



HILLINGDON
LONDON



Audit Committee

Members on the Committee

John Morley (Chairman)

George Cooper

Raymond Graham

Paul Harmsworth

Richard Lewis

Date: TUESDAY, 26 JUNE 2012

Time: 5.00 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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Lloyd White

Head of Democratic Services

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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 Apologies for Absence
- 2 Declarations of Interest in Matters coming before this meeting
- 3 Minutes of meetings held on 15 March and 10 May 2012 **(Pages 1-10)**
- 4 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.
- 5 Draft Annual Governance Statement 2011-12 **(Pages 11-20)**
- 6 Internal Audit Progress Report **(Pages 21-54)**
- 7 Head of Audit Annual Assurance Statement **(Pages 55-60)**
- 8 Review of Internal Audit **(Pages 61-70)**
- 9 Corporate Fraud Team Work Plan 2012-13 **(Pages 71-76)**
- 10 Consolidated Fraud Report **(Pages 77-84)**
- 11 Treasury Management - Oral Update
- 12 Oral Update on the Corporate Services & Partnerships Policy Overview Committee Review into the Effectiveness of the Audit Committee and its Terms of Reference
- 13 Report to Council on the Work of the Audit Committee for 2011-12 **(Pages 85-90)**
- 14 Changing Legislation and Current Issues
- 14a Auditing Practices Board - Consultation on the Work of Internal Auditors
The Head of Audit & Enforcement informed Members of this consultation and asked that comments be sent to her by the end of July, to ensure a composite response is sent on behalf of the Committee.

Attached for Members information is a report by Deloitte which summarises the consultation document. **(Pages 91-92)**
- 14b Auditing Standards Board Paper on Professional Scepticism
The Head of Audit & Enforcement sent this paper to Audit Committee Members.
- 14c National Fraud Initiative Briefing
The Head of Audit & Enforcement sent a copy of the document issued by the Audit

Commission on the National Fraud Initiative to Audit Committee Members.

15 Audit Committee Work Programme (**Pages 93-96**)

PART II

16 Internal Audit Progress Report (**Pages 97-98**)

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Minutes

Audit Committee

Thursday 15 March 2012

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>Officers Present: Kevin Byrne (Head of Policy, Performance and Partnerships), Nancy Le Roux (Senior Services Manager – Corporate Finance), Helen Taylor (Head of Audit and Enforcement), Paul Whaymand (Deputy Director of Finance) and Khalid Ahmed (Democratic Services Manager).</p> <p>Others Present: Heather Bygrave (Deloitte) and Jonathan Gooding (Deloitte)</p> <p>The Chairman reported that Members had held a scheduled private meeting with the Head of Internal Audit and Enforcement prior to the meeting.</p>
36.	<p>DECLARATIONS OF INTEREST</p> <p>John Morley and Councillor Raymond Graham both declared Personal Interests in Agenda Item 7 – Internal Audit Progress Report as they were former Members of the Board of Hillingdon Homes. They both remained in the room and took part in discussions on the item.</p> <p>Councillors Raymond Graham and Richard Lewis declared Personal Interests in Agenda Item 4 – Deloitte – 2011/12 Annual Audit Plan as Councillor Richard Lewis was a Member of the Pensions Committee and Councillor Raymond Graham was a substitute Member of the Pensions Committee. They both remained in the room and took part in discussions on the item.</p> <p>Councillors Raymond Graham and Richard Lewis declared Personal Interests in Agenda Item 12b – Corporate Services & Partnerships Policy Overview Committee review into the Effectiveness of the Audit Committee and its Terms of Reference as both Members were Members of the Corporate Services & Partnerships Policy Overview Committee. They both remained in the room and took part in discussions on the item.</p>

37.	<p>MINUTES OF THE MEETING HELD ON 8 DECEMBER 2011</p> <p>Agreed as an accurate record subject to an amendment to Minute No. 28 – Exclusion of the Press and Public – to clarify that Agenda Item 11 – Internal Audit Progress Report which was in Part II of the agenda, was considered in private.</p>	
38.	<p>EXCLUSION OF THE PRESS AND PUBLIC</p> <p>It was agreed that Agenda Items 13 – Risk Management Report and Agenda Item 14 – Internal Audit Progress Report which were in Part II of the Agenda be considered in private. The rest of the Agenda was considered in public.</p>	
40.	<p>DELIVERING THE ANNUAL GOVERNANCE STATEMENT (AGS) 2011-12</p> <p>Members were provided with an update on the process to be adopted in preparation of the Annual Governance Statement.</p> <p>The AGS was the process for self assessing the Council's management of internal control systems across all services, with the publication of a formal statement outlining overall performance and measures needed to address any identified risks. The framework combined an assessment of governance arrangements and risk controls, which made it a holistic approach towards conducting an annual internal review that related to the whole organisation.</p> <p>The key sources of management information and assurances from across the Council and external sources included:</p> <ul style="list-style-type: none"> • Performance management & data quality • Risk Management processes • Improvement and transformation • Legal and regulatory assurance • Financial control assurances • Service delivery assurances from Directors and Heads of Service • Annual Internal Audit report and assurance • External inspection reports and assurances <p>RESOLVED –</p> <p>1. That the sources of management information and assurance used to produce the AGS be noted.</p>	<p>Action By:</p>
41.	<p>DELOITTE – 2011/12 ANNUAL AUDIT PLAN</p> <p>Heather Bygrave and Jonathan Gooding from Deloitte attended the meeting and introduced the report to Members.</p>	

	<p>Members were informed that the report set out the initial plans for the audit of the Statement of Accounts 2011/12. The plan highlighted the key financial and non-financial audit risks which were:-</p> <ul style="list-style-type: none"> • Revaluations of property • Valuation of Pension Liability • Recognition of grant income • Bad debt provisions for sundry debt • HRA self-financing settlement payment • Recording of capital spend • Accounting for schools • Management override of key controls <p>Members were informed that the preliminary assessment of materiality was £7.8m which was based on prior year results. The scope and approach for the audit would be the same as last year, with the specified criteria for Value for Money conclusion being that there were proper arrangements in place for securing financial resilience and for securing economy, efficiency and effectiveness.</p> <p>In addition the report set out an audit plan for the Pension Fund audit which highlighted the following risks:-</p> <ul style="list-style-type: none"> • Contributions • Benefits • Financial instruments • Management Override of key controls <p>Members were informed that the report would be considered by the Pensions Committee on 28 March 2012.</p> <p>RESOLVED -</p> <ol style="list-style-type: none"> 1. That the information contained in the report be noted. 	Action By:
42.	<p>BALANCES AND RESERVES STATEMENT 2012/13</p> <p>Members were provided with details on the Council's approach to management and measurement of the requirement to hold balances and reserves.</p> <p>The Committee was informed that the Council's Section 151 officer had a legal duty to comment on the robustness of budget estimates for the forthcoming year, including the adequacy of the Council's reserves as part of the statutory annual budget setting process.</p> <p>Discussion took place on the Council's level of reserves in comparison to other Councils, and the Deputy Director of Finance provided assurance to the Committee that the</p>	

	<p>reserves the Council had were adequate.</p> <p>Reference was made to the announcement in the Local Government Finance Bill that Councils would be able to retain a portion of the locally generated business rates, which would replace formula grant. The Deputy Director of Finance reported that the likely impact of this would be assessed.</p> <p>RESOLVED –</p> <p>1. That the information contained in the report be noted.</p>	<p>Action By:</p>
<p>43.</p>	<p>REPORT ON THE REVISIONS TO THE TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2012/13 TO 2014/15</p> <p>Members were reminded that the Audit Committee had considered the draft at its December meeting and this report provided Members with details of the changes from the draft to the final version of the Statement.</p> <p>The Chairman noted that he was attending a training course in April and would explore whether the Committee would need an external specialist adviser to attend meetings for Treasury Management matters.</p> <p>RESOLVED –</p> <p>1. That the information contained in the report be noted.</p>	<p>John Morley</p>
<p>44.</p>	<p>INTERNAL AUDIT PROGRESS REPORT</p> <p>The Head of Audit and Enforcement provided Members with a summary of Internal Audit activity in the period from 14 November 2011 to 19 February 2012.</p> <p>Six audits in the current report had received limited assurance, twelve had received Satisfactory Assurance, of which eight were school audits, and four received Full Assurance of which three were school audits. Members were informed that although six received Limited Assurance, action plans had been agreed with management to address the weaknesses identified and these would be closely monitored to ensure implementation by the agreed timetable.</p> <p>The following issues were raised by Members:</p> <ul style="list-style-type: none"> • Internal Audit – staffing – the Head of Audit and Enforcement updated Members on the situation regarding staffing in the Team and reported that two new trainees had started in January 2012, replacing two who had resigned earlier in the year. Staff 	

	<p>and the associated Annual Internal Audit Operational Plan. This detailed how the service would be delivered, the assurance that it would provide and how the Head of Audit and Enforcement would contribute to corporate governance arrangements, risk management processes and key internal control systems.</p> <p>RESOLVED –</p> <p>1. That approval be given to the audit strategy.</p>	Action By:
46.	<p>INTERNAL AUDIT OPERATIONAL PLAN</p> <p>Members were informed that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government required the Head of Audit and Enforcement to produce a risk based plan, which was fixed for no longer than a year and was designed to implement the Audit Strategy.</p> <p>Reference was made to the work planned for the year but with changes in service delivery during the year or newly emerged risks, this would mean that there would be occasions when audits needed to be added or deleted from the plan.</p> <p>Discussion took place on staff resources and the planned number of audit days. There had been 2 new trainees appointed, but there had been three resignations this had had an effect on 2011-12 resources but it was expected that all trainee positions would be filled by the end of April. The General Audit (formerly School's auditor) post could be filled in time to audit all planned schools in year</p> <p>The Deputy Director of Finance considered that the present staffing structure was sufficient to cover the audits detailed in the plan and assured the Committee that if there was a need for specialist resources or temporary staff it would be bought in. Heather Bygrave questioned whether there were sufficient days for IT audit taking into account the systems changes, but noted that the overall resource compared well with other Councils.</p> <p>RESOLVED –</p> <p>1. That approval be given to the Internal Audit Operational Plan.</p>	
47.	<p>REVIEW OF INTERNAL AUDIT TERMS OF REFERENCE</p> <p>Members were informed that the changes to the Terms of Reference were minor changes, reflecting changing legislation and internal structural changes within the Council.</p>	

	<p>In relation to part 5 - Independence – It was agreed that this be further amended to include The Head of Internal Audit having unrestricted access to the Independent Member(s) of the Audit Committee.</p> <p>In relation to part 7 – Responsibilities – 7.6 d – it was agreed to delete “Chief Internal Audit” and replace with “Head of Internal Audit”.</p> <p>RESOLVED –</p> <p>1. That with the suggested amendments, the Committee noted the Internal Audit Terms of Reference.</p>	<p>Action By:</p> <p>Helen Taylor</p>
48.	<p>WORK PROGRAMME 2011/12</p> <p>Noted.</p>	
49.	<p>CHANGING LEGISLATION AND CURRENT ISSUES</p> <p>The Committee noted the CIPFA Better Governance Forum briefing paper on Audit Committee Update- helping audit committees to be effective.</p> <p>The Chairman of the Committee informed Members that he would be attending the Advanced Audit Committees training workshop which was taking place on 25 April 2012.</p> <p>The Committee was informed that the Corporate Services & Partnerships Policy Overview Committee’s review into the Effectiveness of the Audit Committee and its Terms of Reference would be reporting its findings to Cabinet on 26 April 2012. A copy of the review’s final report would be sent to Audit Committee Members for their information.</p> <p>RESOLVED –</p> <p>1. That the information be noted.</p>	<p>Khalid Ahmed</p>
50.	<p>RISK MANAGEMENT REPORT – 2011/12 – QUARTER 3</p> <p>The report on this item was included in Part II as it contained information relating to the financial or business affairs of any particular person (including the Authority holding that information) and the public interest in withholding the information outweighed the public interest in disclosing it (exempt information under paragraph 3 of Part 1 of Schedule 12 A to the Local Government (Access to Information) Act 1985 as amended.</p>	

