough. A restructure took place during 2010 and there are now 53 established staff posts (equivalent to 42 full time employees).

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Supplementing these 53 posts, there are 120 Sessional Tutors employed by LBH on a contractual basis to teach a variety of the courses provided. Each of these Sessional Tutors is required to sign a contract and agree to the terms and conditions determined by the Council.

The objective of the audit was to ensure that the management of the contracts and payments to Sessional Tutors was efficient and effective.

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

- Tutors were required to agree a proposed schedule of work at the start of the academic year. Any changes to this schedule were re-sent to tutors every month requiring agreement.
- All payments had been authorised and sent to Payroll within the set deadlines ensuring payments to tutors were made on time.
- All additional pay claims had been authorised by three officers.
- A course viability policy is in place outlining the required number of enrolments for a course to proceed.
- A financial Consultant is employed to assist with budgeting the curriculum offer, in terms of funding received and the anticipated income.
- The HADES system has restricted access and data is backed up every day.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
All process should be introduced to ensure that all CRB renewals are identified and actioned in sufficient time, ensuring that learners are not placed at risk through negligence of the Council.	Medium	Sept 2011
The Contracts & Resources Manager should carry out quarterly reviews on the CRB central record, ensuring that all CRB's are valid and up to date. This will reduce the risk of learners being placed at risk by a tutor due to negligence of the council.	Medium	Sept 2011
The 'Course Code Generation' form required to set up courses during the year should specifically state that authorisation is required from the Head of Adult Education or a Curriculum & Quality Manager, to ensure that all new courses have been considered in terms of enrolment and financial viability.	Medium	Dec 2011
The Contracts & Resources Manager should obtain exception Audit Committee 28 September 2011 PART 1 – MEMBERS, PUBLIC & PRESS	Medium	Dec 2011

reports from the HADES system, showing all those work schedules that have altered since the previous month. Any schedules that have been altered should be checked to confirm that an up to date work schedule has been sent to the tutor and a signed schedule is held on file. Otherwise, inaccurate payments could be made to tutors due to the latest and most up to date work schedule held by Adult Education not being accurate.

A sample of payments should be reconciled monthly against the tutors work schedules before submission to Payroll, otherwise incorrect data may be sent to Payroll. Medium Dec 2011

Management should request monthly reports from Payroll detailing the actual payments made to sessional tutors. This should be reconciled against the total figure of the original data sent to Payroll with any discrepancies investigated further. This will ensure that the correct expenditure has occurred and any overpayments can be rectified. Medium Dec 2011

Audit Title: Improvement Projects – 2010/11 Review

Assurance level: Satisfactory

The audit related to the schemes managed by the Improvement Projects Team, based in the Highways and Green Spaces Service section of the previous Planning, Environment and Community Services group.

The team develops improvement projects; covering road safety, installation of pedestrian crossings, bus and cycle route measures, traffic congestion mitigation schemes, installation of new parking restrictions. The term contracts for a significant number of these works were allocated to one contractor (EnterpriseMouchel Ltd).

The audit objective was to give management an assurance that the controls and systems in place to monitor and manage contractors' performance were adequate and effective.

We were pleased to report that the risks in the area of inspection and supervision of projects were appropriately addressed by the Improvement Projects team.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The Head of Highways, Transportation and Planning Policy, in liaison with the Head of Finance for PEECS, should ensure	High	Completed

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that the revised “Schedule of Charge Rates” is applied to the 2011/12 projects. Otherwise, the true cost of the project may not be recovered.

All relevant documents relating to the project should be held electronically on a shared folder, which should be accessible by all eligible members of the team involved with the improvement projects. Without such arrangements in place, documents may be held in several locations, making it difficult for management or a colleague to deal with any queries or progress with the project in the absence of the designated officer.

Medium December 2011

Management should review and update the key procedures guidelines or process documents that staff should follow in managing the projects. Without clear procedures, there is a tendency for staff to use their own discretion, leading to inconsistency in practice and difficulty for anyone to independently follow the trail.

Medium December 2011

The Head of Highways, Transportation and Planning Policy should ensure that the formal liaison meetings between the senior representatives of both parties, which were reconvened in April 2011, are held at least on a quarterly basis. Without such meetings the Key Performance Indicators (KPIs) may not be monitored effectively and any slippages in performance may not be identified and addressed promptly.

Medium Completed

The Head of Highways, Transportation and Planning Policy should ensure that the results of KPIs, in respect of projects completed during 2010/11, are finalised, evaluated and any remedial measures are taken to address any slippages. Without accurate results for each year, it is difficult to draw conclusion on the viability of the contract and whether the extension should be granted for future year/s.

Medium Completed

The Highways Team Leader, in liaison with the Principal Accountant, should develop a method of reconciling the subsidiary records against the transactions on Oracle Financials. Without effective reconciliations, any errors or miscodings may not be identified and the full cost may not be recovered from the funding authority.

Medium December 2011

Audit Title: Supporting People – 2010/11 Review

Assurance level: Satisfactory

The audit related to the Supporting People (SP) programme managed by the Supporting People team based in the Social Care, Health & Housing Services (SCHH).

The Supporting People programme offers vulnerable people the opportunity to improve their quality of life by supporting them to live more independently and maintain their housing. To do this, the Supporting People programme provides housing related support to prevent problems that can often lead to hospitalisation, institutional care or homelessness. It can also help the smooth transition to independent living for those leaving an institutional environment.

The audit objective was to give management an assurance on the adequacy of systems and controls relating to the delivery of the Supporting People programme.

