



HILLINGDON
LONDON



Corporate Services and Partnerships Policy Overview Committee

Councillors on the Committee

Richard Lewis (Chairman)
Michael White (Vice-Chairman)
Beulah East (Labour Lead)
Neil Fyfe
Raymond Graham
Shirley Harper-O'Neill
Richard Mills
Robin Sansarpuri

Date: MONDAY, 19 DECEMBER
2011

Time: 6.00 PM

Venue: COMMITTEE ROOM 2 -
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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further information.**

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<http://modgov.hillingdon.gov.uk/ieListDocuments.aspx?CId=243&MId=1249&Ver=4>

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About this Committee

This Policy Overview Committee (POC) will undertake reviews in the areas covered by the Deputy Chief Executive's Office and Finance and Resources Directorate and can establish a working party (with another POC if desired) to undertake reviews if, for example, a topic is cross-cutting.

This Policy Overview Committee will consider performance reports and comment on budget and service plan proposals for the Deputy Chief Executive's Office and Finance and Resources Directorate.

The Cabinet Forward Plan is a standing item on the Committee's agenda.

The Committee will not consider call-ins of Executive decisions or investigate individual complaints about the Council's services.

Terms of Reference

The Constitution defines the terms of reference for Policy Overview Committees as:

1. To conduct reviews of policy, services or aspects of service which have either been referred by Cabinet, relate to the Cabinet Forward Plan, or have been chosen by the Committee according to the agreed criteria for selecting such reviews;
2. To monitor the performance of the Council services within their remit (including the management of finances and risk);
3. To comment on the proposed annual service and budget plans for the Council services within their remit before final approval by Cabinet and Council;
4. To consider the Forward Plan and comment as appropriate to the decision-maker on key decisions which relate to services within their remit (before they are taken by the Cabinet);

Policy Overview Committees will not investigate individual complaints.

This Committee performs the Policy Overview role in relation to the following services:

1. human resources and personnel service;
2. e-Government and ICT;
3. democratic services;
4. legal services;
5. the Council's property portfolio, including property and asset acquisition and disposal, and capital programme;
6. corporate finance, including:
 - a. development of a medium term budget strategy;
 - b. scrutiny of the Council's management of its resources;
 - c. reviewing the operation of the Council's financial rules making proposals to the Cabinet and/or Council for their development
7. the Council's overall performance and corporate improvement work particularly in relation to the Comprehensive Performance Assessment and Corporate Assessment;
8. economic development and single regeneration budget;
9. the Local Strategic Partnership and Community Strategy;
10. Local Area Agreement;

11. community partnerships and the Council's voluntary sector strategy;
12. corporate aspects of diversity & equalities policy;
13. Best Value;
14. any other cross-cutting portfolios that might be created and any functions not included within the remit of the other Policy Overview Committees.

Agenda

- 1 Apologies
- 2 Declarations of Interest
- 3 Minutes of meeting held on 10 November 2011 (**Pages 1-4**)
- 4 Exclusion of Press and Public
To confirm the items of business marked Part I will be considered in public and that the items marked Part II will be considered in private.
- 5 Major Review - Effectiveness of the Audit Committee and its Terms of Reference - Consideration of draft final report
TO FOLLOW
- 6 Work Programme 2011/12 (**Pages 5-8**)
- 7 Cabinet Forward Plan (**Pages 9-12**)

Minutes

Corporate Services and Partnerships
 Policy Overview Committee
 Thursday 10 November 2011
 Meeting held at Committee Room 5 - Civic
 Centre, High Street, Uxbridge UB8 1UW



	<p>Members Present: Councillors Richard Lewis (Chairman), Jazz Dhillon, Neil Fyfe, Raymond Graham, Shirley Harper-O'Neill, Richard Mills, Robin Sansarpuri and Michael White.</p> <p>Apologies: Councillor Beulah East (Councillor Jazz Dhillon substituting).</p> <p>Officers: Helen Taylor (Head of Audit & Enforcement) and Khalid Ahmed (Democratic Services Manager).</p> <p>Witnesses Ian Luder (Independent Member of the Royal Borough of Kensington & Chelsea's Audit Committee and Vice-Chairman of the City of London's Audit and Risk Management Committee) and John Morley (Chairman of the Audit Committee LBH).</p>
33.	<p>DECLARATIONS OF INTEREST</p> <p>Councillors Raymond Graham and Richard Lewis declared Personal Interests In Agenda Item 5 – First Major Review – Effectiveness of the Audit Committee and its Terms of Reference as they were both Members of the Audit Committee. They both remained in the room and took part in discussions.</p>
34.	<p>MINUTES OF THE MEETING HELD ON 20 OCTOBER 2011</p> <p>Agreed as an accurate record.</p>
35.	<p>EXCLUSION OF THE PRESS AND PUBLIC</p> <p>It was agreed that all items of business were considered in public.</p>
36.	<p>FIRST MAJOR REVIEW – EFFECTIVENESS OF THE AUDIT COMMITTEE AND ITS TERMS OF REFERENCE – WITNESS SESSION</p> <p>Evidence was received from Ian Luder, Independent Member of the Royal Borough of Kensington & Chelsea's Audit Committee and Vice-Chairman of the City of London's Audit and Risk Management Committee and John Morley, the Chairman of this Council's Audit Committee.</p> <p>Issues raised included:</p>