	<p>RESOLVED –</p> <p>1. That approval be given to the risk management arrangements and the information contained in the report be noted.</p>	
51	<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>The meeting which commenced at 5.20pm, closed at: 7.0pm</p> <p>Next meeting: 26 June 2012 at 5.00pm</p>	

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

Minutes

AUDIT COMMITTEE

10 May 2012

Meeting held at Council Chamber - Civic Centre,
High Street, Uxbridge UB8 1UW



	<p>Committee Members Present: Councillors Richard Lewis George Cooper Raymond Graham Paul Harmsworth</p> <p>LBH Officers Present: Nikki O'Halloran</p>	
1.	<p>APPOINTMENT OF CHAIRMAN (<i>Agenda Item 1</i>)</p> <p>RESOLVED: That Mr John Morley be elected Chairman of the Audit Committee for the municipal year 2012/2013.</p>	<p>Action by</p>
	<p>The meeting, which commenced at 8.48 pm, closed at 8.49 pm.</p>	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on 01895 550833. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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The Draft Annual Governance Statement 2011-12

Contact Officer: Kevin Byrne
Telephone: 01895 250665

SUMMARY

1. An update on preparing the Annual Governance Statement (AGS) was last reported to the Committee on 15 March 2012. Steady progress has been made to deliver the key components feeding into the draft AGS, which has included updating the evidence map and collecting cross-council assurance statements. Currently, the Council is on schedule to publish the AGS alongside the Statement of Accounts in September 2012.
2. On the 6 April all Group Directors and Heads of Service submitted assurance statements. Internal Audit conducted a detailed review of all submissions and supporting evidence, and concluded that the Council has an effective internal control and governance system in place. The assurance gathering and review process has highlighted a number of governance issues that have currently been reported in the draft AGS. These are outlined in section 5 of the attached draft (Annex A).
3. A full draft 2011-12 AGS is attached for comment. This follows the CIPFA/SOLACE guidance framework and is based on evidence from the mapping exercise, the review of assurance statements and responses on internal control issues from the 2010-11 AGS.

REASON FOR REPORT

4. This briefing provides the Audit Committee with a progress update and presents a draft 2011-12 AGS for comment.

RECOMMENDATION

5. Members are invited to review the draft 2011-12 AGS and offer comments on its content.

DRAFT**London Borough of Hillingdon
Annual Governance Statement 2011-12****1. Scope of Responsibility**

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

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

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

2. The Purpose of the Governance Framework

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

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

The governance framework has been in place at the London Borough of Hillingdon for the year ended 31 March 2012 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

The London Borough of Hillingdon has brought together the underlying set of statutory obligations, management systems and principles of good governance to establish a formal governance framework. The key elements outlined below demonstrate how Hillingdon maintains effective internal controls and an effective governance system.

- 3.1. **The London Borough of Hillingdon's Constitution**, which sets out how the authority operates, how decisions are made, and the procedures that are followed to ensure that they are efficient, transparent and accountable to local people. The constitution is regularly reviewed at full Council meetings and also more comprehensively on an annual basis at each AGM.
- 3.2. Part 2 of the constitution outlines the **roles and responsibilities** of the Executive, Non-executive, Mayor, Overview and Scrutiny committees, Standards committee and officer functions. There is a new ethical framework for members, introduced by the Localism Act 2011, which will come into force on 1 July 2012. The governance arrangements for Hillingdon comprise:
- A structure of the Leader of the Council, a Cabinet and Policy Overview and Scrutiny committees
 - A Corporate Management Team
 - An Operational Management Group
 - Senior Management Teams
 - The Audit Committee, led by an independent chairman
 - Standards Committee, led by an independent chairman (*Note: these arrangements will change from 1 July 2012*)
- 3.3. Part 2, article 7 of the Constitution sets out the '**Cabinet Scheme of Delegations**'. This governs the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and individual Cabinet members. This is regularly updated to reflect changes to Cabinet Member portfolio responsibilities in line with business priorities and Director's responsibilities.
- 3.4. Part 3 of the Constitution sets out the '**Scheme of Delegations to Officers**'. This governs the responsibility allocated to officers of the London Borough of Hillingdon to perform the authority's activities on behalf of the executive. This is regularly updated to reflect the changes to Director's responsibilities in line with business priorities.
- 3.5. Part 5 of the Constitution sets out a formal '**Code of Conduct**' governing the behaviour and actions of all elected Council members. The code ensures that councillors conduct themselves appropriately to fulfil their duties and that any allegations of misconduct are investigated. There is also a separate Officers Code, which applies to all employees and is part of their contract of employment. The authority has reviewed the code and updated guidance to ensure these requirements reflect the new Council structure. The Council has also reviewed the 'Code of Conduct' in light of the Localism Act 2011.
- 3.6. **A members training programme** throughout each municipal year embeds high standards of conduct and behaviour. Complaints against members of the Council are handled by the Monitoring Officer and Standards Committee in accordance with the requirements of the Local Government and Public Involvement in Health Act 2007, the Standards Committee (in England) Regulations 2008 and guidance issued by the Standards Board for England (*note: these arrangements will change from 1 July 2012*). The Council has put in place a comprehensive induction and training programme for elected councillors along with specific training on risk, scrutiny, planning and licensing rules. This includes a personal development tool-kit and knowledge library.
- 3.7. **A Code of Corporate Governance** sets out the London Borough of Hillingdon's governance structure, decision making process and areas of responsibility. Originally adopted in 2002, the code reflects the authority's governance structure and corporate responsibilities, and is founded on the fundamental principles of openness, integrity and accountability and sets out the policies, systems and procedures in place to achieve this.
- 3.8. **A Members 'Register of Interests'** records the interests of elected members of the London Borough of Hillingdon. There is a separate 'Related Parties' register that members and senior

officers are required to complete each year declaring the relationship and nature of any related party transactions, which the authority has entered into.

- 3.9. **A Member / Officer Protocol** to govern and regulate the relationship between the London Borough of Hillingdon's elected members and appointed officers. This has been developed in consultation with the political leadership, all Council members and officers.
- 3.10. **A formal whistle-blowing policy**, which is based on the Public Interest Disclosure Act 1998. The policy allows Council staff and contractors working for the authority to raise complaints regarding any behaviour or activity within the authority, ranging from unlawful conduct to possible fraud or corruption. The Monitoring Officer has overall responsibility for maintaining and operating the policy, along with reporting on outcomes to the Standards Committee.
- 3.11. **The London Borough of Hillingdon** has set out its vision of 'Putting Our Residents First' and established four priority themes for delivering efficient, effective and value for money services. The priority themes are; 'Our People', 'Our Natural Environment', 'Our Built Environment' and 'Financial Management'. The delivery of these priorities will be achieved through a combination of strategic management programmes, which include: the Hillingdon Improvement Programme, Business Improvement Delivery programme and the financial and service planning process (Medium Term Financial Forecast).
- 3.12. **The Hillingdon Improvement Programme (HIP)** is Hillingdon's council-wide improvement programme which aims to deliver excellence as set out in the Council vision – 'Putting Our Residents First'. The HIP Vision is to build a more customer focused organisation, to modernise business processes and to free up resources to provide improved services for our residents. HIP has helped to change the culture of the organisation and to improve the services delivered to residents. This can be evidenced through the high satisfaction rates received from customer care, waste and recycling services, libraries, our primary and secondary schools and how well our residents feel informed, through regular feedback. HIP is consistently trying to improve Hillingdon by continuing to deliver a range of innovative projects, drive forward major cultural change and enhance Hillingdon's reputation. The programme is led by the Leader of the Council, and the Deputy Chief Executive and Corporate Director for Central Services is the programme director. Cabinet members and directors are also responsible for specific parts of HIP.
- 3.13. **The Business Improvement Delivery (BID)** programme is a key part of HIP and has been designed to fundamentally transform the way the Council operates and deliver the Council's savings targets of £26.2 million for 2011-12 and more than £69 million over the Comprehensive Spending Review four year period. The BID programme delivery and expenditure is overseen by the Leader of the Council, and the Deputy Chief Executive and Corporate Director of Planning, Environment, Education & Community Services.
- 3.14. **The Medium Term Financial Forecast (MTFF)** process is the system of service, financial and annual budget planning. This runs from the preceding spring to February with a robust challenge process involving members, Corporate Directors and the Chief Finance and S151 Officer. Monthly reports on key financial health indicators are produced and communicated through the finance management team.
- 3.15. The **Sustainable Community Strategy (SCS)** sets out the Local Strategic Partnership aims and ambitions for the London Borough of Hillingdon over the next 10 years. The Local Strategic Partnership (Hillingdon Partners) has overall responsibility for the Sustainable Community Strategy, the priorities have been reviewed and updated to reflect the changing circumstances of the borough.
- 3.16. **Hillingdon Partners** reviewed its structure and governance arrangements following the abolition of the Comprehensive Area Assessment and the Local Area Agreement. The review agreed to

focus partnership work around key priorities, and streamline delivery theme groups and arrangements for reporting partnership performance and risk.

- 3.17. **A Joint Strategic Needs Assessment (JSNA)** outlines the current and future health and wellbeing needs of the population over the short-term (three to five years) and informs service planning, commissioning strategies and links to strategic plans such as the Sustainable Community Strategy. Following a redesign of the JSNA in 2011, further work has been undertaken to refresh the content in 2012 to reflect changes in regional and local data and to ensure it functions as a flexible and comprehensive needs assessment. The JSNA is 'live' and can be accessed via the Council's website and as such can be updated throughout the year rather than refreshed annually.
- 3.18. **An independent Audit Committee** operates to oversee the financial reporting, provide an independent scrutiny of the financial and non-financial systems, and provide assurance on the effectiveness of risk management procedures and the control environment. The Audit Committee has been set up with terms of reference consistent with CIPFA's '*Audit Committees – Practical Guidance for Local Authorities 2005*'.
- 3.19. **The Performance Management Framework** is a Council-wide framework requiring service areas and teams to set annual team plans, targets, identify risk and report performance against Council priorities and SCS priorities. Performance is monitored on a regular basis through a combination of reporting against service targets and performance scorecards, the results of which are regularly presented to Senior Management Teams and reported quarterly to the Corporate Management Team.
- 3.20. The London Borough of Hillingdon has established an effective **risk management system**, including:
- **A corporate risk management framework** outlining the, roles, responsibilities and processes for capturing, reporting and taking action to mitigate key corporate and directorate risks. Team, directorate and corporate risk registers enable the identification, quantification and treatment of risks against the Council's objectives. Group risk registers are regularly updated, reviewed by each Senior Management Team and the most significant risks are elevated to the Corporate Risk Register. The framework is reviewed annually.
 - **A Corporate Risk Management Group (CRMG)** reviews the risk registers on a quarterly basis and advises the Cabinet and Corporate Management Team on the significant risks. Twice annually, the risk reporting arrangements are reviewed and updated, if appropriate, by the Audit Committee. Where appropriate, the Medium Term Financial Forecast (MTFF) embraces the potential financial impact of significant risks.
 - **Risk management training** is provided when required. An e-learning training package is in place and accessible for all staff and is included in the induction programme.
- 3.21. The London Borough of Hillingdon has an **Anti-Fraud and Corruption Strategy** approved by members and communicated to all staff. It is underpinned by and refers to the full range of policies and procedures supporting corporate governance arrangements such as Codes of Conduct, Standing Orders, Register of interests and whistle-blowing.
- 3.22. **The Committee Standing Orders** (Part 4B), Procurement & Contract Standing Orders (Part 4H) & Scheme of Delegation to Officers (Part 3) are incorporated in the Constitution and reviewed annually. The Scheme of Delegation specific to each directorate is available on the Hillingdon's internal web pages. In 2010-11 these schemes were reviewed and updated to account for changes to the Council structure and roles and responsibilities of Corporate Directors.