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

- Policies, procedures and strategies exist and are up to date.
- The Supporting People Programme grant is well managed by experienced staff with good knowledge of the programme.
- All commissioning decisions are now made by Cabinet or Cabinet Member.
- Good performance management arrangements are in place.
- The grant is making a significant contribution to the Council's corporate saving since it has been unringfenced.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The Housing Support Commissioning Manager should ensure that the copies of Variation Letters, signed by both parties, are on file whenever the contract period is extended or any other amendments are made. Otherwise the contract may not be valid and we may not be paying the correct price or value for money may not be achieved.	High	1 st July 2011
The Housing Support Commissioning Manager should ensure that data cleansing on the new computer system (SPOCC) is completed before the planned date of July 2011, for formal post implementation review. Without good quality data, reliable management information may not be available.	High	22 nd July 2011

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Audit Title: Council Tax & National Non-Domestic Rates (2010/11 Review)

Assurance level: Satisfactory

CTAX is the major source of income for the authority, whilst NNDR is collected on behalf of the government, but is then redistributed to local authorities on a per capita basis. Although Revenues Services is responsible for these statutory functions, a significant amount of work has been contracted out to Liberata UK Limited.

The audit objective was to give management an assurance that the controls and systems in place to monitor the contract for delivering these functions were adequate and effective.

This was the first year of the contract with Liberata UK Limited to provide major portion of the revenue services to this Council. The overall outcome of the partnership and the working relationship has been satisfactory. Broadly, risks are reasonably well addressed in most areas.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Revenue Services management should ensure that the reconciliations relating to the NNDR properties (like refunds, number of properties and their aggregate rateable values etc.) between the Northgate and Oracle Financial systems, and against the Valuation Office's record are periodically carried out. Without satisfactory reconciliations, the accuracy of transactions cannot be relied upon and there can be a risk of unauthorised refunds or NNDR properties not been properly charged.	High	1/9/2011
Revenue Services management should review the current approaches taken by the Client Team, in conducting the sample quality checks, with a view to introducing a consistent approach and documenting the agreed protocol. Otherwise, staff may start using their own discretion and effective monitoring may not be carried out.	Medium	1/9/2011
The Senior Revenues Officer should ensure that a reasonable sample is selected to carry out quality checks on ALL staff. Supervisory checks carried out by them should be recorded and monitored for the resolution of queries. Otherwise, the effectiveness of exercise may not be transparent.	Medium	1/9/2011
Revenue Services management should seek evidence of	Medium	1/8/2011

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quality checks carried out by Liberata management to confirm the integrity of the statistics produced. Otherwise, the integrity of statistics reported by Liberata management cannot be relied upon.

Corporate Accountancy should ensure that the CTAX and NNDR Income received for 2010/11 is satisfactorily reconciled against the control account. Thereafter, it should be formally handed over to the Systems & Control Team in Revenue Services to reconcile as an ongoing routine for 2011/12 and beyond to ensure that all income received has been properly accounted for in Council's records. Medium 30/9/2011

The system administration role, of granting access to the relevant computer systems, should be strengthened. Without such discipline, access may be granted to someone who is not entitled to it. Medium 1/9/2011

Revenue Services management should ensure that the existing policy and procedure documents are periodically reviewed and updated, otherwise the practices may not be compatible to management expectations. Medium 1/9/2011

Audit Title: Mayoral Services

Assurance level: Satisfactory

The Mayor is the First Citizen of the London Borough of Hillingdon and her role is to represent the Council in the local community.

Duties carried out by the Mayor include chairing Council meetings, signing documents under seal, attending ceremonies, hosting civic events and attending events.

Every year, the Mayor chooses which charities to support and to help raise money for at charity events. This year the chosen charities are Hillingdon Mind, Hillingdon Child and Adolescent Mental Health Services (CAMHS), Woodlands Centre and Riverside Centre.

The objective of the audit was to ensure Mayoral Services is efficient, effective and economical within the borough.

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

- All Regalia is held securely and appropriately insured

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- A lease is in place for the Mayoral Car
- Licenses are checked annually
- Reconciliations are carried out monthly for both accounts held by Mayoral Services

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Two officers should always be present when monies from collection boxes or monies donated at charity events are counted as if only one person is present, it would be difficult to defend allegations of misappropriation	Medium	With immediate effect
The Mayor's Office should request evidence from Barclays of the monies to the respective charities, otherwise if the full amount of donation monies are not paid to the charities by Barclays, the Council would not know.	Medium	With immediate effect

Audit Title: Pulse (Recruitment)

Assurance level: Satisfactory

London Borough of Hillingdon's corporate contract for social care (unqualified) agency workers is with Pulse. Pulse staffing are the contracted supplier for all temporary social care staff.

The corporate contract expired on 1st July 2011; however, it is proposed that while LBH embark on a formal procurement process, Pulse will continue to provide temporary agency staff in the interim period. An interim contract is currently being drafted.

The objective of the audit was to ensure that Pulse have completed the necessary recruitment checks on agency workers, confirming that they are suitable for social care work.

We were pleased to report the following:

- Pulse have adequate documented recruitment procedures in place for ensuring that only suitable staff are recruited to provide social care for LBH.
- All agency workers had completed the essential training requirements.

Control improvement required	Risk	Agreed
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The Social Care Recruitment & Retention Manager should report our findings to the Account Manager for Pulse and obtain assurance that this situation is going to be improved. Going forward copies of the audit report should be obtained to enable the LBH to gain assurance and continue to monitor performance.

Medium

Target Date
With immediate effect

Audit Title: Learning & Development

Assurance level: Satisfactory

The Learning & Development (L&D) Service, which is part of the Central Services Directorate, works with operational managers to ensure that the workforce of the Council has the necessary skills, knowledge and behaviours to deliver the Council's priorities now and into the future.

The service's objective is to provide value for money solutions that contribute to the strategic success of the Council by maximising the potential of all its employees.

The objective of the audit was to review the arrangements in place to provide for efficient and effective arrangements for learning and development.