	<ul style="list-style-type: none"> • Kensington & Chelsea’s Audit Committee consisted of 4 Council Members and 3 Independent Members • The 3 Independent Members did not have the same terms of office which provided continuity and experience • It was important for Independent Members to have a good understanding of the workings of an Authority. At Kensington & Chelsea (K & C) copies of agenda, including Cabinet agenda were sent out to Independent Members of the Audit Committee • There should be provision within the Audit Committee’s Terms of Reference for Members to commission reports • Audit Committees should have effective means of challenge • Summaries of Internal Audit reports were seen by K & C’s Audit Committee. However, if there were high risk / unsatisfactory assurance levels received, Members would expect to see full reports • The Audit Committee had the authority to invite the relevant Cabinet Member to the Committee if unsatisfactory assurance levels were received and if there was conflict between the Head of Audit and the department, both the relevant Cabinet Member and office holder would be invited to attend the Audit Committee • The skills required for Audit Committee Members included business acumen, audit governance, IT, Internal Controls and accountancy. A skills audit should take place on those Members elected to an Audit Committee • At K & C, Independent Members could not be residents of the Royal Borough or have been a Member or officer of the Council in the previous 5 years. This requirement would perhaps not work for all Local Authorities • The terms of office of Members were staggered to ensure that the expertise and knowledge of the membership would not be lost with local elections and the possibility of Members losing their seats on the Council • The training of Audit Committee Members was important to ensure the skills and knowledge base was good to enable Members to carry out their duties effectively • At the City of London Authority interviews would be taking place shortly for another Independent Member, and Members of the Audit Committee would be interviewing candidates • Reference was made to getting the balance right in terms of training and providing briefings for Independent Members, to ensure they remained impartial and not part of the Authority • Reference was made to the Department for 	<p>Action by:</p>
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	<p>Communities and Local Government consultation on the Future of Local Audit and the proposal for Audit Committees to have more than one Independent Member</p> <ul style="list-style-type: none"> • An appropriate membership of Audit Committee would be 7-9 Members • A positive development could be a Pan-London network of Chairmen of Audit Committees which would enable an exchange of views and best practise to be discussed. Such an idea could be discussed with London Councils • With regard to Risk Management, K & C's Audit Committee looked at two strategic risks with the risk holder at each meeting • A possible option for the membership of Audit Committees could be rotation of Members on Cabinet and on the Audit Committee or just a general rotation of a Group of Members. This would increase the skills and knowledge base and would provide a diversity of Member views • Reference was made to elections which take place in Hillingdon every four years which potentially could mean that a number of experienced Members could lose their seats. Increasing the knowledge base with a number of Members could mitigate this <p>Members thanked Ian Luder and John Morley for attending the meeting and for helping the Committee with their review.</p> <p>RESOLVED -</p> <ol style="list-style-type: none"> 1. That the information provided as part of the witness session be noted and a draft of this Committee's final report be submitted to a meeting of the Committee in December. 	Action By:
37.	<p>CONSIDERATION OF TOPICS FOR THE COMMITTEE'S SECOND MAJOR REVIEW</p> <p>Discussion took place regarding this Committee's second review topic of the year.</p> <p>The Chairman reported that both the Leader of the Council and the Cabinet Member for Improvement, Partnerships and Community Safety had endorsed the Committee's proposed second review topic into the operation and function of the Hillingdon First Card.</p> <p>Members were informed that a review could look at other potential uses of the card such as further discounts for local shops and businesses, possible discount structures with national organisations and public utilities and the possible use</p>	

	<p>of the card for business to business discounts.</p> <p>Members noted that any review recommendations which involved any enhancements / additions to the card, would have to be at no extra cost to the Council and involve no additional costs to the administration of the Hillingdon First Card. In addition, any possible enhancements / additions should not involve any cash handling as experience had shown that the security and financial implications of this often outweighed the gain.</p> <p>RESOLVED -</p> <p>1. That approval be given to the Committee undertaking a review on the operation and function of the Hillingdon First Card and a draft scoping report and a background report be submitted to this Committee in January 2012.</p>	<p>Action By:</p> <p>Khalid Ahmed</p>
38.	<p>WORK PROGRAMME</p> <p>Discussion took place on this Committee's work programme for the remainder of this Municipal Year.</p> <p>After discussion it was agreed that presentation / briefing reports be added to this Committee's work programme for its meetings in January and February 2012 on the following:</p> <ul style="list-style-type: none"> • The work of the Corporate Fraud Team (January) • The work of the Enforcement Team (February) • Reported heating problems within the Civic Centre (February) <p>RESOLVED -</p> <p>1. That the report and updates be noted.</p>	<p>Garry Coote / Helen Taylor / Steve Smith / Khalid Ahmed</p>
39.	<p>CABINET FORWARD PLAN</p> <p>Noted.</p>	
	<p>Meeting closed at 6.45pm Next meeting: 19 December 2011 at 6.00pm (to be confirmed)</p>	

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

First Major Review – Effectiveness of the Audit Committee and its Terms of Reference – Consideration of Draft Final Report

Contact Officer: Khalid Ahmed
Telephone: 01895 250833

REASON FOR ITEM

Members are asked to comment on a draft of this Committee's final report on their review into the effectiveness of the Audit Committee and its Terms of Reference.

OPTIONS OPEN TO THE COMMITTEE

1. Consider the detail contained within the draft final report
2. To discuss the recommendations contained within the report and suggest any changes or additional recommendations.
3. To agree the submission of the final report and the recommendations contained within to a future Cabinet meeting.

INFORMATION

1. For this review there were three witness sessions held on 13 September, 20 October and 10 November 2011. Prior to this the Head of Audit and Enforcement provided the review with a presentation on the general responsibilities of the Audit Committee, together with her role as Head of Internal Audit.
2. The three witness sessions involved receiving evidence from the Independent Chairman of this Authority's Audit Committee, an experienced Member of this Authority's Audit Committee, an Independent Member from another London Borough's Audit Committee and the Senior Audit Manager for Deloitte, the Council's External Auditors.
3. From the draft report the suggested recommendations relate to proposing to increase the membership of the Audit Committee, appointing an additional Independent Member, changing the rule on the quorum, carrying out a yearly skills audit of Audit Committee Members, removing the restriction on the length of Members' Terms of Office on the Audit Committee, suggested additions to the Committee's Terms of Reference and approaching London Councils to ask for consideration to be given to a Pan-London network of Chairmen of Audit Committees to enable an exchange of views and best practice to be discussed.