- 3.23. The London Borough of Hillingdon operates a system to **monitor legislative changes** and ensure that the authority is fully compliant with laws and regulations. During 2011-12 the Council has undertaken a project to prepare for the implementation of the Localism Act 2011 by designing and establishing new mechanisms and procedures to meet the provisions.
- 3.24. **Hillingdon's training and development programme** enables staff and senior officers to access and complete a wide range of learning and development opportunities through the internal Learning & Development pages on 'Horizon' to ensure they have the skills, knowledge & behaviours to deliver the councils priorities. This includes induction programmes, e-learning packages and a range of vocational development courses under the Qualifications and Credit Framework. In addition, the Hillingdon Academy is now well established as a leadership programme aimed at providing the Council's future leaders. The Council also offers staff the opportunity to achieve professional qualifications and meet their continuing professional development (CPD) requirements.
- 3.25. The **Performance and Development Appraisal (PADA)** process, completed by all officers and senior managers, records employee's key objectives and tasks, sets targets for when these must be delivered and identifies staff learning and development needs. There are competency frameworks for staff, managers, senior officers and Directors, with descriptors outlining the performance that is expected at each level. Performance reviews are completed on a bi-annual basis against the relevant competency framework and PADA guidance is available to support both staff and managers through the process.
- 3.26. Hillingdon has a set of **consultation/engagement standards** that demonstrate a commitment for building strong relationships with residents, visitors and businesses throughout the borough. The standards set out Hillingdon's commitment to engage, consult and respond to the views of local communities. The standards also support Hillingdon's commitment to transparency and the need for sharing information with residents. Resident and stakeholder feedback supports and informs corporate intelligence, which drives business planning, policy and decision making including commissioning and procurement of services. An annual customer engagement plan is in place covering all Council services to align customer engagement to support the delivery of Council priorities
- 3.27. **Hillingdon's Pride of Place** initiative encourages residents to contribute their ideas on neighbourhood improvements so that they can feel PROUD to live in Hillingdon. The aim is to raise civic pride by showing how residents can make a real difference and contribute directly to a range of activities and specific projects to improve their local area. The initiative brings together other successful programmes such as 'Street Champions' and 'Chrysalis', and gives residents the opportunity to meet informally with their ward councillors and discuss improvements directly with Council officers through a variety of community engagement events across the borough.
- 3.28. The Council has in place a well-established **Petition Scheme**, including e-Petitions. This is widely used by people in the borough to submit their views on local matters directly to decision-makers.

4. Review of Effectiveness

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

Overall the review of effectiveness concluded that internal control systems have been in place for the financial year ended 31 March 2012 and, except for the internal control issues detailed in section 5, management and control systems are operating effectively in accordance with good practice.

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

- 4.1. A comprehensive annual programme of scrutiny and review by the Policy Overview and Scrutiny Committees and the Audit Committee.
- 4.2. The role and responsibilities of the Chief Finance & S151 Officer, detailed in the Code of Corporate Governance, as a key member of the leadership team actively involved in all material business decisions to safeguard public money and sound financial management on behalf of the authority.
- 4.3. The work of the external auditors as reported in their annual audit letter.
- 4.4. The work of Internal Audit service, which develops its annual work plan after an assessment of risk. The Head of Audit and Enforcement reported regularly during the year to both the Corporate Management Team and the Audit Committee and has provided a satisfactory level of assurance on the internal control environment in 2011-12.
- 4.5. Internal control assurance statements were received from all Service Directors and Heads of Service covering the financial year 2010-11. Statements provide confirmation that the control environment is operating effectively to safeguard the delivery of services and that any significant control issues have been raised and are being dealt with appropriately.
- 4.6. The London Borough of Hillingdon has continued to maintain effective financial management throughout the financial year, with unallocated reserves increasing to £23.313m million as at 31 March 2012.
- 4.7. The London Borough of Hillingdon has a clear commitment to a capable and fit for purpose procurement function. Working through a co-located business partner model, Procurement ensures a best value approach to expenditure commitment. By engaging with Directorates, Procurement supports the delivery of financial and service level requirements to meet the wider corporate objectives with a 'Resident First' approach. Progress and performance of Procurement delivery is regularly reviewed with Directorate Senior Management Teams and the Corporate Management Team. Processes and procedures are regulated through revised Procurement & Contract Standing Orders enabling the appropriate oversight of decisions.
- 4.8. Implementation of performance measures ensures that each area achieves its targets in service delivery, financial control, and good governance.
- 4.9. Throughout 2011-12 the London Borough of Hillingdon has made substantial progress to implement new procedures and protocols and strengthen existing governance arrangements. This includes:
 - A review and refresh of the Council's Constitution
 - Updating scheme of delegations for each directorate

5. Significant Governance Issues

The London Borough of Hillingdon has implemented a range of improvement actions, as part of its overall continuous improvement programme, to strengthen governance arrangements and control systems. All internal control issues reported in the 2010-11 AGS have been resolved, except that:

- The water management strategy has not yet been implemented as the benefits of investing considerable time and effort in water are not there in terms of savings when compared to the other areas of our energy spend.
- Historic weaknesses were identified in the monitoring and control of some construction projects. Some weaknesses have been addressed. Work is continuing to ensure that all processes and procedures are robust.

Following a review of the effectiveness of the system of internal control the following governance issues have been identified in 2011-12:

- An investigation into an attempted fraud found that payment system procedure controls were in place but not consistently applied. The procedure has been reviewed, re-written and validated by Internal Audit. A formal validation of the procedures has been carried out as part of a full audit.
- Investigations highlighted a lack of transparency in the historic financial reporting on some housing construction projects. Corporate finance comments are now being added to Cabinet Member reports to improve control. In addition there is ongoing work in the area of housing supply and it is likely that other substantial changes in processes and procedures will be needed in the coming year.
- Following a recent data protection issue, it was recognised that data protection policies need to be refreshed and disseminated to staff. This is being addressed via a corporate programme of actions under the auspices of the Hillingdon Information Assurance Group (HIAG) chaired by the Deputy Chief Executive and Director for Corporate Services.
- Non compliance issues were raised relating to providing alternative education for those children not in school (Section 19 Education Act 1996). This has been addressed through a review of the Fair Access Protocol and through provision of alternative education which involves other services areas. There have been improvements and the process and protocol will be monitored on a regular basis.
- As part of the ongoing changes to the organisation as part of the BID process, there is a need to constantly review and update policies and procedures to take account of the change in roles and responsibilities.

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

Hugh Dunnachie
Chief Executive

XX September 2012

Cllr Ray Puddifoot
Leader of the Council

XX September 2012

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Internal Audit Progress Report

Contact Officer: Helen Taylor
Telephone: 01895 556132

REASON FOR ITEM

This report provides the Audit Committee with a summary of Internal Audit (IA) activity in the period from 20 February 2012 to 31 May 2012. 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 progress against the Internal Audit Plan for 2011-12 and the updated position of those audits undertaken in the years 2007-8, 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. Resources

2.1. The School's Auditor post became vacant at the end of March 2012 and recruitment to this post is underway. One new trainee auditor started in April 2012, replacing an auditor that resigned earlier in the year.

3. Progress against Plan and Follow up Status

3.1. During the period, only one audit received Limited Assurance, nine received Satisfactory Assurance, of which three were school audits, and six received Full Assurance of which three were school audits.

3.2. I am not anticipating any qualification of my annual opinion as a result of audits reported in the current period.

3.3. The current status of the 2011-12 plan is included in Appendix 1.

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

3.5. Ten 2012-13 have commenced. Position as at 31 May 2012 was:

Planning Stage – Commercial Waste Collection
Education for Looked after Children – 21 to 25 Year Olds
Golf Courses
Facilities Management – Mechanical & Electrical
Rural Activities Centre
Housing Benefit Subsidy

In Progress - Sickness Absence
Licensing Services
Home Care - External
Use of Purchase Cards

Completed - Professional Fees

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

3.7. Audits of a sample of establishments were not carried out as planned. These are relatively low risk audits, but were included in the 2011-12 as it was considered that there should be some audit coverage each year. However, time was spent during the year identifying all the establishments that the Council operates and compiling a database of them to enable programmed visits to be carried out from 2012-13 onwards.

3.8. There were two additions to the 2011/12 audit plan:

16-19 Bursary Funding - This audit was required as the terms and conditions of the funding from the Young People's Learning Agency (YPLA) required Internal Audit to review how schools, that had received the funding, were managing the funds.

Teachers' Pensions TR17 Return - As a result of Deloitte qualifying the 2010/11 TR17 return, Teachers' Pension requested an Action Plan be drawn up that would demonstrate how the issues highlighted by Deloitte had been tackled. Teachers' Pension also required that the Action Plan was accompanied by an assurance from Internal Audit that the processes due to be implemented would prevent future qualifications by Deloitte or any other external auditors.

3.9. One audit has been added to the 2012-13 audit plan. Hillingdon Grid for Learning was not included in the originally audit plan because at that time it was anticipated that it would be disbanded in September 2012. However, now that the service is to remain with the Council, I consider that a review would be beneficial in early 2012-13.

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

Audit Title: Utilities: Water Management

Assurance level: Limited Assurance

There is a current national emphasis on reducing water usage and wastage. Between 1 April 2010 and 31 March 2011, the Council paid £2.2 million to its water services supplier. The BBC reported an estimated 5.7% inflation rise in water bills in April 2012. Furthermore, the Department of Environment, Food and Rural Affairs (February 2012) announced that much of southern and eastern England is officially in a state of drought. Thus water management is vital.

Currently, water is managed by individual services and has never been centralised. This has resulted in significant challenges for the Council in identifying bill miscalculations and leaks. This has been caused by having no historic data and incomplete information on water metre locations.

The objective of the audit was to ensure water management was efficient, effective and economical within the council.

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

- Roles and Responsibilities
- Strategy

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Produce a timetable which lists clear actions and targets dates for awarding the contract and achieving water savings. This will ensure the objectives for managing water are achieved in a timely manner and that the Council is not paying for water where buildings have been sold or disposed off or for water that is being wasted through leakages.	High	December 2012
Update the vision on water management in the draft sustainability policy to reflect the new arrangements being put in place. This will ensure there is not a fragmented approach to water management within the Council and water costs are reduced.	High	December 2012
Create an Energy Team page on Horizon, stating roles and responsibilities of the team, contact details, as well as key objectives. This will ensure staff are proactive in helping the team to achieve their objectives.	High	December 2012

Management Comment

Although we agree with the findings, at the present time, we accept the risk. The benefits of investing considerable time and effort in Water resources are not there in terms of savings when compared to other areas of energy spend.

Audit Title: Capita Online Payment System**Assurance level:** Satisfactory

AXIS Income Management (AIM) is a central transaction database used to control income imported from different sources. AIM was implemented in October 2010. The system captures payments uploaded into it through different payment collection modules. It also processes and validates transactions imported from 3rd party systems such as bank statements and updates back-end systems such as Council Tax, General Ledger, Housing, NNDR and others.

The objective of the audit was to ensure that the Capita Online Payments System is efficient, effective and economical.

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

- Policies and Procedures
- Roles and Responsibilities
- Refunds System

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The ICT Shared Services Manager should investigate why a leaver's user account had not been deleted in a timely manner, including why processes did not identify this and how they should be strengthened. This will ensure the system is not vulnerable of being amended by individuals who are not authorised to use the system.	High	March 2012
The ICT Business Partner for Central Services should put adequate controls in place which ensures that all daily payment files are imported into the Capita System. This will ensure the General Ledger and individual Debtor Accounts	High	Immediately

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are complete and accurate.