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

- Publicity
- E-learning
- Recording of internal training received
- Feedback and review
- Charging

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
L & D to ensure that notifications they receive from staff of external training received are recorded in the computer system, otherwise incorrect statistical information would result.	Medium	April 2012
Ensure that Post Entry Training Agreements are in place for all professional qualification training, otherwise trained staff may leave immediately and Hillingdon will not get the full benefit of the investment.	Medium	September 2011

Induction training for new staff should be adequately monitored otherwise staff may not receive the required training which could result in them taking incorrect actions.	Medium	April 2012
Charging for courses to be made in advance, otherwise debts could accumulate and may be difficult to recover.	Medium	September 2011

Audit Title: Establishment Control

Assurance level: Full

Staffing costs account for a large percentage of the council's net expenditure. It is therefore very important to ensure that only authorised data on "establishment" is processed. Information on the establishment is maintained on ResourceLink.

The new staff recruitment system called I -Grasp was procured and implemented in March 2010 by Corporate HR. I -Grasp is used to manage recruitment i.e. authorisation & approval, advertising, interview process and pre-employment checks.

The objective of the audit is to ensure that the processes in place, to manage the council's establishment are efficient and effective.

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

- Authorisation of amendments, deletion and addition of posts
- Restricted access to the ResourceLink
- I-Grasp e-recruitment system has five levels of authorisation
- The establishment is reviewed on a monthly basis

Audit Title: Estate Services Contracts

Assurance level: Full

On the 1st October 2010, the management and maintenance of Hillingdon's housing stock was returned to the council. The housing stock consisted of 10,372 tenanted dwellings and 2,938 leasehold dwellings.

The Estate Services is responsible for ensuring the council's estates are decent.

The contracts for Ground Maintenance, Tree Management and maintenance of Play Grounds on housing estates are included in the council's contracts for these services. The costs of providing these services are charged to the Housing Revenue Account.

The review did not cover payment to contractors, as this was covered in previous audits on Ground maintenance (Parks and Open Spaces) contracts issued on the 23rd February 2010 and Tree Maintenance issued on the 6th January 2010.

The audit objective was to ensure the contracts for providing services on the estates are managed efficiently, effectively and economically.

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

- Roles and responsibilities are clearly defined
- Monitoring of Service delivery
- Performance management
- Recharging of costs

Audit Title: Mortuary

Assurance level: Full

The mortuary based on Kingston Lane is one of 2 mortuaries used by 6 local authorities, with the other mortuary based in Hammersmith. The 5 other authorities are Hammersmith & Fulham, Ealing, Hounslow, Kingston and Richmond.

In 2010/11 just under 1,000 post mortems were carried out at the mortuary on Kingston Lane. Over the last 5 years there have been between 700-900 post-mortems carried out.

The objective of the audit was to ensure that the receipting, recording and storage of valuables on bodies was efficient and effective.

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

- For each stage and process within the mortuary, detailed and up to date procedures were in place.
- The mortuary has a valid licence to operate awarded by the Human Tissue Authority (HTA)
- The mortuary is audited on an annual basis by the HTA to confirm compliance with legislation. No significant issues had been raised in the last audit report.
- Bodies were stored in secure fridges, with accurate and up to date records of arrivals and departures and any valuables present on the body.
- Valuables not remaining on the bodies were stored in the safe which has an insurance limit of £1,000 and is situated in the manager's office which is locked overnight.
- Access to the mortuary is restricted.
- A Business Continuity Plan is in place should the mortuary become unavailable or equipment fails.

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Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The Mortuary Technicians should sign and date the out of hours receipt book every morning once the reconciliation between this book and the valuables present on the bodies has been carried out and verified. Should a valuable or personal item be unaccounted for the Council could be open to accusations without a record of this check or the reconciling officer's name.	Medium	End of Sept 2011

Audit Title: Education Welfare – School Pupil Attendances
Assurance level: Full

The Council's Education Welfare and Attendance Service have a statutory role as prescribed in the Education Act 1996 and the Education and Inspection Act 2007 in relation to school pupil truancy. This means that for pupils who fail to regularly and punctually attend a school or other education provision without good reason, an Education Welfare Officer may become involved.

Parents and carers have a legal duty to ensure their child attends school regularly. Failure to do so may result in penalties levied by the Council's Education Welfare and Attendance Service or prosecution in a magistrate's court which can lead to fines of up to £2,500 or three months imprisonment or parenting / community orders.

The Council's Education Welfare and Attendance Service contributes to the Council's themes of a borough where children and young people are healthy, safe and supported and a borough of learning and culture.

The overall audit objective was to review the adequacy and effectiveness of arrangements in place to reduce pupil absences from school.

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

- Staff criminal vetting
- School attendance policies
- Case management
- Penalty Notices – truancy
- School register inspections
- Truancy sweeps

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Grant Certifications – Internal Audit audited three grant claims and certified them all as fairly representing the eligible expenditure in accordance with the grant’s conditions. The three grants were Play Capital Grant, Stroke Care Grant and Contaminated Land Programme Grant.

Schools’ Audits

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

2011/12	Assurance Level
Schools - Primary	
Bishop Winnington Infants	Satisfactory
Whitehall Infants	Satisfactory
Yeading Infants	Satisfactory
Whitehall Juniors	Satisfactory
Grange Park Infants	Full

3. Follow up audits

3.1. 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.

3.2. The table below shows the results of follow ups for general audits and school audits. Implementation rates on follow ups have increased significantly from 79% to 90% in this period.