PAPERS WITH THE REPORT

Corporate Services & Partnership Policy Overview Committee – 19 December
2011

Part 1 – Members, Public and Press

Draft Final Report

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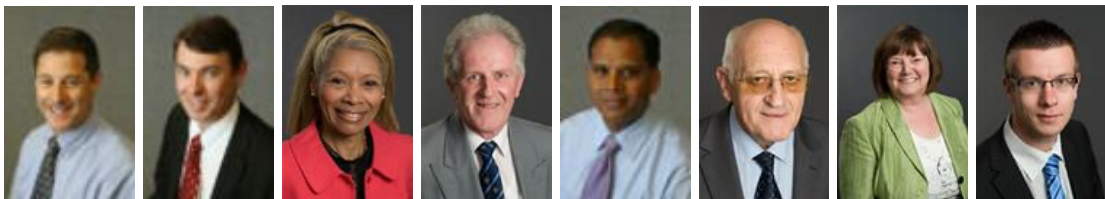
HILLINGDON
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**Corporate Services & Partnerships Policy
Overview & Scrutiny Committee
Final Report 2011/12**

**The Effectiveness of the Audit Committee
and its Terms of Reference**

Members of the Committee

Cllr Richard Lewis (Chairman)
Cllr Michael White (Vice Chairman)
Cllr Beulah East
Cllr Neil Fyfe
Cllr Robin Sansarpuri
Cllr Raymond Graham
Cllr Shirley Harper-O'Neill
Cllr Richard Mills



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Corporate Services & Partnerships Policy Overview Committee

*Final Report on the Effectiveness of the Audit Committee and its Terms of
Reference
Dec 2011*

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CHAIRMAN'S FOREWORD

[Picture of Chairman]

[A short summary on the reasons for the review and details of the outcomes of the review.]

[At the bottom of the page should include the Chairman's signature]

Corporate Services & Partnerships Policy Overview Committee

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*Final Report on the Effectiveness of the Audit Committee and its Terms of Reference
Dec 2011*

BACKGROUND

The London Borough of Hillingdon's Audit Committee was established at the Annual Council meeting on 18 May 2006. The Council asked that the Corporate Services & Partnerships Policy Overview Committee (POC) look at the scope and role of the Audit Committee. To this end, the Committee undertook a review in 2006/7 looking at the Role of Members in Audit and suggesting Terms of Reference of the Audit Committee.

At the Cabinet meeting on 12 December 2006 the recommendations of the POC review were agreed and the Audit Committee was established. The Council at its meeting in January 2007 agreed to the appointment of the Audit Committee and agreed its Terms of Reference.

On 21 July 2011 the Corporate Services & Partnerships Policy Overview Committee began its review to assess the Audit Committee's effectiveness and its Terms of Reference and in particular, the independent assurance it provided on the Council's risk management framework and associated internal control environment. In addition it looked at how effective it was in relation to leadership on governance, financial reporting and audit issues.

The review was timely in view of recent proposals launched and consultation undertaken by the Department for Communities and Local Government (DCLG) on the future of local public audit. With this proposal and the recent announcement of the abolishment of the Audit Commission, the Government wants to refocus the audit of public bodies and give local people the power to hold local public bodies to account for local spending decisions.

The Government's proposals are for a new audit framework which would be designed to be more closely aligned with the statutory arrangements, professional ethical and technical standards that currently apply to the private sector.

The review noted that the proposals contained in the DCLG consultation would not become legislation during the time span of the review but recognised the positives of the proposals in relation to improving local public audit.

OBJECTIVES

The main objective of the review was to assess the effectiveness of the Audit Committee and its terms of reference since it was set up by this Council in January 2007. The review also looked at the Audit Committee's role in terms of its responsibilities for audit activity, the regulatory framework and the annual statement of accounts.

The **Terms of Reference** of the review were as follows:

- To review the Terms of Reference of the Audit Committee and whether they are fit for purpose and have delivered the recommendations arising from the original Policy Overview Committee review of 2006
- To fully examine the Department for Communities and Local Government's (DCLG) recent proposals on the Future of Local Public Audit and the likely impact on local authority Audit Committees
- To assess the value (or otherwise) that the Audit Committee adds to this Council's financial and non-financial performance, the financial reporting process, financial compliance, governance and risk management procedures.
- To examine the role of the Audit Committee within the Council's decision making structure and reporting arrangements.
- To examine the roles and responsibilities of Officers advising the Committee and the External Auditor.
- To investigate best practice in Audit arrangements in the private sector and public sector.
- To make recommendations to Cabinet on the outcome of this review, and where there are any constitutional changes required, onto full Council following Cabinet approval.

Supporting the Cabinet & Council's policies and objectives

The Audit Committee is responsible for independently assuring that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control. This also includes consideration of risk management issues and performance reports that are covered under the Cabinet's responsibility.

It executes much of its role independently from the Cabinet and other Committees of the Council. It provides an annual report to full Council each year.

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To achieve the above objectives, Members held four meetings on 21 July, 13 September, 20 October and 10 November 2011 when background reports and evidence were received to help Members in formulating the review's findings.

The information, evidence and findings of the review are set out in the next sections under the following headings:

1. Information and analysis
2. Evidence and enquiry
3. Recommendations

INFORMATION AND ANALYSIS

The review's first meeting took place on 21 July 2011 when the Head of Audit and Enforcement provided Members with a general overview of the responsibilities of the Audit Committee. Included in this initial information gathering meeting was the existing Terms of Reference which are attached to this report as an appendix.