The ICT Business Partner for Central Services should ensure that the 'Paye.net Acceptable Usage Policy' is distributed and signed by all users of the Capita System. This will ensure staff have been made aware of their roles and responsibilities and in the event of any fraud/misuse provides evidence they had agreed to comply.

Medium

February
2012

Audit Title: Education Psychology

Assurance level: Satisfactory

The Education Psychology Service (EPS) works with children and young people who have difficulties that may affect their ability to learn, develop and progress as expected for their age.

Their role is to consult with parents, teachers, other professionals, and the children and young people themselves to explore issues that may interfere with learning. Strategies to promote the child's progress and inclusion are discussed with the people involved in the child's education and enacted. This is achieved using the psychologist's knowledge, experience, and relevant research

All schools have a designated Educational Psychologist (EP) who can access a range of consultation services, assessment, and intervention support. Currently, a time allocation based on a formula is given to each school. From April 2012, it will become a part traded service with Service Level Agreements being set up with individual schools.

Education Psychologists employed by the London Borough of Hillingdon must be registered with the Health Professions Council (HPC) and comply with both their code of ethics and conduct, and that of the British Psychological Society.

The EPS moved its base of operations from the Lancaster Centre to the Civic Centre in September 2011.

The audit objective was to ensure the Education Psychology Service is efficient, effective, and economical.

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

- Consultations
- Statutory Assessments
- Staffing levels
- Performance Management

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- Staff identification checks, criminal vetting, and professional requirement checks

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Hardcopy files should be signed in and out by EPs in order to ensure there is a formal record of their whereabouts and accountability for the data itself. Otherwise, data could be lost or stolen without any accountability and failure to comply with the 1998 Data Protection Act.	High	Immediately
EPS should not hold copies of staff CRB checks as it contravenes the CRB Checks Security Policy, the CRB's Code of Practice and the 1998 Data Protection Act.	High	Already actioned
There should be checklist on the front of each file that the EP signs to say that they have viewed parental consent and have a copy of it in the file. This would prompt EP's to ensure they had written consent and therefore prevent the Council from exposure to a high risk of litigation.	Medium	September 2012

Audit Title: Penetration Testing Arrangements

Assurance level: Satisfactory

In March 2012, we reported to the Audit Committee that the audit on Penetration Testing Arrangements was given Full Assurance. This assurance level was changed from Satisfactory to Full because we removed from the report a medium recommendation which related to Hillingdon Grid for Learning (HGFL) on the basis that it was being wound down and would be disbanded by November 2012. However, as this is now not the case, we have reintroduced the recommendation (see below) and changed the assurance level to Satisfactory. We have obtained management's response and an agreed target date as per our normal process.

The objective of the audit was to verify that data traffic in and out of the Council network is adequately managed, controlled and secure.

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

- The scope of the penetration testing conformed to CESG specified ITHC standards (IT Health Check), reducing the risk of vulnerabilities not being identified which could be exploited to gain unauthorised access to the Councils network, systems and data;

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- All staff undertaking the Penetration testing are CREST and Tiger qualified;
- Access to the Council's network for the penetration testing was explicitly authorised in writing beforehand. This reduces the risk of the access being viewed as unauthorised and responded to as such, which could adversely impact the testing.

Improvement is needed to address risk in the following area:

Control improvements required	Risk	Agreed Target Date
HGFL management should ensure that the HGFL network is subject to independent penetration testing on a regular basis to prevent unauthorised access to the HGFL network, systems and data.	Medium	Oct 2012

Audit Title: Heathrow Imported Food Unit

Assurance level: Satisfactory

The Imported Food Unit undertakes statutory inspections and enforcement in respect of imported food products and feed consignments arriving at Heathrow Airport, and offers advice to the trade and airport clearing agents regarding import controls. It is covered by various legal requirements under European UNION (EU) and UNITED Kingdom (UK) laws.

It is a 24/7, 365 day operation, and a great deal of its involvement is with clearances of perishable imported food of high commercial value. It clears over 15,000 consignments and generates an income of over £2 million per annum. Swift clearance is therefore of utmost importance in providing this service.

The service is subject to periodical inspections and scrutiny by external agencies, like European Food and Veterinary Office of the European Commission, Department for Environment, Food & Rural Affairs (DEFRA), Food Standards Agency (FSA) etc.

The last internal audit of this area reviewed the IT systems and controls in place at the time. Since then, the IT arrangements have considerably changed and they are now part of the corporate ICT network. The preliminary BID review carried out recently also identified a potential for further modernisation and improvement of IT systems.

The objectives of the audit were to:

- Assess the adequacy and effectiveness of current systems and controls in place for managing the Imported Food Unit at Heathrow.

- Provide management with an assurance that the unit's role / contribution to achieve the corporate objective of Airport Services is adequate.

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

- Policies and Procedures
- Roles and Responsibilities
- Budgetary Control
- Checks and Tests to clear consignments
- Treatment of rejected consignments

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The current arrangements for handling cash and cheques should be reviewed with a view to reducing access to the main safe to a limited number of officers. Accountability can be reduced if too many officers have access to the main safe.	Medium	April 2012
The Airport Services Manager should ensure that either the two team leaders or another member of staff is fully trained and fully conversant with updating and administering the Card File system, otherwise business continuity could be jeopardised.	Medium	June 2012
The Airport Services Manager or the team leaders should periodically carry out a spot check of notifications and alerts received in the Heathrow-BIP (Border Inspection Post) mailbox, to ensure that they had been properly actioned by the system administrator. If there is no supervision, it may be difficult to establish the performance or effectiveness of a system administrator's work.	Medium	April 2012
The BID Review team should consider extending the scope of their exercise to incorporate the modernisation / computerisation of administrative practices and records related to income management. Without an all encompassing approach, the full potential for service efficiencies may not be identified or achieved.	Medium	October 2012
Management should ensure that the business continuity	Medium	June 2012

Control improvements required	Risk	Agreed Target Date
plan is tested at the earliest opportunity as without testing the plan, it may be difficult to judge its effectiveness.		
Management should provide backup option/s for the Imported Food Unit at Heathrow to access the internet when the corporate ICT network is not available. Without adequate IT facilities, undue delays may occur in clearing consignments, leading to potential losses for clients.	Medium	November 2012
The Airport Services Manager should make all possible efforts to promote the facility for clients to pay by debit / credit card, and discourage payments by cash or cheques. Otherwise, the cost of processing cheques and cash to the Council will be greater in comparison to payments by card.	Medium	October 2012
Management should ensure that official receipts are issued for all cash and cheques collected at the Imported Food Unit, even if the client does not request one. If there are inconsistencies in practice, and official receipts are only issued if asked for, there could be allegations by clients or disputes over amounts.	Medium	Already implemented

Audit Title: Debtors

Assurance level: Satisfactory

The Corporate Debt Collection Team deals with invoicing and collection of all the council's sundry income other than council tax, national non domestic rates, social services assessed charges and housing rents. Recently the Housing Benefit overpayments and regular income from the Council's property portfolio have been added to the team's debt collection responsibilities.

The audit objective was to ensure that the debtors system is efficient, effective and economical.

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

- Debt recovery process
- Bad debt write-off process
-

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The Corporate Debt Collection Manager should ensure procedures and policy are produced to reflect the current processes and Council's objectives. To guard against inconsistent practices being followed.	Medium	June 2012
The Corporate Debt Collection Manager should ensure that the outstanding amount of £3,863.16 in the suspense account is written into the Council's account and that reconciliation statements are reviewed, checked, and signed monthly to confirm that the suspense account is being managed efficiently and effectively.	Medium	June 2012
The Corporate Debt Collection Manager should consider including a note on the "Request to Raise Invoice Form", that it is the responsibility of the service manager to ensure that VAT is correctly applied on their invoices. If they are not sure they should check with the VAT team. This will ensure service managers take responsibility for checking whether VAT is payable or not.	Medium	June 2012
The Corporate Debt Collection Manager should put a process in place to review all debts that are over 366 days with a view to identifying all those that are bad and uneconomical to recover. If the bad debts are not written off, the Council's accounts might not be showing a true and fair view and may not be able to recover VAT on bad debts	Medium	June 2012

Audit Title: HR Payroll Changes and Trigger Dates
Assurance level: Satisfactory

There are various changes that can be made to an employee's pay. These include annual increments and pay changes resulting from new roles/jobs due to promotions and job restructures. Payments can also be made in the form of honoraria for taking on extra responsibilities and protection of earnings.

Apart from increments, which are governed by the employee's contract of employment, all changes to an employee's pay, including honoraria, must be authorised correctly in accordance with the London Borough of Hillingdon's Scheme of Delegations for each Directorate. There are different schemes for each directorate; however, changes to staff's pay and conditions and the approval of honoraria must all come from Level A – B managers across all schemes. Level B managers are Heads of Service/Deputy Directors

Human Resources are currently undergoing a restructure. Part of the plan is to replace the Employee Change of Details form with an 'Achieve' form. This is in electronic format and should ensure managers complete all the necessary steps to change an employee's pay. The 'Achieve' form is currently in development but is expected to be ready in May 2012.

The audit objective was to ensure that there are adequate and effective systems in place to ensure that the correct amounts are paid for the correct period.

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

- Policies and Procedures
- Annual increments
- Protection of earnings payments

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Date
'Achieve' forms should contain a reminder to managers that if they are regrading an employee, they must first change the post. If an automatic control is not included upon introduction of the 'Achieve' forms, the weakness will still exist and management information will be incorrect.	M	October 2012
HR should not action changes received from level C managers on behalf of a level A or B manager unless the latter has been copied into the email or there is evidence that they have otherwise authorised the changes. If they are actioned, incorrect or fraudulent changes may be made.	M	October 2012
The current forms are too complicated and are not always used which leads to inconsistent practices and confusion. The new 'Achieve' form should be simple to use and contain guidance.	M	October 2012
HR should run periodic exception reports for honoraria, pay protection payments and post grade comparison to pay rate to identify and correct any errors. Otherwise, human errors and/or possible fraud may not be identified.	M	October 2012
Once the 'Achieve' form system is operating, HR should provide quarterly reports to Level A-B managers showing the changes they have authorised as a balance against fraud as members of staff could make fraudulent changes to pay by simply 'name dropping' a manager on the form.	M	October 2012
Once the new structure is implemented, the Payroll Team should	M	October

Control improvements required**Risk****Agreed
Date**

check that HR has input accurate information to the payroll system. If not checked, human error will not be picked up and staff may receive incorrect pay.

2012

Disagreed Recommendation**Control improvements required****Risk****Agreed
Date**

HR should produce a guidance document for managers. This should contain details of all the steps necessary when making changes to an employee's post and pay, including the granting of honoraria. It should also contain a reminder about the Scheme of Delegations and ask that any documents sent by a manager on behalf of the Head of Service/Deputy Director should be copied to them. This is because there is obvious confusion as to the processes to be followed and there is not always a clear audit trail.

M

N/A

Management Comment

Disagreed

The guidance will be within the Achieve Form, relating to post/pay changes.

The conditions of service already give guidance relating to honorariums. The Achieve forms will also ask for relevant information e.g. reason, calculation used. If there are any concerns HR will raise these with line managers prior to processing.

The Achieve form will state that the authorising officer must be in accordance with the Scheme of Delegations. The Heads of Service/Deputy Directors have not requested copies of documents (they are not sent on their behalf) and the recommendation regarding issuing quarterly reports, which is agreed, will give them the required information.

When the achieve forms are ready to pilot I would welcome Audit input, prior to them going Live, so that any concerns can be addressed.