Audit Title	DATE ISSUED	HIGH	MEDIUM	LOW	IMPLEMENTED HIGH	IMPLEMENTED MEDIUM	IMPLEMENTED LOW	NOT IMP'D - HIGH	NOT IMP'D MEDIUM	NOT IMP'D - LOW	REVISED TARGET DATE
Aids and Adaptations (Hillingdon Homes)	Jun-10	0	1	0	0	1	0	0	0	0	N/A
Business Continuity Mgt & CE	Jun-09	2	1	0	1	1	0	1	0	0	Jul-11
Hillingdon Grid for Learning	Dec-09	0	1	0	0	0	0	0	1	0	Jul-11
Ocella Application ICT 3rd f-up	Feb-09	0	1	0	0	1	0	0	0	0	N/A

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HR Payroll Changes & Trigger Dates	Jun-10	4	4	0	4	4	0	0	0	0	0	N/A
Section 75 Agreement - 2009/10 Review	Oct-10	0	2	0	0	1	0	0	1	0	0	Oct-11
Highways (Responsive) Maintenance - 2009/10 Review	Sep-10	3	1	0	3	1	0	0	0	0	0	N/A
Disposals of ICT Hardware Assets - 2nd f-up	Sep-10	0	2	1	0	2	1	0	0	0	0	N/A
Grounds Maintenance	Feb-10	0	4	0	0	4	0	0	0	0	0	N/A
Civic Centre Security	Sep-10	6	3	0	6	3	0	0	0	0	0	N/A
Primary Sickness Scheme	Jan-10	1	0	1	1	0	1	0	0	0	0	N/A
Residential Care Contracts	Jun-11	0	2	0	0	2	0	0	0	0	0	N/A
Freedom of Information & Data Protection 3rd follow-up	Jun-10	1	9	1	1	9	1	0	0	0	0	N/A
Section 251 Statement 2nd f-up	Feb-11	0	1	1	0	1	1	0	0	0	0	N/A
Rent Payments(Hillingdon Homes)	Aug-10	1	1	0	1	1	0	0	0	0	0	N/A
LGPS Governance 3rd f-up	Sep-10	0	5	1	0	3	1	0	2	0	0	Dec-11
Remote Access Audit (ICT)	Jul-09	0	3	0	0	3	0	0	0	0	0	N/A
Business Continuity Planning (ICT)	Jul-08	0	2	2	0	2	2	0	0	0	0	N/A
Help Desk Review Audit (ICT)	Mar-09	0	4	0	0	4	0	0	0	0	0	N/A
IT Disaster Recovery Audit (ICT)	Apr-10	1	3	0	1	3	0	0	0	0	0	N/A
Rural Activities Garden Centre	Oct-10	2	5	0	1	3	0	1	2	0	0	Dec-11
Email Security & Management (ICT) 3rd f-up	May-09	0	1	0	0	1	0	0	0	0	0	N/A
Responsive Repairs (Hillingdon Homes)	Oct-10	1	1	0	1	1	0	0	0	0	0	N/A
Equipment and Adaptations	Mar-11	2	7	1	2	7	1	0	0	0	0	N/A
Compliance With Driving Policy	Jun-11	2	0	1	2	0	1	0	0	0	0	N/A
West Drayton Primary	Jan-11	3	6	1	2	3	1	1	3	0	0	Sep-11
St Andrew's Primary	Jan-11	2	4	1	2	4	1	0	0	0	0	N/A
Chantry Special	Nov-10	17	11	0	16	11	0	1	0	0	0	Sep-11
Grangewood Special	Oct-10	3	0	1	1	0	1	2	0	0	0	Sep-11
Fleet Management (Hillingdon Homes)	Aug 10	0	3	0	0	2	0	0	1	0	0	Sep 11
Supporting People	Jul-11	2	0	0	1	0	0	1	0	0	0	Nov-11
Software Licensing	Oct - 10	1	11	2	1	11	2	0	0	0	0	N/A
		54	99	14	47	89	14	7	10	0		
% Implemented by Risk					87%	90%	100%					
Overall % Implemented								90%				
Overall % Not Implemented								10%				

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3.3. 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
Carefirst Debtors- 2009/10 Review	1	Mar 2011	Follow up In Progress
Hillingdon Grid for Learning Business Continuity Management & Civil Emergency	1	Jul 2011	Follow up In 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	
Utilities Gas and Electricity	2	Jul 2011	Includes 1 Low
Budgetary Control	5	Sep 2011	Includes 2 Low
Private Sector Leasing 07/08	1	Jul 2011	Follow up In Progress
Securicor	1	Dec 2011	
Domestic Waste - Civic Amenity sites	1	Dec 2011	
Highways – Planned Maintenance	3	Mar 2012	
Performance Management	1	Dec 2011	
Ruislip High Secondary School	3	Dec 2011	
Cherry Lane Primary	1	May 2011	
Stray Dogs	1	Sep 2011	
Asylum Accommodation	3	Oct 2011	
Private Sector Renewal Grants & Disabled Facilities Grants	1	Nov 2011	
Dr Triplett's	1	Jul 2011	
Glebe Primary	1	May 2012	
Mental Health	1	Aug 2011	
Parking Permits	2	Sep 2011	
Culture & Arts	4	Jul 2011	Follow up in progress
Local Government Pension Scheme Governance	2	Dec 11	

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Audit Title	No. of Outstanding Recommendations	Revised Target Date	Comment
Street Cleansing	3	Sep 11	
Temporary Accommodation	1	Sep 11	
Section 75 Agreement	1	Oct 11	
Rural Activities Centre	3	Dec 11	
Fleet Management (HH)	1	Sep 11	
West Drayton Primary	4	Sep 11	
Chantry Special	1	Nov 11	
Supporting People	1	Nov 11	

4. Advice Guidance and Consultancy

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

5. Anti Fraud Work

5.1. We completed one anti-fraud audit during the period on write-offs. Our sample testing found that the debts written off had been authorised at the appropriate level as per the Schemes of Delegation. We did find some areas for improvement in the recording processes and these have been raised with the appropriate officers.

Fraud Awareness

5.2. The next Fraud Awareness Bitesize session is due at the end of September 2011.

5.3. The new e-Learning Pool module on Fraud is now in place. We will be monitoring the usage rate going forward.

National Fraud Initiative (NFI)

5.4. 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

5.5. Six confidential investigations are underway and the results of these will be reported upon conclusion of the investigations.