As a result of the initial meeting Members identified a number of key issues which the review would examine:

- Looking at how the Audit Committee fitted into the Council decision-making structure
- The independence of the Audit Committee and the experience of the Members of the Committee
- The implications of the DCLG consultation on the Future of Local Public Audit on the role of local audit, particularly in relation to the Audit Committee having a role in the appointment and monitoring of the External Auditors
- The transparency of the audit process within the Council and giving careful consideration to whether the results of local audit work was easily accessible
- How effective was the assurance the Committee received from Council officers that appropriate action had been taken to address risk and control issues and to respond to issues raised by the external auditor
- How does the Audit Committee provide effective challenge across the Council, independent assurance on the risk management framework and associated internal control environment and effective leadership on governance, financial reporting and audit issues?
- To look at the workings of other local authority Audit Committees and best practise used

The DCLG Consultation document on the Future of Local Public Audit contained proposals relating to the structure of audit committees and Independent Members of the Committee. In relation to the structure of an audit committee it was envisaged that in the new system an audit committee could be structured in the following way:

- The Chair should be independent of the local public body. The vice-chair would also be independent, to allow for the possible absence of the chair

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Corporate Services & Partnerships Policy Overview Committee

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- The elected members on the audit committee should be non-executive, non-cabinet members, sourced from the audited body and least one should have recent and relevant financial experience (it is recommended that a third of members have recent and relevant financial experience where possible)
- There would be a majority of members of the committee who were independent of the local public body

In relation to Independent Members of the Committee it is suggested that when choosing an Independent Member of the Committee, a person can only be considered for the position if;

- He or she has not been a member nor an officer of the local authority / public body within five years before the date of the appointment
- Is not a member nor an officer of that or any other relevant authority
- Is not a relative nor a close friend of a member or an officer of the body / authority
- Has applied for the appointment
- Has been approved by a majority of the members of the council
- The position has been advertised in at least one newspaper distributed in the local area and in other similar publications or websites that the body / local authority considered appropriate

Whilst noting that these proposals would not become legislation before the end of the review, Members noted their significance and relevance to the findings of the review and these suggestions were put to witnesses to gauge their opinions.

To enable Members of the Corporate Services & Partnerships Policy Overview Committee to have a greater understanding on the role of an Audit Committee, Members were invited to attend a meeting of the Audit Committee to observe proceedings. In addition background material was provided to further help Members' knowledge of the Audit Committee. This included:

- Report to Audit Committee on 27 June 2011 on "Briefing Note on the Consultation on the Future of Local Public Audit"
- Report to Council on the Work of the Audit Committee 2010/11
- DCLG – "Consultation on Future of Local Public Audit"
- "Practical Guidance for Local Authorities" produced by Chartered Institute for Public Finance & Accountancy (CIPFA)

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- “Audit Committee Update No.5” – Issued by CIPFA better governance forum

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EVIDENCE & ENQUIRY

For the witness sessions held on 13 September, 20 October and 10 November 2011, the review received evidence from:

- John Morley, Independent Chairman of LBH's Audit Committee
- Jonathan Gooding, Senior Audit Manager for the Council from Deloitte
- Councillor George Cooper, experienced Member of LBH's Audit Committee
- Ian Luder, Independent Member of the Royal Borough of Kensington & Chelsea's Audit Committee and Vice-Chairman of the City of London's Audit and Risk Management Committee.

A summary of the evidence from those witnesses are included as Appendix 2 to this report.

Membership of the Audit Committee

The current Membership of LBH's Audit Committee is 5 Members, which consists of 1 Independent Member who is the Chairman, and 4 Members of the Council who were non-executive Members. To assist the review Members were provided with details of the memberships of other London Borough Audit Committees.

Local Authority	Number of Cllrs	Independent Members
City of London	11	3 (1 vacancy)
Hounslow	10	0
Camden	10	0
Haringey	10	0
Croydon	7	1
Bromley	7	0
Greenwich	7	1
Newham	7	3
Enfield	7	0
Harrow	7	0
Bexley	6	0
Hammersmith and Fulham	6	1
Tower Hamlets	6	0
Hackney	6	0
Lewisham	6	0
Havering	6	0
Barking and Dagenham	6	1

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Waltham Forest	6	0
Hillingdon	4	1
Lambeth	5	0
City of Westminster	5	0
Wandsworth	5	0
Southwark	5	0
Ealing	5	1
Richmond	5	0
Kingston	5	0
Sutton	5	0
Redbridge	5	0
Merton	4	1
Islington	4	2
Kensington & Chelsea	4	3 (co-opted)
Barnet	7	2
Brent	3	1

The consensus of opinion of all witnesses was that 5 Members for LBH's Audit Committee was a small number and a more realistic number would be around 7-9 Members.

The Council's Policy Overview Committees currently each have a membership of 8 Members and the Audit Committee could also consist of 8 Members.

There have been some issues regarding the present Audit Committee being quorate for some meetings as the rules for the Audit Committee regarding a quorum are that 4 Members (out of the 5 Members) have to be present to ensure business can be transacted at a meeting. This is a particularly high figure when compared to say the quorum rules for the Council's Policy Overview Committees, whereby the rules state that no business can be transacted unless half of the number of Committee Members are present. (Policy Overview and Scrutiny Procedure Rules – Schedule E of the Council's Constitution).

Increasing the membership of the Audit Committee to 8 Members and bringing the rules on a quorum in line with the rules for Policy Overview Committees, would reduce the risk of meetings being inquorate.

In addition having more Members on the Audit Committee would increase the spread of knowledge and expertise in terms of overseeing the financial and operational control and management of risk management issues.

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Independent Members

Independent Members are neither elected Members nor officers of the Authority. The current Chairman of the Audit Committee is an Independent Member. This has strengthened the independence of the Audit Committee and has ensured the transparency and impartiality of its working. However having just one Independent Member has meant that there has been an over reliance on this one Independent Member in terms of expertise and being the only Member wholly independent of the authority.