Audit Title: Agency & Interim Approvals**Assurance level: Full**

Contingent labour is the collective term for all workers within the Council that are not directly employed through a contract of employment with the London Borough of Hillingdon. It includes:

- Agency Workers
- Interim Managers
- Supernumerary staff (outside of the organisational establishment)
- Consultants (through consultancy, agency or directly paid).
- Workers who directly invoice LBH for services

The Council has corporate contracts in place with Matrix SCM, ASAP Pertemps and Pulse to recruit agency workers.

The objective of the audit was to confirm that the correct level of authorisation has been obtained for a sample of Contingent Labour.

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

- A policy is in place and accessible on Horizon
- Procedures and guidance are in place supporting the delivery the of the policy
- There is a process in place to ensure Line Managers are alerted when agency assignments are nearing the prescribed end date

Audit Title: Budgetary Control

Assurance level: Full

Budgetary Control is the process of comparing actual and forecast expenditure and income throughout the financial year. It involves identifying main variances, pressures and risks and taking prompt action to prevent budget pressures from arising or to bring pressures that have arisen back under control.

The budget monitoring process involves interactions at various stages with budget managers and group finance teams, service managers, senior management teams, corporate directors and corporate finance.

The main challenge in delivering a balanced budget for 2011/12 was in the development of significant savings of over £26M, more than double the £10.3M required in 2010/11.

The audit objective was to ensure that the budgetary control process is efficient, effective and economical.

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

- Roles and Responsibilities
- Monitoring and Reporting Cycles
- Tracking of BID savings

Audit Title: Housing Needs 2011-2012

Assurance level: Full

Hillingdon receives many enquiries and applications every year from people who want to be re-housed within the borough. There are not enough properties within the Council's stock, and other stock to which it has nomination rights, to meet demand. The borough therefore has a system for prioritising the needs of customers who want to be re-housed, including households and individuals who are currently homeless.

The Housing Needs Service has as its primary function the assessment of the housing need of Hillingdon residents, and the management and provision of accommodation sources to meet these needs and prevent homelessness. This is exercised through housing advice, homeless prevention, assessment of actual homelessness, provision of temporary accommodation and maintenance of the Council's housing register and choice based lettings system for allocating social housing properties.

The objective of this audit was to ensure that the management of housing needs is efficient, effective and economical.

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

- Strategies, policies, protocols, procedures and customer information
- Client housing needs assessment
- Housing waiting register
- Roles and responsibilities
- Staff training
- Performance management and value for money
- Appeals
- Complaints
- Data security

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The Housing Needs Manager should verify with Human Resources whether Criminal Records Bureau Disclosures are in place for the staff in question, otherwise clients could be placed at risk if staff criminal records are not known.	Medium	April 2012
The Housing Needs priority banding of clients should be subject to independent checking and clearly evidenced,	Medium	June 2012

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otherwise incorrect banding decision may not be identified promptly.

Teacher’s Pensions TR17 Return – Our audit enabled us to provide assurance that the processes being followed should prevent qualification for the TR17 Return for 2011/12. However, for 2012/13 onwards, we could not provide similar assurance as, from 1 April 2012, the Council would no longer be providing payroll services to its schools. Therefore, we have added this audit to the 2012/13 audit plan using the contingency allocation and will review the processes that the external payroll providers have in place and any internal controls that London Borough of Hillingdon can introduce during 2012/13 in order to provide future assurance.

Schools’ Audits

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

2011/12	Assurance Level
Schools - Primary	
Holy Trinity	Satisfactory
St Bernadette’s	Satisfactory
St Mary’s	Full
St Swithun Wells	Full
Bourne Primary	Full
Schools - Special	
Moorcroft	Satisfactory

4. Follow up audits

4.1. We continue to make progress in following up and clearing action points from previous audits.

4.2. The table below shows the results of follow ups for general audits and school audits. Implementation rates on follow ups have increased slightly from 75% to 77% 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
Rural Activities Garden Centre	Oct-10	1	2	0	0	0	0	1	2	0	Jul-12
Facilities Management Contract	Oct-11	3	5	1	2	3	0	1	2	1	Oct-12
Court Costs 2nd F-up	Jun-11	1	0	0	1	0	0	0	0	0	N/A
LGPS Governance 3rd F-up	Sep-10	0	2	0	0	1	0	0	1	0	Jun-12
Learning & Development 2nd F-up	Jul-11	0	4	7	0	3	6	0	1	1	Aug-13
Debt Recovery Processes	May-10	0	6	2	0	6	2	0	0	0	N/A
Employability_ Eligibility to work in the UK	Sep-11	1	2	2	1	2	2	0	0	0	N/A
MCP Project Management Audit	Jul-11	3	3	0	3	3	0	0	0	0	N/A
Adult Education	Jul-11	0	6	1	0	6	1	0	0	0	N/A
Temporary Accommodation	Aug-10	1	0	0	1	0	0	0	0	0	N/A
Protocol Systems Adult Social Care & Children Services	Sep-11	0	2	2	0	1	2	0	1	0	Sep-12
Fusion Contract Management	Jun-11	5	1	0	3	1	0	2	0	0	Aug-12
Financial Assessments	Jul-11	1	0	0	1	0	0	0	0	0	N/A
Carefirst Debtors 3rd Follow up	Feb-11	1	0	0	1	0	0	0	0	0	N/A
Hillingdon Customer Contact Centre	Dec-11	1	2	3	0	1	3	1	1	0	Aug-12
Securicor	Mar-08	1	0	0	1	0	0	0	0	0	N/A
Private Sector Leasing	Jun-10	1	0	0	1	0	0	0	0	0	N/A
Housing Repairs Planned	Jan-12	0	3	2	0	2	2	0	1	0	Apr-13
Investigation 56	Jan-12	3	3	0	0	2	0	3	1	0	Aug-12
Residential to Independent Living 2nd F-up	Jul-11	0	1	0	0	1	0	0	0	0	N/A
General Ledger	May-11	0	1	0	0	0	0	0	1	0	Jun-12
Penalty Charge Notices & Appeals	Nov-11	0	2	1	0	2	1	0	0	0	N/A
Safeguarding Adults 2nd & 3rd F-up	May-11	0	3	1	0	2	1	0	1	0	Jun-12
Budgetary Control (former ECS & ECP) 4th F-up	Mar-10	0	6	2	0	6	2	0	0	0	N/A
Professional Fees	May-12	0	1	0	0	1	0	0	0	0	N/A
Creditors (Reconciliations) 2nd F-up	Jun-11	0	1	0	0	1	0	0	0	0	N/A

Education for Looked after Children	Nov-11	2	4	0		2	4	0		0	0	0	N/A
Youth & Connexions	Oct-11	0	7	4		0	6	4		0	1	0	Jul-12
Highways Planned Maintenance	Jan-10	0	4	0		0	1	0		0	3	0	Jul-12
E-Payments 3rd Follow Up	Apr-11	2	3	2		1	3	2		1	0	0	Oct-12
Greenwich Leisure Contract	Feb-12	3	2	0		0	1	0		3	1	0	Nov-12
Improvement Projects	Jul-11	1	5	0		1	3	0		0	2	0	Jul-12
Application Review Debtors ICT 2nd & 3rd	Jul-11	0	2	0		0	1	0		0	1	0	Jul-12
Culture and Arts Strategy follow up audit	Nov-10	3	0	0		1	0	0		2	0	0	Jul-12
Fuel at HRD	Jan-12	4	9	0		2	6	0		2	3	0	Jul-12
Fleet Management	Feb-12	3	7	6		2	7	5		1	0	1	Jul-12
Whitheath Junior	Jul-10	1	0	0		1	0	0		0	0	0	N/A
Whitheath Infant	Oct-11	0	1	1		0	1	1		0	0	0	N/A
Yeading Infants	Jun-11	1	1	0		1	1	0		0	0	0	N/A
Yeading Junior	Oct-11	1	3	0		1	3	0		0	0	0	N/A
Ruislip High	Mar-10	1	2	0		1	2	0		0	0	0	N/A
Children with Disabilities - Transition	Sep-11	1	4	4		0	3	3		1	1	1	Sep-12
CTAX / NNDR Review	Jul-11	1	11	0		1	8	0		0	3	0	Aug-12
		47	121	41		29	94	37		18	27	4	
	% Implemented by Risk					62%	78%	90%					
	Overall % Implemented									77%			
	Overall % Not Implemented									23%			

4.3. Details of audits followed up, but where High or Medium risk issues remain outstanding are included in the appendices. The dates of the latest follow up are given alongside the number of outstanding recommendations and the revised target date.

5. Advice Guidance and Consultancy

Management continue to request ad hoc advice from us on operational issues within their service. Since February 2012, two of the main areas we have provided advice on was:

- The introduction of on-line reporting by Council establishments of income received and banked to Corporate Accountancy to replace the completion of the old manual Cash and Deposit Summaries.

- The new on-line system for claiming employee expenses and car mileage allowances which will be piloted in July 2012.

6. Anti Fraud Work

Pro-active Probity Audits

6.1. We completed two anti-fraud audits during the period:

Compliance with Driving Policy – Probity checks to ensure compliance with the Council’s driving policy identified no major concerns. We provided each Corporate Director with details of our findings pertinent to their directorate and also notified respective line managers of our findings and the actions they need to take to ensure compliance with the driving policy.

Petty Cash – Imprest Accounts - We carried out probity checks on a sample of establishments reviewing the controls over their Imprest Accounts and compliance with Financial Regulations. No major concerns were identified but some improvements were recommended to some of the establishments visited.

Professional Fees - We examined a sample of applications for reimbursement of professional fees by employees, to ensure that current policies and procedures were being adhered to. No universal issues were identified, however, one area of concern was in regards to the submission of satisfactory evidence to confirm that the employee had already paid their subscription. Recommendations were made to amend the application form so that applicants and managers were reminded of the evidence required.

Fraud Awareness

6.2. Another Fraud Awareness Bitesize session for managers was presented in March 2012 and sessions will continue to be run half yearly during 2012/13.

6.3. The revised induction guidelines / checklists have been finalised by Learning and Development and are now in use. These include the Fraud e-Learning module as a compulsory module for all new starters and the Fraud Awareness sessions for all new managers.

National Fraud Initiative (NFI)

6.4. The few remaining data matches are still under investigation and we continue to monitor their progress. The Revenues Service has started investigating the new Council Tax Single Person Discount to Electoral Register cases.

6.5. The Audit Commission is currently requesting local authorities to put themselves forward as pilot authorities for the new NFI real time and flexible data matching services. We are liaising with the Audit Commission with a view to proposing LB Hillingdon as a pilot so that we can contribute to this initiative from the beginning.

6.6. Planning for the NFI 2012/13 is underway and we have notified key departmental contacts of the proposed timetable. As further details are received from the Audit Commission, we will keep key contacts advised.

Other work

6.7. Four confidential investigations are underway and the results of these will be reported upon conclusion of the investigations.