5.6. The outcomes of those confidential investigations that have been concluded are contained in Part II of this report.

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Internal Audit Plan 2011-12 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							
National Fraud Initiative (NFI)	Ongoing						
Anti Fraud Promotion	Ongoing						
Fraud/Irregularity Investigations	Ongoing						
Planned proactive (to be determined):							
- Write-off Probity	Finalised	15-07-11	Full	N/A	0	2	2
- Disabled Parking Bays	In Progress						
- Mayoral Services	Finalised	22-8-11	Satisfactory	N/A	0	2	4
- Imprest Accounts	Drafting						
- Leisure Link Card	Planning						
Other Cross-Cutting							
Annual Governance Statement - Audit	Completed						
Advice and Information (Ad hoc)	Ongoing						
Consultancy Advice - Specific Projects	Ongoing						
Pre-Loaded Cards							
Employee Expenses - Automated Payments							
Establishment Audits - to be determined							
Misc Audit tasks							
Follow ups	Ongoing						
Brought forward Audits	Ongoing						
CENTRAL SERVICES							
Finance							

Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
Creditors							
Debtors							
Budgetary Control							
Capita On-Line Payments	Planning						
Central Services							
Economic Development	Draft issued						
Human Resources							
Agency & Interim Approvals	In Progress						
CRB Checks							
Employability Status - Permanent Staff	Draft Issued						
HR Payroll Changes & Trigger Dates							
Audit & Enforcement							
Planning Enforcement							
SOCIAL CARE HEALTH & HOUSING							
Adult & Older People Services							
Critical Team	Draft Issued						
Mental Health							
Assessment & Care Management - LD & PD							
Self Directed Support							
Stroke Care Grant Certification	Completed	27/06/2011	NA	NA	0	0	0
Children's Social Services							

Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
Play Capital Grant Certification	Completed	17/06/2011	NA	NA	-	-	-
Fostering	In Progress						
Adoption							
Emergency Duty Team	Planning						
Behaviour Support - Financial Systems							
Hillingdon Housing Services							
Housing Repairs & Maintenance - Responsive	In Progress						
Housing Repairs & Maintenance - Planned, including Major Works							
Housing Rents	In Progress						
Empty Property Management							
Leasehold Management & Service Charges							
Tenancy Management	Draft Issued						
Housing							
Housing Needs							
Private Sector Housing							
Housing Supply	Draft Issued						
Public Health							
Public Health							
PLANNING, EDUCATION SERVICES & ENVIRONMENT, COMMUNITY SERVICES							

Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
Street Environment							
Street Lighting	In Progress						
Highways - Reactive Maintenance							
Corporate Construction							
School Building Programme - Permanent							
School Building Programme - Temporary							
Construction Contracts - Final Accounts	In Progress						
Green Spaces, Sport & Leisure							
Greenwich Leisure Ltd Contract	In Progress						
Parking Services							
Penalty Charge Notices and Appeals	In Progress						
Transport Services							
Fleet Management	In Progress						
Property Services							
Utilities Contracts - Water							
Public Safety							
Investigations Team							
Consumer Protection							
Food Health & Safety Services							

Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
Business Services							
Mortuary	Finalised	23/06/11	Full	-	0	1	1
Heathrow Imported Food Unit							
Passenger Services							
Cemeteries	Draft Issued						
Harlington Road Depot Fuel	In Progress						
Harlington Road Depot Stores							
ICT							
Customer Contact Centre	In Progress						
Youth Services							
Youth Services	Draft Issued						
Other Education							
Pupil Referral Unit							
Education Welfare	Finalised	14/07/11	Full	N/A	0	0	5
Early Years Centres							
School Admissions Service							
Psychology Service	Planning						
Schools - Primary							
Bourne Primary							
Minet Infants							
Firthwood Primary	Draft Issued						
Holy Trinity Primary							
Hillside Infants							

Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
Hermitage Primary							
Whiteheath Infants	Draft Issued						
Ryefield Primary							
Grange Park Infants	Finalised	19/07/2011	Full	N/A	0	0	2
Harmondsworth Primary							
Newham Junior							
Whitehall Junior	Finalised	29/06/2011	Satisfactory		2	1	1
Yeading Inf	Finalised	23/06/2011	Satisfactory		2	4	1
Yeading Jnr							
Breakespear infants							
Bishop Winnington Ingram	Finalised	03/05/2011	Satisfactory		0	4	1
Coteford Junior							
Deansfield	Draft Issued						
Ruislip Gardens							
St Bernadettes							
St Marys							
St Matthews							
St Swithun wells							
Whitehall Infants	Finalised	16/06/2011	Satisfactory		2	6	1
Special							
Meadow							
Moorcroft							
The Willows							
Hedgewood							
Nursery Schools							

Internal Audit Plan 2011-12 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
					H	M	L
Mcmillan Nursery							
ICT audit contract							
Penetration Testing							
Adults and Children's Protocol	Draft Issued						
IT Strategy							
Disaster Recovery							
CAPITA – Online payments systems - Security	Draft Issued						
Contingency Audits							
Pulse (Recruitment)	Finalised	12/08/2011	Satisfactory	N/A	0	0	1
Contaminated Waste Grant Certification	Completed	Jun 11	N/A	N/A	0	0	0
Investigation 047	Completed	Jun 11	N/A	N/A	0	0	0
Investigation 048	Completed	N/A	N/A	N/A	0	0	0
Investigation 049	In Progress						
Investigation 050	Completed	N/A	N/A	N/A	0	0	0
Investigation 051	Completed	N/A	N/A	N/A	0	0	0
Music Service Private Fund Review	In Progress						
Economic Development	Draft Issued						
New Year's Green Lane Weighbridge	Planning						