In addition having one Independent Member could create a problem in relation to succession planning, although the terms of office of the present Independent Member is not time limited.

The DCLG consultation on the Future of Local Audit does propose that local authority Audit Committees should have more than one Independent Member and this approach was supported by all witnesses during the review. The consultation also proposes that the Vice-Chairman of the Audit Committee should also be an Independent Member, to allow for the possible absence of the Chairman.

As way of comparison, this Authority's Standards Committee has three Independent Members, which includes both the Chairman and Vice-Chairman of the Committee and this approach should be applied to the Audit Committee.

RECOMMENDATION 1 – That the membership of the Audit Committee be increased to ???? Members, with 2 Independent Members.

RECOMMENDATION 2 – That the quorum rules for the Audit Committee be changed so that no business can be transacted unless half of the number of Committee Members are present

Financial Experience and training

Members of the Audit Committee have a key role in ensuring that the Council has sound financial controls in place to provide the services which residents deserve.

It was acknowledged during the witness sessions that local government finance and the accounting process for local authorities were complex and different to the private sector, and having some Members of the Audit

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Committee with a financial background would be advantageous. However it was also acknowledged that other skills such as having business acumen, IT skills, accountancy, audit governance, internal controls etc were also important.

The DCLG proposals in the consultation on the “Future of Local Audit” envisaged that the structure of the Audit Committee should compose of at least one third of elected Members having recent and relevant financial experience. The present membership of the Audit Committee fulfils these requirements.

The review received details of the level of training which all Members of the Audit Committee received. The Head of Audit and Enforcement ensured that any new Member of the Audit Committee which had been appointed by Annual Council, received one to one training on an introduction to the Audit Committee and the work of Internal Audit.

Throughout the Municipal Year training sessions took place at Audit Committee meetings to add further to Members’ knowledge. Sessions had taken place on the Treasury Management Strategy and the International Financial Reporting Standards and additionally each year, the Committee held a workshop which looked at the effectiveness of the workings of the Audit Committee. The point was made at one of the witness sessions that attendance at Audit Committee meetings provided practical training for Members and through the Municipal Year Members would build up a knowledge base to enable them to carry out their duties effectively.

The Audit Committee under its present guise also has 4 substitute Members who are appointed to the Committee at the Annual Meeting of Council. These substitute Members only attended the Audit Committee meetings when required to attend as substitutes, however it was raised during the review that these Members should also be invited to attend meetings to enable them to understand the workings of the Committee. The review was informed that the Head of Audit and Enforcement did provide training to substitute Members but it was felt that the best way for Members to become sufficiently skilled, would be to receive agenda and reports, and to attend the occasional meeting.

It would be useful for a skills audit to be carried out for Audit Committee Members which could provide details on the skills and knowledge of Members and provide a guide for officers on the areas of expertise of Members, and the gaps in expertise (if any) which existed. This would identify any training needs or requirements for a membership and would provide a record of relevant financial experience.

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RECOMMENDATION 3 – That a skills audit be carried out on the membership of the Audit Committee on an annual basis to ascertain the financial experience of Members

Terms of Office

When the Audit Committee was set up it was agreed that the terms of office of elected Members should be for a fixed period and the Council's Constitution does state that Members should not serve for longer than four years. However, during this review, a number of witnesses talked about the need for the continuity of service of Members to ensure that the knowledge and expertise that they had built up was not lost.

An option for this could be to stagger the terms of office of Members to ensure that there was not a risk of losing all Members with the relevant experience of the Audit Committee. This was a strategy used by local authorities who had regular local elections which meant there was a risk that experienced Members could lose their seats on the Council. This was not the case for Hillingdon as Council elections were held every four years when all Members of the Council contested their seats.

Other options could be the general rotation of a group of Members to ensure that there was a wide group of Members with suitable skills and expertise to fulfil their duties as an Audit Committee Member and to provide the Council with a larger number of Members with relevant experience.

If the review's recommendation to increase the number of Members on the Audit Committee is accepted, and with substitute Members receiving training and invited to Committee meetings, a larger number of Members will then be in a position to serve on the Audit Committee.

RECOMMENDATION 4 – To ensure continuity of the membership of the Audit Committee, there be no limit on the Terms of Office of Members of the Audit Committee.

Terms of Reference

The present Terms of Reference of the Audit Committee are attached to this report as Appendix 1.

They are based on the guidance on Audit Committees which was produced by CIPFA. The guidance stressed that Audit Committees have a key role in

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corporate governance and therefore should be clearly integrated into a local authority's governance framework.

The main purposes of an Audit Committee include giving independent assurance to Members and the public, scrutinising financial management and reporting and providing challenges across the Council. In addition to internal and external audit, the Audit Committee also has functions in relation to a number of control strategies such as risk management, the authority's governance and assurance statements and anti-fraud and anti-corruption arrangements.

During the witness sessions for the review discussion took place on the appropriateness of the Audit Committee's Terms of Reference. Overall the consensus of opinion was that the Terms of Reference helped the Committee fulfil their role and duties effectively; however, there were a couple of areas where this effectiveness could be strengthened.

The Council's Internal Audit service is mainly provided by an in-house team. High levels of assurance are important to the Head of Audit and Enforcement's assurance statement, which in turn supports the Council's Annual Governance Statement. The acceptance and implementation of audit recommendations is a key element of improving overall financial controls.

At present during the year, the Audit Committee received regular updates on performance and summaries of Internal audit reports which also included the main recommendations as suggested by the Head of Audit and Enforcement. The Committee played an important role in raising the profile of Internal Audit by supporting it in its role of assisting management in the Council.

In the main this works very well, and the Committee received excellent summary reports and explanations from the Head of Audit and Enforcement. However, it was suggested that consideration should be given to more detailed full Internal Audit reports, if requested by the Committee.