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

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							
Planned proactive (to be determined):							
- Write-off Probity	Finalised	15/07/11	Full	November 2011	0	0	0
- Disabled Parking Bays	Finalised	07/11/11	N/A	In Progress	0	1	2
- Mayoral Services	Finalised	22/8/11	Satisfactory	November 2011 – Revised date August 2012	0	1	0
- Imprest Accounts	Finalised	29/3/12	N/A		0	0	0
- Leisure Link Card	Finalised	19/09/11	N/A		0	0	2
- Compliance with Driving Policy (Non council vehicles)	Finalised	24/05/12	N/A		2	2	0
Other Cross-Cutting							
Pre-Loaded Cards	Being covered under Self Directed Support audit						
Establishment Audits - to be determined	Deferred to 2012/13						
CENTRAL SERVICES							
Finance							
Creditors	In progress						
Debtors	Finalised	17/05/12	Satisfactory		0	5	4
Budgetary Control	Finalised	29/03/12	Full		0	0	0
Capita On-Line Payments	Finalised	22/02/12	Satisfactory	In Progress	2	2	1

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
Central Services							
Human Resources							
Agency & Interim Approvals	Finalised	29/03/12	Full		0	0	0
Employability Status - Permanent Staff	Finalised	14/09/11	Satisfactory	March 2012	0	0	0
HR Payroll Changes & Trigger Dates	Finalised	02/05/12	Satisfactory		0	7	0
Audit & Enforcement							
Planning Enforcement	Drafting						
SOCIAL CARE HEALTH & HOUSING							
Adult & Older People Services							
Critical Team	Finalised	09/11/11	Satisfactory	In Progress	2	3	2
Self Directed Support	In progress						
Children's Social Services							
Fostering	Drafting						
Adoption	In progress						
Emergency Duty Team	Drafting						
Hillingdon Housing Services							
Housing Repairs & Maintenance - Responsive	Finalised	30/11/2011	Limited	In Progress	3	3	1
Housing Repairs & Maintenance - Planned, including Major Works	Finalised	05/01/2012	Satisfactory	May 2012 - Revised date	0	1	0

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
				April 2013			
Leasehold Management & Service Charges	Draft Issued						
Tenancy Management	Finalised	23/11/11	Satisfactory	In Progress	0	2	2
Housing							
Housing Needs	Finalised	05/04/12	Full		0	2	0
PLANNING, EDUCATION & ENVIRONMENT, COMMUNITY SERVICES							
Street Environment							
Street Lighting	Finalised	29/11/11	Limited	In Progress	1	3	0
Highways - Reactive Maintenance	In Progress						
Corporate Construction							
School Building Programme - Permanent	In Progress						
School Building Programme - Temporary	In Progress						
Construction Contracts - Final Accounts	Draft Issued						
Green Spaces, Sport & Leisure							
Greenwich Leisure Ltd Contract	Finalised	13/02/12	Limited	May 2012 – Revised date November 12	3	1	0
Parking Services							
Penalty Charge Notices and Appeals	Finalised	28/11/11	Satisfactory	April 2012	0	0	0

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
Transport Services							
Fleet Management	Finalised	14/02/12	Limited	May 2012 – Revised date July 2012	1	0	1
Fuel at Harlington Road Depot	Finalised	24/01/12	Limited	May 2012 – Revised date July 2012	2	3	0
Stores at Harlington Road Depot	In progress						
Property Services							
Utilities Contracts - Water	Finalised	30/05/2012	Limited		3	0	1
Consumer Protection							
Food Health & Safety Services	Draft Issued						
Business Services							
Heathrow Imported Food Unit	Finalised	4/4/12	Satisfactory		0	8	0
Passenger Services	Drafting						
Cemeteries	Finalised	12/09/11	Satisfactory	February 2012 – Revised date March 2012	0	3	1
ICT							
Customer Contact Centre	Finalised	15/12/11	Satisfactory	May 2012 – Revised date August 2012	1	1	0

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
Youth Services							
Youth Services	Finalised	7/10/11	Satisfactory	May 2012 – Revised date July 2012	0	1	0
Other Education							
Pupil Referral Unit	Drafting						
Early Years Centres	Drafting						
Psychology Service	Finalised	19/03/12	Satisfactory		2	1	3
Schools - Primary							
Bourne Primary	Finalised	12/03/12	Satisfactory		0	0	0
Minet Infants	Finalised	16/11/11	Satisfactory	In progress	0	2	2
Firthwood Primary	Finalised	16/11/11	Satisfactory	In progress	0	2	1
Holy Trinity Primary	Finalised	29/03/12	Satisfactory	In progress	0	4	2
Hillside Infants	Finalised	10/1/12	Satisfactory	In progress	0	3	2
Hermitage Primary	Finalised	21/11/11	Satisfactory	In progress	0	4	0
Whiteheath Infants	Finalised	6/10/11	Full	March 2012	0	0	0
Ryefield Primary	Finalised	9/2/12	Satisfactory	In progress	0	2	2
Harmondsworth Primary	Finalised	16/1/12	Satisfactory	In progress	1	3	1
Newham Junior	Finalised	30/11/11	Satisfactory	In Progress	1	2	0
Whitehall Junior	Finalised	29/06/2011	Satisfactory	March 2012 – Revised date April 2012	0	1	0
Yeading Infants	Finalised	23/06/2011	Satisfactory	March 2012	0	0	0
Yeading Junior	Finalised	3/10/11	Satisfactory	March 2012	0	0	0
Bishop Winnington Ingram	Finalised	03/05/2011	Satisfactory	March 2012	0	0	0
Deansfield	Finalised	3/11/11	Satisfactory	In Progress	4	5	0

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
Ruislip Gardens	Finalised	10/11/11	Satisfactory	In Progress	0	2	0
St Bernadettes	Finalised	1/03/12	Satisfactory	Due July 2012	1	2	3
St Marys	Finalised	28/02/12	Full		0	0	0
St Swithun Wells	Finalised	26/03/2012	Full	In progress	0	1	2
Special							
Meadow	Finalised	26/04/2012	Satisfactory		1	4	2
Moorcroft	Finalised	13/03/2012	Satisfactory	N/A became an Academy	0	0	0
Hedgewood	Finalised	16/11/11	Satisfactory	In Progress	1	5	0
Nursery Schools							
McMillan Nursery	Finalised	12/12/11	Satisfactory	In Progress	1	3	1
ICT audit contract							
Penetration Testing Arrangements	Finalised	18/01/2012	Full Satisfactory		0	1	2
Adults and Children's Protocol	Finalised	12/09/2011	Limited	April 2012 - Revised date September 2012	0	1	0
IT Strategy replaced with Schools Security	Draft Issued						
LBH Cloud Computing Advisory Review	Draft Issued						
Contingency Audits							
Investigation 049	Completed	N/A	N/A	N/A	0	0	0
New Year's Green Lane Weighbridge	Draft issued						
Payments for Contingent Labour (on and off	Draft Issued						

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
contracts)							
Direct Payments	Drafting						
Investigation 056	Finalised	Feb 2012	N/A	May 2012 - Revised date August 2012	3	1	0
CRC Energy Efficiency Scheme	Finalised	15/02/2012	Limited	In Progress	5	1	0
Investigation 057	In Progress						
Investigation 058	Completed	N/A	N/A	N/A	0	0	0
Investigation 060	In Progress						
16-19 Bursary Fund	Draft Issued						
Teachers' Pensions TR17 Return	Completed	15/3/12	N/A	N/A	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		
					H	M	L
CROSS CUTTING CORPORATE ISSUES							
Records Management	Finalised	01/06/2011	Limited	In progress	2	3	1
Subsistence	Finalised	9/7/10	Satisfactory	October 11 – Revised date September 12	1	0	0
FINANCE & RESOURCES							
CT/NNDR - System	Finalised	14/7/2011	Satisfactory	May 12 – Revised date August 12	0	3	0
LG Pension Scheme - Governance	Finalised	30/09/10	Satisfactory	March 2012 – Revised date June 2012	0	1	0
Creditors	Finalised	03/06/11	Limited	May 2012	0	0	0
General Ledger	Finalised	31/05/11	Satisfactory	April 2012 - Revised date June 2012	0	1	0
DCEO							
Learning & Development	Finalised	01/07/11	Satisfactory	March 2012 - Revised date August 2013	0	1	1
EDUCATION & CHILDREN'S SERVICES							
Schools - Primary							
Glebe Primary	Finalised	19/7/10	Satisfactory	In progress	1	0	0
Whiteheath Junior	Finalised	10/02/2011	Satisfactory	March 2012	0	0	0
Special							
Grangewood School	Finalised	18/10/10	Satisfactory	Becoming an academy on the	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		
				1 st June 2012			
Other School Related							
Education - Looked After Children	Finalised	4/11/11	Satisfactory	May 12	0	0	0
ADULT SOCIAL CARE HEALTH & HOUSING							
Financial Assessments	Finalised	01/07/2011	Satisfactory	April 12	0	0	0
Older People's Care							
Residential to Independent Living	Finalised	27/07/11	Limited	May 2012	0	0	0
People with Physical and Sensory Disability							
Children with Disabilities - Transition	Finalised	14/09/11	Limited	May 2012 – Revised date September 2012	1	1	1
Other Adult Services							
Safeguarding Adults	Finalised	18/05/11	Satisfactory	March 2012 – Revised date June 2012	0	1	0
ENVIRONMENT AND CONSUMER PROTECTION							
Improvement Projects	Finalised	5/7/2011	Satisfactory	May 12 – Revised date July 2012	0	2	0
Parking Cash Collection	Finalised	27/06/2011	Satisfactory	In Progress	1	0	1

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
PLANNING AND COMMUNITY SERVICES							
Major Construction Projects							
Individual Project Management x 2	Finalised	06/07/11	Limited	March 2012	0	0	0
Property							
Facilities Management Contract	Finalised	6/10/11	Limited	May 12 Revised Date October 2012	1	2	1
Arts, Culture, Libraries & Adult Education							
Adult Education	Finalised	01/07/2011	Satisfactory	March 12	0	0	0
Culture and Arts Strategy	Finalised	11/11/10	Satisfactory	May 2012 – Revised date July 2012	2	0	0
Sport and Leisure							
Fusion Management Contract	Finalised	06/07/11	Limited	February 2012 - Revised date August 2012	2	0	0
Contingency							
Investigation 030	Finalised	15/10/10	N/A	February 2012 - Revised date July 2012	1	2	0
Court Costs	Finalised	03/06/11	Limited	March 2012	0	0	0
Investigation 037	Now with corporate fraud team						

Internal Audit Plan 2010-11 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of Last Follow Up	Number of outstanding recommendations		
Investigation 044	In progress						
ICT audit contract							
Liquid Logic	Finalised	May 11	Limited	November 2011 Revised Date August 2012	0	2	0
Oracle Financials- Debtors	Finalised	July 11	Limited	May 2012 - Revised date July 2012	0	1	0
E-Payments	Finalised	April 11	Limited	May 2012 – Revised date October 2012	1	0	0
Information Assurance & Security	Finalised	31/1/11	Satisfactory	November 2011 – Revised date December 2012	0	1	0
Hillingdon Homes Audits by Mazars							
Housing – Responsive Repairs	Finalised	Aug 10	Substantive	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		
CROSS CUTTING CORPORATE ISSUES							
Budgetary Control	Finalised	02/03/10	Satisfactory	May 2012	0	0	0
DEPUTY CHIEF EXECUTIVE/FINANCE & RESOURCES							
Corporate Property							
Utilities Contracts Gas & Electricity	Finalised	26/03/10	Satisfactory	January 2012 – Revised date Aug 2012	0	1	0
Legal							
Debt Recovery Processes	Finalised	10/5/10	Satisfactory	February 2012	0	0	0
ENVIRONMENT & CONSUMER PROTECTION							
Highways Planned Maintenance	Finalised	26/01/10	Satisfactory	May 2012 – Revised date July 2012	0	3	0
CHILDREN'S SERVICES							
Asylum Accommodation	Finalised	23/04/10	Satisfactory	In Progress	0	3	0
Schools - Secondary							
Ruislip High Secondary School	Finalised	25/03/10	Satisfactory	Mar 12	0	0	0
ASCHH							
Finance systems							
Carefirst Debtors	Finalised	12/2/10	Satisfactory	April 2012	0	0	0
Housing							
Temporary Accommodation (formerly B&B)	Finalised	26/08/10	Limited	April 2012	0	0	0
Learning Disabilities							
Sec 75 Agreement (Funding of LD Services)	Finalised	6/10/10	Satisfactory	Nov 2011 – Revised	0	1	0

Internal Audit Plan 2009-10 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
				date Mar 2013			
Mental Health Service							
Mental Health Service	Finalised	29/06/10	Limited	April 2011 - To be followed up during the 12/13 audit	0	0	0

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

Key

Number of outstanding recommendations

Comments

PLAN 2007-8

Assurance

Audit Title

Status

Level

High

Med

Low

ADULT SOCIAL CARE, HEALTH & HOUSING

Page 53
 Private Sector Leasing
FINANCE & RESOURCES
 Securicor Collection

✓

✓

0

0

0

Followed up May 2012

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Followed up May 2012

Head of Audit Annual Assurance Statement

Contact Officer: Helen Taylor
Telephone: 01895 556132

REASONS FOR REPORT

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

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

OPTIONS OPEN TO THE COMMITTEE

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

BACKING DOCUMENTS

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

INFORMATION

1. Opinion

1.1. Based on the work undertaken during the year Internal Audit can provide **satisfactory** assurance that the systems of internal control within the Council were operating adequately and effectively. No audit received a No Assurance opinion, and eight received a Limited Assurance opinion. This compared favourably with two and 14 respectively in 2010-11.