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							
IT Policy Compliance	Drafting						
Records Management	Finalised	01/06/2011	Limited		2	3	3
Compliance with Driving Policy	Finalised	03/06/2011	Satisfactory	30 th August 2011	0	0	0
Risk Management – Corporate Issues arising from individual Directorate audits	Finalised	03/06/2011	Satisfactory		0	4	2
FINANCE & RESOURCES							
Debtors - ASC Protocol – ECMS Manual Logins	Finalised	8/8/11	Limited		3	2	, 0
CT/NNDR - System	Finalised	14/7/2011	Satisfactory		1	11	0
LG Pension Scheme - Governance	Finalised	30/09/10	Satisfactory	Aug 2011 – revised date Dec 2011	0	2	0
Creditors	Finalised	03/06/11	Limited		2	5	0
General Ledger	Finalised	31/05/11	Satisfactory		0	2	1
DCEO							
Learning & Development	Finalised	01/07/11	Satisfactory		0	4	7
Establishment Control and Authorisation	Finalised	24/08/11	Full		0	0	1
EDUCATION & CHILDREN'S SERVICES							
Schools - Primary							
Cherry Lane Primary	Finalised	02/09/10	Limited	Jan 2011 – revised date May 2011	1	0	0
Glebe Primary	Finalised	19/7/10	Satisfactory	May 2011 - revised date May 2012	1	0	0
Botwell House	Finalised	03/09/10	Satisfactory	May 11	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		
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	Jun 11	0	0	0
St Catherine's RC Primary	Finalised	07/10/10	Satisfactory	Jun 11	0	0	0
Highfield Primary	Finalised	12/11/10	Satisfactory	Follow up In Progress	1	2	1
Rabbsfarm Primary	Finalised	11/10/10	Satisfactory		1	0	1
West Drayton Primary	Finalised	26/01/2011	Satisfactory		1	3	0
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	Jun 11	0	0	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
Lady Bankes Infants	Finalised	17/05/2011	Full		0	1	1
Oak Farm Junior	Finalised	11/05/2011	Satisfactory		0	2	2
Newnham Infants	Finalised	03/03/2011	Limited		5	5	1
Grange Park Junior	Finalised	18/05/2011	Satisfactory		1	5	2
Sacred Heart RC	Finalised	27/04/2011	Full		0	1	1
Special							
Chantry School	Finalised	11/11/10	No Assurance	Jun 11 – revised date Dec 11	1	0	0
Grangewood School	Finalised	18/10/10	Satisfactory	Jun 11 – revised date Dec 11	2	0	0
Other School Related							

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
Education - Looked After Children	Draft issued						
Section 52	Finalised	14/02/11	Full	Aug 2011	0	0	0
Overpayments	Finalised	21/03/2011	Satisfactory		1	4	1
CHILDREN'S SERVICES							
Child Protection and Reviewing (Safeguarding Children)	Finalised	23/06/11	Satisfactory		3	3	0
Referral and Assessments	Finalised	21/06/11	Satisfactory		0	2	1
Target Youth Support	Finalised	16/06/11	Satisfactory		2	5	3
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
ADULT SOCIAL CARE HEALTH & HOUSING							
Equipment and Adaptations (All client groups)	Finalised	14/03/11	Limited	25/8/11	0	0	0
Financial Assessments	Finalised	01/07/2011	Satisfactory		3	0	1
Housing							
Supporting People	Finalised	6/7/11	Satisfactory	Aug 11 – revised date Nov 11	1	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							
Residential Contracts	Finalised	20/6/10	Satisfactory	01/08/11	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		
Residential to Independent Living	Finalised	27/07/11	Limited		5	9	7
People with Physical and Sensory Disability							
Children with Disabilities - Transition	Draft issued						
Other Adult Services							
Safeguarding Adults	Finalised	18/05/11	Satisfactory	Follow up in progress	0	3	1
ENVIRONMENT AND CONSUMER PROTECTION							
Street Cleaning	Finalised	13/12/10	Satisfactory	May 2011 - revised date Sep 2011	1	2	0
Improvement Projects	Finalised	5/7/2011	Satisfactory		1	5	0
Parking Cash Collection	Finalised	27/06/2011	Satisfactory		1	1	2
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
PLANNING AND COMMUNITY SERVICES							
Major Construction Projects							
Individual Project Management x 2	Finalised	06/07/11	Limited		3	3	0
Property							

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
Civic Centre Security contract	Finalised	21/09/10	Limited	July 11	0	0	0
Facilities Management Contract	Draft Issued						
Arts, Culture, Libraries & Adult Education							
Adult Education	Finalised	01/07/2011	Satisfactory		0	6	1
Culture and Arts Strategy	Finalised	11/11/10	Satisfactory	May 2011 – revised date Jul 2011	3	1	0
Sport and Leisure							
Fusion Management Contract	Finalised	06/07/11	Limited		5	1	0
Contingency							
Audits							
Investigation 030	Finalised	15/10/10	N/A	Aug 11 – revised date Dec 11	1	2	0
Investigation 031	Completed	N/A	N/A	N/A	0	0	0
Investigation 035	final		N/A		4	2	0
Estate Services Contracts	Finalised	20/06/2011	Full	N/A	0	0	0
Court Costs	Finalised	03/06/11	Limited		4	2	0
Investigation 037	In Progress						
Investigation 038	In Progress						
Investigation 043	In Progress						
Investigation 044	In Progress						
ICT audit contract							
Disposals of ICT Hardware Assets	Completed	Sept 2010	Satisfactory	June 2011	0	0	0
Liquid Logic	Finalised	May 11	Limited		0	6	1

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
Software Licensing	Finalised	Oct 10	Limited	Aug 2011	0	0	0
Oracle Financials- Debtors	Finalised	July 11	Limited		0	3	1
E-Payments	Finalised	April 11	Limited		2	6	3
Information Assurance & Security	Finalised	31/1/11	Satisfactory		0	3	1
Hillingdon Homes Audits by Mazars							
Rent Payments	Finalised	Aug 10	Adequate	Aug 10	0	0	0
Housing – Responsive Repairs	Finalised	Oct 10	Adequate	Aug 10 – revised date Nov 11	1	0	0
Fleet Management	Finalised	Aug 10	Substantive	Aug 10 – revised date Sep 11	0	1	0
Equipment & Adaptations	Finalised	Oct 10	Substantial	Aug 10	0	0	0