This could be in relation to any high risk or unsatisfactory assurance levels which had been received to any internal audit. The counter argument to this would be that Internal Audit reports were very detailed and the Committee would find it difficult to scrutinise these highly detailed and complex audits. However, provision should be contained within the Committee's Terms of Reference to allow the Committee to request full reports if required

RECOMMENDATION 5 – That the Terms of Reference of the Audit Committee be amended to include the receipt of full Internal Audit reports if requested by the Committee.

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The present arrangements for the Audit Committee are that where the Committee are not satisfied with the implementation of outstanding audit recommendations and do not receive satisfactory assurance levels, Corporate Director and Head of Services are invited to attend the Audit Committee to answer Members' questions. This arrangement has worked very well and these powers are included in Part 4, Schedule B of the Council's Constitution, whereby the Audit Committee can require relevant Cabinet Members and officers to attend the Committee to answer questions. The review received confirmation of these powers.

Overall from the evidence received there seemed to be general agreement with the existing Terms of Reference of the Audit Committee and the Committee was working effectively to ensure the financial management of the Council was to the required standard.

External Audit

Another role of the Audit Committee is to receive and consider the work of the Council's external auditor. Included in this is the Audit Committee contributing to the Council's response to the Audit Commission's annual audit and inspection letter, reports and opinion. Hillingdon's external auditors attend each of the meetings of the Audit Committee and an excellent relationship has been built up between the Head of Audit and Enforcement and the Audit Manager of the external auditors.

CIPFA guidance on Audit Committees for local authorities includes reference to there being an opportunity for the Audit Committee to meet privately and separately with the external auditor, independent of the presence of those officers with whom the auditor must retain a working relationship. This already takes place in Hillingdon and it was suggested during the review that this should be identified in the Committee's Terms of Reference. In addition, the Audit Committee also meets in private and separately with the Head of Internal Audit and Enforcement and again the review agreed that this should also be included in the Committee's Terms of Reference.

RECOMMENDATION 6 – That the Terms of Reference of the Audit Committee include reference to both the external auditor and the Head of Audit and Enforcement meeting separately and in private with the Audit Committee.

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Pan-London Network of Chairmen of Audit Committees

During the review, a number of witnesses made the comment that it would be useful for Chairmen of London Borough Audit Committees to have the opportunity to meet and exchange views and to develop best practise in the field of local authority Audit Committees. It was suggested that London Councils be approached to consider the setting up a Pan- London Network of Chairmen of Audit Committees.

RECOMMENDATION 7 – That London Councils be asked to give consideration to the development of a Pan-London Network of Chairmen of Audit Committees.

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RECOMMENDATIONS

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Appendix 1

Terms of Reference of the Audit 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.

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.

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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.

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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.

Summary of views from witnesses

John Morley – Chairman of LBH’s Audit Committee

- Audit Committees in the public sector was a relatively new phenomena, although the NHS and Universities had had Audit Committees for considerably longer than local authorities
- The membership of the Audit Committee should be larger and consideration should be given to the appointment of an additional Independent Member. This would balance up the Committee and would fit in with the proposals contained in the Department for Communities and Local Government consultation on the future of local public audit which included a proposal for an Independent Vice-Chairman
- Reference was made to the recent problems with a meeting of the Audit Committee which would have been inquorate due to the absence of three Members. Increasing the membership, the number of substitute Members and making the quorum rules less restrictive would eradicate this problem
- Reference was made to some sectors where Audit Committees had developed much further and Audit Committees looked at strategic risks. Hillingdon’s Audit Committee did not get involved in detailed reviews of Council departments
- Members of Audit Committees should preferably have a financial background which would help Members in their role on the Audit Committee. This should be extended to substitutes.
- Training was given to substitute Members as well as to newly appointed Members of the Audit Committee and this should be continued
- There should be continuity of service with the membership of the Audit Committee to ensure Members were sufficiently skilled to carry out their duties, particularly as local authority accounts were complex
- The Audit Committee received a summary of Internal Audit reports as full reports would contain too much detail to enable Members to scrutinise effectively
- Consideration could be given to providing more than a summary of Internal reports if requested by the Committee
- The Audit Committee invited officers to their meetings if unsatisfactory levels of assurance were received for internal audits. This, however was not written into the Committee’s Terms of Reference although officers always attended if asked to do so. It was agreed that a recommendation of the review could be adding to the Audit Committee’s Terms of Reference,

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- the invitation of officers to meetings to be questioned on unsatisfactory assurance levels received from Internal Audit
- Peer reviews were useful tools to assess the effectiveness of the Audit Committee and the Head of Audit at Southend on Sea Borough Council had carried one out on this authority's Audit Committee
- A national forum of Chairmen of local authority Audit Committees could help in terms of networking and best practice
- Consideration needed to be given to where the Audit Committee fitted into the Council's Committee structure and which Council decision making body scrutinised Audit Committee minutes
- The Audit Committee met in private, both with the External Auditors and the Head of Audit and Enforcement which was good practice and should be written into the Committee's Terms of Reference

Jonathan Gooding – Senior Audit Manager for the Council (Deloitte)

- The External Auditor's partnership with the Audit Committee was effective and there was a good relationship
- Deloitte was primarily responsible for auditing the Council's Statement of Accounts and considering whether the Council was delivering value for money. The Audit Committee reviewed the External Auditor's reports
- The accounting process for local authorities was complex and different to the private sector and the NHS. Local authorities found it a challenge to appoint Independent Members with the knowledge of local government finance
- The External Auditor reviewed the work of Internal Audit and used the work of Internal Audit to inform their audit and to assess where the risks were
- The membership of Audit Committee of five members was low in comparison to other Audit Committees

Councillor George Cooper – Member of LBH's Audit Committee from January 2007 to present