2. Matters impacting on the opinion

2.1. Agreed action plans are in place for seven of the Limited Assurance reports. However, for Water Management the service has proposed accepting the risk and not implementing the audit recommendations.

2.2. Ongoing investigation work in the area of Housing Development is identifying weaknesses which, it is likely, will require significant action to remedy.

3. Summary of work

3.1. The quarterly progress report paper which is also being presented at this meeting provides in its Appendix 1 a summary of the audit plan status for 2011-12.

3.2. The original plan for 2011-12 included 102 audits where there was an expected opinion or compliance view. During the year audit have been added and deleted and the reasons for such have been notified to the audit committee. As a result of these changes eleven audits have been deleted in year or deferred to 2012-13 and twenty two have been added, giving a total of 113 audits for the year.

4. Comparison of actual and planned work

4.1. Of the 113, the number of planned and completed is 87; with eight drafts issued, eight about to be issued and 10 work in progress.

4.2. A comparison with previous years' performance is included in the tables below. The tables show comparisons with the adjusted plan in all years. There has been a dip in performance this year largely due to vacancies.

Table 1 - Adjusted plan - Fully completed audits

Adjusted Plan	Percentage of plan		
	2011-12	2010-11	2009-10
Planned and complete	76	75	84
Planned and Work In Progress at year-end	24	23	16
Planned, not started	0	2	0
Total	100	100	100

Table 2 – Adjusted plan - Fully completed or draft issued

Work Planned	Percentage of plan		
	2011-12	2010-11	2009-10
Planned and complete or draft issued	84	90	95
Planned and Work In Progress at year-end	16	8	5
Planned, not started	0	2	0
Total		100	100

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

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

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

4.3. Anti Fraud work again exceeded the budgeted time. Anti-fraud promotion met the allocated budget of 15 days, but all other budgets were exceeded; NFI budget 30 actual 53; Proactive work budget 35, actual 49: and, investigations budget 80 actual 137.

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

- Co-ordinating the National Fraud Initiative exercise and reporting savings to the Audit Commission;
- Maintaining the Fraud Hotline and email boxes and organising appropriate advertising;
- Contribution to the Annual Governance Statement (AGS) management group, to review evidence for the AGS.
- Auditing the manager assurance statements and evidence provided to support them for the AGS for 2011-12;
- Providing advice and guidance on a wide range of issues to Directorates
- Delivering Fraud Awareness workshops to managers and liaising with Learning and Development to refine the e-learning fraud awareness module for staff.
- Contributing to the Hillingdon Information Assurance Group to tighten controls and ensure appropriate governance in this crucial area.

5. Issues Relevant to Annual Governance Statement (AGS)

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

- An attempted fraud identified inconsistent application of controls. Subsequently procedures were tightened to further reduce the risks in this area.
- Water Utilities – The service has not implemented the strategy it put in place last year. On a cost-benefit analysis, the service has proposed accepting the risk.
- The BID programme has resulted in the amalgamation, division and reorganisation of services throughout the council. Changes to processes and procedures continue to lag behind changes and this will need to be monitored continually in future years.
- There is on-going work in the area of Housing Supply and it is likely that substantial changes in processes and procedures will be needed in the coming year.

6. Performance against targets set

6.1. At the beginning of the year the target was set to deliver 90% of the audit plan to draft completion stage. Only 84% was achieved.

6.2. This was largely due to three resignations and a long term absence during the year. However, recruitment has been successful and the only vacant post is that of the schools' auditor, which we hope to fill by September 2012. Despite the long term sickness internal audit's annual average was below the corporate target.

6.3. Eighty seven audits have been finalised. This represented 76% of planned audits and is comparable to last year's performance. However, incorporating those completed

to draft stage 84% of the plan has been completed, which is lower than last year and the 90% target set. Taking into account adjustments notified to the audit committee, all planned audits were at work-in-progress at the year-end, eight at the draft stage. It is anticipated that the remaining audits will be completed shortly.

6.4. Table 4 summarises the performance on other internal audit targets. The most significant change in performance is the number of audits issued within 15 days of the conclusion of the audit fieldwork. This showed a significant decline over last year at only 70% and was well below the target of 90%. Some of this is due to auditors leaving and work having to be picked up by other team members but it is not the whole story and this area will be a focus for team improvement in 2012-13

The response rate to client questionnaires maintained that of last year and, satisfaction levels have significantly improved. The number of final audit reports issued within five working days of the receipt of the management response declined but was within the target set. A new target of two days for issuing reports was set two years ago performance and the achievement of 84% is close to the 85% set.

Table 4

Other Targets	Target	2011-12	2010-11	2009-10
% of draft audits issued within 15 days of audit conclusion.	90	70	92	90
% of final reports issued within 5 days of receipt of management response	85	93	87	96
% of final reports issued in 2 days* or 5 for schools	85	84	83	-
% of client satisfaction surveys returned	80	42	46	23
% with good or very good rating	90	100	86	74
% when non returns assumed to be good	90	100	95	94
% of recommendations agreed by management	95	99	99	99

*New target in 2010-11

7. Compliance with Standards

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

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- A peer review by another Head of Audit.(2008-9)
- A self assessment by the Head of Audit (2009-10)
- A review by the audit committee in a private session (2010-11)

Following discussions with the Chairman and the Audit Committee one member organised a peer review to be undertaken by the Head of Audit at the City of London. This took place during May 2012 and the summary is included in this agenda as a separate paper. Overall internal audit was found to be compliant with the standards.

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Annual Review of Internal Audit

Contact Officer: Helen Taylor
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REASONS FOR REPORT

The Accounts and Audit regulations 2011 require that the organisation conduct annually a review of its Internal Audit. Guidance on what should be included in the review is provided by the Chartered Institute of Public Finance and Accountancy (CIPFA).

This year the Head of Audit at the City of London agreed to carry out a peer review. In early discussions he also offered, at the same time, to assess the Head of Audit against the standards set out in the CIPFA document, The Role of the Head of Audit in Public Sector Organisations which was issued in 2011.

The results of his review are in the attached report. Hillingdon's audit service was found to be largely compliant, apart from exceptions already noted by the committee. Two minor recommendations have been made as points of good practice.

The Head of Audit was found to fulfil the role as laid out in the standard. One area of emphasis has been recommended for consideration by the organisation.

OPTIONS OPEN TO THE COMMITTEE

The Committee is requested to review the report and the evidence on which it is based and make any comments or seek any clarification on any matter.

BACKING DOCUMENTS

The Accounts and Audit Regulations 2011
CIPFA - Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

CIPFA – The role of the Head of Audit in Public Sector Organisations

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CITY OF LONDON
CHAMBERLAIN'S DEPARTMENT
INTERNAL AUDIT SECTION

**HILLINGDON BOROUGH COUNCIL
INTERNAL AUDIT
PEER REVIEW**

Date Issued: 15th June 2012

Issued to: Head of Audit & Enforcement

Audit Committee 26 June 2012
PART I – MEMBERS, PUBLIC & PRESS

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SECTION A : BACKGROUND AND APPROACH

Background

1. A peer review of the Hillingdon London Borough Council internal audit function, by the City of London, Head of Audit & Risk Management was agreed to facilitate the annual review of the effectiveness of internal audit as required by the Accounts and Audit Regulations 2011.
2. Two key documents establish the standards by which internal audit is provided in Local Government. These are the Code of Practice for Internal Audit in Local Government (the CIPFA Code) and the more recent CIPFA statement on The Role of The Head of Internal Audit in Public Sector Organisations which complements and is consistent with the CIPFA code of practice. CIPFA recommends that bodies use these statements as a framework to assess compliance with good practice and report publicly on this.
3. Compliance with the CIPFA Code was reviewed last year by the Hillingdon Audit Committee at a special meeting arranged for this purpose on the 3rd May 2011. The review confirmed that Internal Audit was compliant with the standard.

Review Objectives

4. The objectives of peer review were as follows:-
 - To review the Hillingdon London Borough Council internal audit function compliance with the 2006 Code of Practice for Internal Audit in Local Government, identifying any areas of non-compliance for consideration for improvement action.
 - To identify any points of good practice from the more recent CIPFA statement on The Role of The Head of Internal Audit in Public Sector Organisations that the internal audit function should consider focusing on.

Review Approach

5. The following work was undertaken to meet these objectives:-
6. Interviews were held as follows:-
 - Helen Taylor, Head of Audit & Enforcement
 - John Morley, Audit Committee Chairman
 - Paul Whaymand, Deputy Director, Finance
7. Review and examination of
 - Audit Committee reports and minutes



- internal audit section manuals and procedures
- sample of audit staff objectives and learning and development plans
- small sample of internal audit review files and discussion with Audit Managers
- internal audit section team minutes and APACE Audit planning, risk assessment and time recording system

SECTION B: Findings and Conclusion

Executive Summary

8. It has been concluded that the Hillingdon LBC internal audit function meets all material aspects of the CIPFA Code of Practice and the requirements of the CIPFA statement on The Role of The Head of Internal Audit in Public Sector Organisations. The review concluded that the internal audit function was a well organised, regulated and professional operation, with clear procedures which adhere to good practice. From interviews with the Deputy Director, Finance and Audit Committee chairman the service provided is well regarded.
9. A few minor areas have been proposed to enhance the oversight of the function by the Head of Audit & Enforcement and one more significant consideration has been raised relating to the positioning of the internal audit function in respect of the Hillingdon Borough Council Change Agenda.