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
DEPUTY CHIEF EXECUTIVE/FINANCE & RESOURCES							
HR Payroll changes and trigger dates	Finalised	29/6/10	Limited	June 2011	0	0	0
Corporate Property							
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	Aug 2011	0	0	0
Debt Recovery Processes	Finalised	10/5/10	Satisfactory	Jun 2011 – revised Sep 2011	0	3	0
ENVIRONMENT & CONSUMER PROTECTION							
Grounds Maintenance Contracts - Parks and Open spaces	Finalised	23/02/10	Satisfactory	July 2011	0	0	0
Highways Reactive Maintenance	Finalised	7/9/10	Limited	Aug 2011	0	0	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							
Business Continuity & Civil Emergency Audit	Finalised	08/06/09.	Limited	June 2011 – revised date July 2011 – Follow up In Progress	1	0	0

Internal Audit Plan 2009-10 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
CHILDREN'S SERVICES							
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	1	0	0
Schools - Secondary							
Ruislip High Secondary School	Finalised	25/03/10	Satisfactory	May 2011 – revised date Dec 2011	1	2	0
Other School Related							
Primary Sickness Scheme	Finalised	29/01/10	Satisfactory	July 2011	0	0	0
Hillingdon Grid for Learning	Finalised	2/12/09	No Assurance	June-2011 – revised date July2011	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							
Temporary Accommodation (formerly B&B)	Finalised	26/08/10	Limited	May 2011 – revised date Sep 2011	1	0	0
Learning Disabilities							
Sec 75 Agreement (Funding of LD Services)	Finalised	6/10/10	Satisfactory	June 2011 – Revised Date Oct. 2011	0	1	0
Mental Health Service							
Mental Health Service	Finalised	29/06/10	Limited	April 2011 - revised date Aug 2011	0	1	0
ICT Contracted Days							

Internal Audit Plan 2009-10 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
IT Disaster Recovery	Finalised	14/04/10	Limited	August 2011	0	0	0
Environmental Services Application	Finalised	25/08/09	Limited	Closed. System currently being phased out.	0	0	0

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
IT Audits							
Helpdesk Application	Finalised	05/03/09	Satisfactory	August 2011	0	0	0
Remote Access (ICT)	Finalised	29/7/09	Satisfactory	August 2011	0	0	0
Ocella Application Review	Finalised	Feb 09	Limited	June 2011	0	0	0
IT Data Security and Transfer (from Contingency)	Finalised	26/03/09	Limited	Follow up In Progress	0	1	0
Email Security and Management	Finalised	27/05/09	Limited	August 2011	0	0	0

✓ for Finalised/Satisfactory/Full
 ⇒ for In Progress
 ↓ for Limited

Key

Number of outstanding recommendations

Comments

PLAN 2007-8

Audit Title	Status	Assurance Level	Number of outstanding recommendations			Comments
			High	Med	Low	
ADULT SOCIAL CARE, HEALTH & HOUSING						
Private Sector Leasing	✓	✓	1	0	0	Followed up May 2011 - Revised date Jul 2011. August 2011 Follow up In Progress.
FINANCE & RESOURCES						
ICT						
Business Continuity Planning	✓	✓	0	0	0	
FINANCE AND RESOURCES						
Securicor Collection	✓	↓	1	0	0	Followed up August 2011 – Revised date for commencement of new contract March/April 2012

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CORPORATE FRAUD REPORT

Contact Officer; Garry Coote
Telephone 01895 550369

REASONS FOR THE REPORT

Good practice dictates that the Committee receives regular reports on counter fraud measures throughout the Council.

This is the first of two bi-annual reports on counter fraud and investigation work.

OPTIONS OPEN TO THE COMMITTEE

The Committee is asked to review the information contained in the report.

1. Benefit Fraud

1.1. Joint working with the Department for Work and Pensions, UK Border Agency, Police and our internal legal team continues to be very good and effective. So far this year 41 cases have resulted in a sanction. These were 10 prosecutions, 21 cautions and 10 administrative penalties (fines). The results to date indicate that we are in a good position to achieve our target of 75 sanctions by the end of the financial year.

2. Referrals

2.1. Referrals are generated from our fraud hot line. So far this year 498 referrals have been received and are being investigated. We take all referrals seriously and every piece of information is investigated. This could be as basic as an unannounced visit just to check on the accuracy of the report or, where there is more detail and we feel it is appropriate, a full criminal investigation.

2.2. The referrals generated to date indicate that we are in a good position to achieve our team target of 1,000 by the end of the financial year. Referrals often increase when we publicise a successful prosecution or when the team gets other publicity for their work.

3. Blue Badge Checks

3.1 Officers in the Corporate Anti-Fraud Team have carried out random spot checks on a monthly basis. So far 156 badges have been inspected and as a result, 28 badges have been seized. The majority of these have been used by other members of the family/third parties and warning notices have been issued to the badge holders.

3.2 Four badges have been cancelled; Two where the individuals are now residing in care homes and the badges where being held and controlled

by relatives. In both cases the badge holders were said to visit “home” sporadically. The decisions to cancel were taken after discussion with Social Workers and families.

- 3.3 A third cancellation was made due to extreme aggravating factors from the relative (daughter) found using the badge, involving a Breach of Peace requiring Police intervention. The Badge holder also demonstrated subsequent poor attitude when officers made follow up enquiries.
- 3.4 The fourth cancellation was made by London Borough of Brent under direct instruction by the Corporate Anti – Fraud Team. The Badge is administered by Brent but Hillingdon are investigating the offences committed. This case is ongoing and may result in further action under the Road Traffic Regulations Act.
- 3.5 These checks have been well received by genuine badge holders who have, when approached by officers, welcomed the checks and Hillingdon's attempts to stamp out misuse.