- The Audit Committee had an important role to play and provided reassurance that procedures were in place to protect the Council
- For example in relation to the Corporate Risk Register, the Audit Committee's role was to scrutinise the processes behind the risk register and to ensure processes were in place to protect the Council
- Reference was made to the Internal Audit service within the Council which tried to identify internal weaknesses before weaknesses were exposed. This was an important role of the Audit Committee
- It was important that Audit Committee Members were trained to ensure that they could carry out their duties efficiently

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- Training needed to be on-going and the use of Internal Audit case studies would be a good means of giving Members practical training
- Audit Committee substitutes had an important role to play and they also required training
- It would be beneficial for Substitute Members of the Audit Committee to attend Audit Committees, and to receive agenda, to ensure they were up-to-date on the workings of the Committee
- Reference was made to the importance of building up a number of suitably trained Substitute Members
- The membership of the Audit Committee, in relation to both Council and Independent Members could be increased
- A second Independent Member would balance up the membership of the Audit Committee and would also ensure that the task of succession planning was much easier should the present Independent Chairman step down
- The Chairmen of each of the Policy Overview Committees could be Members of the Audit Committee. Chairmen would have the knowledge and understanding of the service areas under their Policy Overview Committee remit which would be beneficial in their role as Members of the Audit Committee
- Reference was made to the proposal contained in the Department for Communities and Local Government consultation on the Future of Local Public Audit whereby local Audit Committees would be responsible for the appointment of External Auditors. An additional Independent Member would provide further impartiality for this task
- It would be preferable for Members (and Independent Members) to have auditing skills or a similar background
- The Audit Committee was reliant on the professionalism of the Audit officers who worked on a daily basis on audit issues. Therefore the balance was correct in terms of officers providing the agenda for the Audit Committee for Members to monitor and oversee
- The Audit Committee did receive sufficient assurances from officers on internal audit matters and there were occasions where Corporate Directors and Heads of Service attended Audit Committees to update Members on agreed recommendations from Internal Audit findings and opinion, which had not been implemented
- The summary of Internal Audit reports was sufficient in detail for the Audit Committee to scrutinise as full reports would be too detailed for the Audit Committee to scrutinise. Officers provided more detail if required
- The Audit Committee worked very well and made challenges to the Head of Audit and Enforcement when required

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Ian Luder – Independent Member of the Royal Borough of Kensington & Chelsea’s Audit Committee and Vice-Chairman of the City of London’s Audit and Risk Management Committee

- Kensington & Chelsea’s Audit Committee consisted of 4 Council Members and 3 Independent Members
- The 3 Independent Members did not have the same terms of office which provided continuity and experience
- It was important for Independent Members to have a good understanding of the workings of an Authority. At Kensington & Chelsea (K & C) copies of agenda, including Cabinet agenda were sent out to Independent Members of the Audit Committee
- There should be provision within the Audit Committee’s Terms of Reference for Members to commission reports
- Audit Committees should have effective means of challenge
- Summaries of Internal Audit reports were seen by K & C’s Audit Committee. However, if there were high risk / unsatisfactory assurance levels received, Members would expect to see full reports
- The Audit Committee had the authority to invite the relevant Cabinet Member to the Committee if unsatisfactory assurance levels were received and if there was conflict between the Head of Audit and the department, both the relevant Cabinet Member and office holder would be invited to attend the Audit Committee
- The skills required for Audit Committee Members included business acumen, audit governance, IT, Internal Controls and accountancy. A skills audit should take place on those Members elected to an Audit Committee
- At K & C, Independent Members could not be residents of the Royal Borough or have been a Member or officer of the Council in the previous 5 years. This requirement would perhaps not work for all Local Authorities
- The terms of office of Members were staggered to ensure that the expertise and knowledge of the membership would not be lost with local elections and the possibility of Members losing their seats on the Council
- The training of Audit Committee Members was important to ensure the skills and knowledge base was good to enable Members to carry out their duties effectively
- At the City of London Authority interviews would be taking place shortly for another Independent Member, and Members of the Audit Committee would be interviewing candidates
- Reference was made to getting the balance right in terms of training and providing briefings for Independent Members, to ensure they remained impartial and not part of the Authority

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- Reference was made to the Department for Communities and Local Government consultation on the Future of Local Audit and the proposal for Audit Committees to have more than one Independent Member
- An appropriate membership of Audit Committee would be 7-9 Members
- A positive development could be a Pan-London network of Chairmen of Audit Committees which would enable an exchange of views and best practise to be discussed. Such an idea could be discussed with London Councils
- With regard to Risk Management, K & C's Audit Committee looked at two strategic risks with the risk holder at each meeting
- A possible option for the membership of Audit Committees could be rotation of Members on Cabinet and on the Audit Committee or just a general rotation of a Group of Members. This would increase the skills and knowledge base and would provide a diversity of Member views
- Reference was made to elections which take place in Hillingdon every four years which potentially could mean that a number of experienced Members could lose their seats. Increasing the knowledge base with a number of Members could mitigate this

Agenda Item 6

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. This is a standard item at the end of the agenda.