4. Sub-lets

- 4.1 Sub-letting of council house properties is a major problem in London. In Hillingdon our Blow the whistle on Housing Cheats publicity campaign has generated 39 referrals. As a result of these we have managed to reclaim seven properties (six LBH properties and one Housing Association property). We have eleven on-going investigations and indications from evidence obtained so far suggest that some of these will result in further properties being available to meet the needs of our residents in housing need.
- 4.2 We are currently working with Experian (credit reference agency) to cross-match our Housing Tenancy records to try to identify possible sub-lets. We are the first Council to work with Experian on such a large project and we expect to get a report from them in September. This report will highlight high-risk cases for further investigation.

5. Identity Fraud

- 5.1 Hillingdon has taken the lead on this type of investigation through a co-operative framework with our Local Police Force, Department for Work and Pensions and UK Border Agency. As a result of this close liaison we have had two successful prosecutions, where both fraudsters were sent to prison. Our work in this area has attracted good publicity and Hillingdon recently featured in the TV programme Fake Britain; where members of the team were filmed working in a joint partnership operation.

5.2 Few other Local Authorities have the mechanisms in place to deal with such cases. As with all our fraud cases, our internal Legal Team have been instrumental in managing the prosecution of these cases.

6. Visits

6.1 Visiting Officers form part of the Corporate Fraud team there. The majority of the visits are in relation to Council Tax inspections which ensure that the Council maximises its income and maintains an up to date data base. So far this year 4,100 visits have been carried out. The target number of visits for 2011-12 is 10,000 so we are on target.

6.2 There are a considerable number of new developments under way in Hillingdon and it is essential that we maintain the visits programmes to ensure that our tax base is accurate. This will be even more important if the pooling of Uniform Business Rates is abolished because Hillingdon will be dependent on accurate records to ensure that it maximises income.

6.3 Visiting Officers also visit householders to check on Housing and Council tax Benefit claims as part of our fraud detection and prevention measures. So far 232 such visits have been carried out this year. Visiting officers also undertake tenancy visits on behalf of A2 Dominion Housing Associate. These are combined with benefits visits and are therefore at marginal cost to Hillingdon and we receive a small amount of income from the A2 for carrying out this work on their behalf.

7. Internal investigations

7.1 Cases of suspected fraud are initially investigated by Internal Audit and where relevant, disciplinary action is taken to dismiss offenders. The fraud team are kept up to date with these and often investigate in the background. Once staff have been dismissed the case is handed to the fraud team for any prosecution action. Four cases, referred by audit are currently being investigated.

8. National Agendas and Publicity

8.1 The success of the team does not go unnoticed and Hillingdon's Corporate Fraud Team is represented at national fraud events. They are regularly consulted and take part in workshops run by the National Fraud Authority and the Corporate Fraud Manager has been involved in discussions with the DWP policy team responsible for establishing the Single Investigation Service. Team members take leading roles in the London Borough Fraud Investigation Group and Local Authority Investigation Officers Group.

8.2 The Corporate Communications team are kept informed about our successful prosecutions and they ensure maximum publicity to both our

residents and staff. The Blow the Whistle on Housing Cheats poster appears in every issue of Hillingdon People.

- 8.3 Based on our reputation, we were approached by Panorama some weeks ago to work with them to be part of a documentary on local authority fraud investigation. Filming has taken place with officers in the team; they were particularly interested in ID Fraud and Blue Badge abuse. To ensure that we get the best and most appropriate publicity Officers from the Corporate Communications were present during the filming and have been involved in the discussions with the production team. The programme is expected to air in October 2011.
- 8.4 Members of the team have acted as experts for another well know TV soap, who are were working on a fraud sub-plot.

REVISED TREASURY MANAGEMENT PRACTICES

Contact Officer: Nancy le Roux
Telephone: 01895 250353

REASON FOR THE REPORT

The CIPFA Code of Practice on Treasury Management in Public Services recommends the creation and maintenance of Treasury Management Practices (TMP's). The TMP's provide information on the responsibilities, decision-making and reporting arrangements in place for the treasury management function.

The CIPFA Code also recommends that a suitable committee receive reports on TMP's in order to improve the scrutiny process.

RECOMMENDATION

- 1. That Audit Committee note the revisions to the Treasury Management Practices, updated September 2011.**

INFORMATION

The TMP's are produced in a format prescribed by CIPFA and divided into twelve categories. Each category focuses on a specific area and includes principles and schedules giving details of how the Council addresses the issues in each category.

As a matter of course the TMP's are reviewed on a regular basis to make sure they are up to date and reflect current practices as well as ensuring compliance with the latest guidance.

In September 2010, Audit Committee fully reviewed the TMPs. Since then, only very minor changes have been made to the TMPs:

- As a result of the council restructure references to the Director of Finance & Resources have been replaced with Chief Finance Officer
- In TMP 11 an additional service provider, namely Cash Distributors Ltd, has been included. They are a Money Market Fund portal service provider.

The full Treasury Management Practices are available on the council's intranet at:
<http://horizon.hillingdon.gov.uk/index.jsp?articleid=867>

BACKGROUND DOCUMENTS

None

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Agenda Item 10

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
28 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
28 September 2011	Update on ICT Outstanding Recommendations	Head of IT
	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
	Treasury Management Practices	Deputy Director of Finance
	Risk Management Quarter 1 Report – PART II	Head of Policy
	Corporate Fraud Update	Head of Audit & Enforcement
	Audit Committee Work Programme	Democratic Services Manager

Audit Committee 28 September 2011
PART 1 – MEMBERS, PUBLIC & PRESS

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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