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 7.30pm except where stated

Meetings	Room
9 June 2011	CR 5
21 July 2011 (7.00pm)	CR 5
13 September 2011	CR 5
20 October 2011	CR 4
10 November 2011	CR 5
19 December 2011	CR 2
18 January 2012	CR 5
21 February 2012	CR 6
14 March 2012	CR 5
18 April 2012	CR 5

Corporate Services & Partnerships Policy Overview Committee

2011/12 DRAFT Work Programme

Meeting Date	Item
9 June 2011	Corporate Services & Partnerships Policy Overview Committee Review Topics 2011/12
	Work programme for 2010/11
	Cabinet Forward Plan

21 July 2011	First Major Review in 2010/11 Effectiveness of the Audit Committee and its Terms of Reference - Scoping Report
	The Compact and Third Sector Commissioning
	Procurement
	Budget Planning Report for Central Services
	Recent Power Cut in the Civic Centre
	Work Programme
	Cabinet Forward Plan

13 September 2011	First Major Review in 2011/12 - Effectiveness of the Audit Committee and its Terms of Reference Witness Session 1
	Cabinet Forward Plan
	Work Programme

20 October 2011	First Major Review in 2011/12 – Effectiveness of the Audit Committee and its Terms of Reference Witness Session 2
	Presentation on Procurement
	Report back on the generator testing after the recent power cut in the Civic Centre

	Report back on the implementation of the recommendations of the Personal Safety Review
	Cabinet Forward Plan
	Work Programme
10 November 2011	First Major Review in 2011/12 – Effectiveness of the Audit Committee and its Terms of Reference
	Witness Session 3
	Consideration of topics for 2 nd Major Review
	Cabinet Forward Plan
	Work Programme
19 December 2011	First Major Review in 2011/12 – Effectiveness of the Audit Committee and its Terms of Reference
	Draft Final Report
	Cabinet Forward Plan
	Work Programme
18 January 2012	Budget Proposals Report for Central Services
	Second Major Review in 2011/12 – Draft Scoping Report
	Cabinet Forward Plan
	Work Programme
21 February 2012	Second Major Review in 2011/12 –
	Witness Session 1
	Cabinet Forward Plan
	Work Programme
14 March 2012	Second Major Review in 2011/12 –
	Witness Session 2
	Cabinet Forward Plan

	Work Programme
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18 April 2012	Second Major Review in 2011/12 –
	Draft Final Report
	Cabinet Forward Plan
	Work Programme

Cabinet Forward Plan

Contact Officer: Khalid Ahmed
Telephone: 01895 250833

REASON FOR ITEM

The Committee is required to consider the Forward Plan and provide Cabinet with any comments it wishes to make before the decision is taken.

OPTIONS OPEN TO THE COMMITTEE

1. Decide to comment on any items coming before Cabinet
2. Decide not to comment on any items coming before Cabinet

INFORMATION

1. The Forward Plan is updated on the 15th of each month. An edited version to include only items relevant to the Committee's remit is attached below. The full version can be found on the front page of the 'Members' Desk' under 'Useful Links'.

SUGGESTED COMMITTEE ACTIVITY

1. Members decide whether to examine any of the reports listed on the Forward Plan at a future meeting.

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Ref	Report Title	Advance information	Ward(s)	Report to Full Council	Cabinet Member(s) Responsible	Officer Contact	Consultation	Background Documents	NEW ITEM
Cabinet - 26 January 2012									
701	Supply of Smart Cards and the provision of Bureau Services - contract extension	Cabinet will be asked to extend a contract for 2 years for the supply of Smart Cards and the provision of bureau services in connection with the	N/A		Cllr Jonathan Bianco / Cllr Scott	PEECS - Steve Palmer	Corporate Procurement		
700	SAN Storage Support Contract	Following a procurement exercise, this report to Cabinet will seek the award of a Storage Area Network (SAN) support contract. The current contract expires	N/A		Cllr Jonathan Bianco / Cllr Scott	PEECS - Steve Palmer	Corporate Procurement		
702	National Non-Domestic Rates - Guidelines for Granting Discretionary Rate Relief	Cabinet will be asked to amend the current guidelines for granting such rate relief, which have been in operation since 1996 and need to be	N/A		Cllr Jonathan Bianco	CS - Rob Smith			
Cabinet - 16 February 2012									
647 b	The Council's Budget Medium Term Financial Forecast 2012/13 - 2015/16	This report will set out the Medium Term Financial Forecast (MTFF), which includes the proposed General Fund reserve budget and capital programme for 2012/13, along with indicative projections for the following three years.	All	#####	Cllr Jonathan Bianco	CS-Paul Whaymand	Public consultation through the Policy Overview Committee process and statutory consultation with		
691	Broadband and Internet Service Provision Contract	Following a procurement exercise, Cabinet will be asked to agree the contract for Broadband and Internet Service provision for the Council for a period of 4 years from 1st July 2012.	N/A		Cllr Jonathan Bianco / Cllr Scott Seaman-Digby	PEECS - Steve Palmer	Corporate Procurement & current and future broadband and ISP providers		
685	Award of Contract for the collection, counting and banking of cash and cheques from all necessary LBH sites as required	Cabinet will be asked to make a decision following the tendering process for this service. It will include all Council sites and activities ranging from parking services to libraries and the Civic Centre.	N/A		Cllr Jonathan Bianco and Cllr Douglas Mills	CS - Annette Reeves	Corporate Procurement		NEW
584	Responsible Retailer Pilot	Cabinet requested a further report back following the implementation of the pilot scheme and to consider any roll-out across the Borough.	All		Cllr Douglas Mills	PEECS - Peggy Law / Sue Pollitt	Feedback from pilot		
Cabinet Member Decisions - February 2012									

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Ref	Report Title	Advance information	Ward(s)	Report to Full Council	Cabinet Member(s) Responsible	Officer Contact	Consultation	Background Documents	NEW ITEM
674	Appointment of supplier for the provision of translation, interpretation and alternative communication services	This report will seek Cabinet approval following the outcome of the tender exercise to provide the council's translation, interpretation and alternative communication services.	All		Cllr Scott Seaman-Digby	CS - David Holdstock	Corporate Procurement		
Cabinet - 29 March 2012									
709	Equality and Diversity Policy	This updated policy will be presented to Cabinet for approval, outlining the Council's responsibilities under the new Equality Act 2010 and setting out the Council's equality objectives as part of meeting our statutory duties.	All		Cllr Douglas Mills	CS - Vicky Trott	Internal Groups	Opportunity for all - Equal Opportunities Policy, Equality in Employment, Equality Act 2010	NEW