CIPFA Code of Practice

10. There are two areas where there is partial compliance with the CIPFA Code of practice. These issues have been previously noted in assessments against the code of practice and reported to Members.
11. As well as being responsible for the internal audit function, The Head of Audit is responsible for the management of Corporate Fraud Team and the Planning Enforcement Team (CIPFA Code ref 2.1.1). The potential compromise of independence is addressed by any audits in this area having a TOR (Terms of Reference) agreed directly by the audit team with the Deputy Chief Executive and Corporate Director, Central Services and audit results reported directly to her without interference from the Head of Audit & Enforcement.
12. There is no protocol that defines the working relationship with external audit and other external inspectors (CIPFA Code ref 5.1.2/5.5.1). It is understood, however, that there are good working relationships with External Auditors and there are no relevant external inspectors with which it is felt a meaningful on-going relationship could be established that would warrant and benefit from a formal protocol.
13. Whilst not a compliance issue with regard to the CIPFA Code of practice two suggestions have been made to the Head of Audit & Enforcement as part of this review as follows.
14. For each audit, a brief is prepared, discussed and agreed with relevant managers setting out the objectives, scope and timing of the audit assignment. This will be prepared by Auditors and reviewed by Audit Managers. Currently the Head of Audit & Enforcement does not currently review these briefs, although this would be common practice in most internal audit sections.
15. ***It has been suggested the Head of Audit & Enforcement reviews and signs off audit briefs for major audit reviews to ensure these are planned with the appropriate level of coverage to deliver the required assurance.***

16. The Head of Audit & Assurance has established Quality Assurance arrangements to ensure that internal audit staff at all levels are appropriately supervised and work is reviewed throughout all audits to monitor progress, assess quality and coach staff. The extent of supervision depends on the competence and experience of the individual auditor. Clear standards for reporting, including the format of reports, quality assurance within the internal audit service and the process for agreeing reports with the recipient have been established. Reliance is placed on Audit Manager review of internal audit work, prior to the Head of Audit & Enforcement reviewing draft reports. If particular issues arise in the quality of the draft report from the Head of Audit & Enforcement review, she will 'call in' the audit file to review the underlying evidence for the audit findings, conclusion and recommendations. There is a small risk that a well drafted audit reports, may not have the required level of substantiating evidence and be less likely to be identified by the Head of Audit & Enforcement's own QA process. Is it therefore suggested that:-
17. ***Consideration be given to occasionally calling in audit files for Head of Audit & Enforcement QA reviews on a random basis in addition to those where concerns are identified from review of draft audit reports.***

The Role of The Head of Internal Audit in Public Sector Organisations

18. From review of the functioning of the internal audit section, the positioning of the Head of Audit, and execution of that role no areas were identified where it was considered the role was not being fulfilled in accordance with the CIPFA statement.
19. One area of emphasis has been identified for consideration, in the context of the role of internal audit in public sector organisations which are going through significant change. Principle 1 of the CIPFA statement refers to the Head of Audit championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments. It goes on to say
- “HIAs must be asked to consider the impact of proposed policy initiatives, programmes and projects as well as responses to emerging risks. HIAs should be made aware of major new systems and proposed initiatives to help ensure risks are properly identified and evaluated and appropriate controls built in. The HIA should consider what if any audit work needs to be done and also how the proposals fit with the organisation's strategic objectives. The HIA should be involved at the outset to ensure any advice they give can be actioned. Giving advice over proposed developments is inevitably a less precise business than giving assurances on existing systems. Managers and the HIA must therefore be clear on the scope of any internal audit work here and of the kind of advice that is given.”*
20. The Head of Audit & Enforcement and her supporting Audit Managers keep sight of emerging issues through attendance at Directorate SMT and the Head of Audit being a member of the Organisational Managers Group (OMG), which is chaired by the DCEO Central services and comprises of all the Heads of Service across the council. The OMG discusses emerging issues in all services and up and coming legislation. Future audit issues are identified through these forums and by attending other professional forum, and scanning relevant media, CIPFA on-line forums etc. These issues are then considered for future inclusion in audit plans.



21. There are many examples of where internal audit advice was given on risks and controls within new processes and systems at a detailed level of the past few years, however the overall allocation of audit resources to this area appears relatively low. For the 2012/13 audit plan there were no specific system development audits identified, with only 25 days allocated to advice & guidance work from 1660 chargeable days, although it is understood audit work is planned on the new Council Tax discount arrangements.
22. Hillingdon Borough Council like most other public sector organisation is seeking to achieve considerable savings through the Hillingdon Improvement Programme. Internal audit potentially can provide a very valuable input to major change projects, helping shape good governance and control at the outset.
23. ***It is suggested that Hillingdon review the positioning of its internal audit function in relation to the significant change projects within the council, and consider whether it should seek a more significant role, and indeed whether it has the skills and capacity to engage in projects at a more strategic level, whilst maintaining its primary assurance role.***
24. I would like to thank Helen Taylor and the staff at Hillingdon Borough Council for their full co-operation and support in undertaking this review.

Paul Nagle, CPFA

Head of Audit and Risk Management, City of London

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CORPORATE FRAUD TEAM WORK PLAN 2012/13

Contact Officer: Garry Coote
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REASON FOR ITEM

The Committee is accustomed to reviewing and approving the internal audit plan and since the creation of the Corporate Fraud team in October 2010 it has had greater visibility of the output of that team. Anticipating that Local Authority fraud investigation is likely to be impacted as a result of the DWP's intention to form a Single Fraud Investigation Service (SFIS), the S151 officer and Head of Audit and Enforcement felt that greater transparency was needed over inputs as well as outputs.

The Corporate Fraud Manager was therefore asked to detail his risk assessment and plan for the coming year for review by the Head of Audit and ultimately the Audit Committee. Formalising the plan in this way will not only provide trenchancy over inputs and outputs but ultimately help Hillingdon to focus its resources in the future. Some of this may involve trying to develop better measures for inputs and outputs but in any case this plan provides a benchmark.

OPTIONS AVAILABLE TO THE COMMITTEE

The Audit Committee should review and approve the Corporate Fraud team plan

Background to the Team and Issues Faced

1. Since the Corporate fraud team was created as part of Audit and Enforcement, it has shifted its focus a bit to tackle some of the wider frauds that Councils are subject to. The Fraud Manager bases the assessment of risk on intelligence received both locally and nationally.
2. With the DWP's much heralded move to a Single Fraud Investigation Service (SFIS) (now anticipated to be in 2015) and its intention to incorporate Council teams into its own service, Hillingdon needs to have a clear view of the resources it applies to the various types of fraud. This paper seeks to provide some transparency around the fraud risks the Council faces and how it intends to use our fraud resource going forward. It will also give us a yardstick against which to measure our inputs and outputs in the future.

1. Measuring Fraud

1.1. Measuring the possible extent of fraud is always difficult for the obvious reason that if the Council had perfect knowledge of the extent of fraud it could eliminate it. By necessity, fraud estimates are based on extrapolation of those incidences already identified. To this end, the National Fraud Authority (NFA)

produces an annual fraud indicator which estimates the cost of fraud nationally. Its current estimates of losses directly affecting councils are:

- Benefit Fraud, £1.2 billion
- Housing Tenancy Fraud, £900 million.
- Council Tax Exemptions, £131 million
- Blue Badge, £46 million

1.2. In addition there are some frauds which affect local authorities but are part of the wider picture affecting the public sector,

- ¹Procurement fraud £2.3 billion (£89 million Local Authority)
- Grant frauds £528 million (£41 million Local Authority)
- Payroll £334 million
- Expenses fraud £98 million

1.3. For the first time this year the NFA have introduced a fraud tool that estimates, for some specified frauds, the potential loss by Authority. The table below provides their estimates for Hillingdon.

Table 1 National Fraud Authority Estimate of LB Hillingdon Fraud

	LOWER ESTIMATE	UPPER ESTIMATE
Procurement Fraud	£2,710,000	£4,520,000
Housing Tenancy Fraud	£1,400,000	£2,300,000
Council Tax Fraud	£520,000	£870,000
Payroll Fraud	£460,000	£770,000

2. Allocation of Resources

2.1. The Corporate team comprises of 15 staff, some of whom are on part time contracts. Taking into account leave and other non productive days within the team, there are 2390 working days available to the address the Corporate Fraud Programme.

2.2. Utilising local knowledge and taking into account of the NFA fraud loss profiles, there are obvious areas on which Hillingdon should focus. This information has been used to create a resources plan which is illustrated in the table 2 below. It includes an estimate of the time expected to be spent in each area, the target set for that resource and, where possible, an estimate of the savings to the Council as a result of this work. It is followed by a short narrative about each area of focus.

Table 2 Allocation of Fraud Resources

ACTIVITY	RESOURCE (days)	OUTCOME	ESTIMATED SAVINGS £'000
Benefit Investigation	818	75 sanctions	500

¹ The national estimates indicate confidence levels for figures on four levels from poor to excellent. For procurement and grant fraud confidence level is poor.

Visiting programme	812	Increased revenue	*300
Social Housing Fraud	279	Recover 30 properties	540
Intelligence and Administration	270	Take calls and Prepare cases for investigation	
Internal & other investigations	100	Dismiss and Prosecute as appropriate	
Overpayment recovery	81	Increased recovery	50
Blue Badge	30	Identify and stop misuse Support genuine users	9

*Officers will look to develop measures for this success of these visits in 2012-13. Officers do not currently have a measure business rates visits.

Benefit Fraud

2.3. Hillingdon council pay £192 million in housing benefit alone so this is the main focus of investigation work. A target of 75 sanctions has been set which covers Prosecutions, Cautions and Administrative Penalties. Much of the work in this area is preventative or disruptive in nature. In other word visits and check make people think twice about committing fraud in the first place. Last year Officers dealt with over one thousand fraud referrals, each referral is investigate by either a visit or full criminal investigation.

2.4. Sanctions are employed when Officers detect serious abuse and a full criminal investigation is undertaken. In line with DWP policy Officers intend to use less cautions and more administrative penalties. Administrative penalties allow the claimant to settle the overpayment and pay an additional fine without the need for a full court hearing. Full criminal prosecutions will continue to be taken in serious cases.

Visiting programme

2.5. Officers will continue to manage a visiting programme to cover the areas of, Business Rates, Council Tax, New Build and Benefit Compliance checks. Visiting officers check commercial and industrial premises to ensure that the council is getting its full rateable value. Officers don't currently gather data to show how effective this programme is. This area will become more important as the council moves towards a more localised system for Non Domestic Rates. Data sets will be developed in 2012-13 to measure the effectiveness of the preventative and detective work in this area.

Social Housing Fraud

2.6. As reported in the consolidate fraud report, Hillingdon is one of the leading authorities in the country dealing with tenancy fraud. This year Officers have set a target to recover 30 properties. Based on the Audit Commission estimate that that the average cost of housing a family in temporary accommodation is £18,000, this would generate £540,000 in

savings. It also sits very well with our priority of putting people first by providing quality permanent homes for families.

Intelligence and Administration

2.7. Within the team dedicated officers take calls from the public and carry out preliminary checks as a result of these calls, e.g. checking addresses and benefit information the Council holds on alleged fraudsters and preparing files for visiting officers. They assist in maintaining case files and are a vital part of the fraud team. The value of this work is in the quality of information passed to visiting officers and investigators. No separate monetary target is allocated to this area.

Internal fraud and other Non-benefit Investigations

2.8. Cases of internal fraud are rare but Hillingdon pursues these vigorously when they are identified. Similarly the Council pursue cases involving suppliers, be they contractors or third sector providers. There are a number of cases in progress and Officers will continue to investigate any that come to light. As well as the obvious financial damage, this type of fraud can impact on our reputation as a well run and managed council. The Fraud team work is reactive, while prevention and detection is incorporated in the Internal Audit Plan.

Overpayment recovery

2.9. A number of measures will be employed to maximise recovery of fraudulent overpayments. This will include visits to those on agree payment plan where there appear to be problems with compliance. For the first time the Council will extend overpayment recovery to include bankruptcy assessments in cases where the Authority is pursuing outstanding Council Tax revenue. Officers will be exploring and extending our use of the Proceeds of Crime Act to ensure that the Council maximise recovery, particularly where it has not previously employed it such as in the illegal back garden developments arena.

Blue Badge Abuse

2.10. Officers plan to carry out three major Blue Badge checks during the year. Ten Officers will take part on each exercise and will conduct random Blue Badge checks in different areas around the Borough. Appropriate action will be taken on individuals caught abusing the system. Blue Badges can trade on the black market for hundreds of pounds. Our estimate is based on the assumption that each badge seized yields savings of £300. This programme also puts people at the centre of our strategy but ensuring that spaces are available for those who need them and that those who abuse the system are suitably punished.

3. Other overlapping work

3.1. Running through all our work there are a number of themes that are drawn attention to below because they are part of the wider anti-fraud picture.

Partnership working

3.2. Officers will continue to work with our partners in the DWP, Police, UK Border Agency to ensure that the Council achieves the desired results. Officers will also be working with other anti-fraud organisations such as NFA,

NFI, NAFN Audit Commission and the London and national fraud investigators groups to ensure that Hillingdon makes the most of intelligence available. Officers will continue to work with Experian to identify potential Social Housing Fraud cases.

Publicity

3.3. Working closely with colleagues in Corporate Communications, will continue to publicise the success of our anti-fraud work to residents through all types of media.

3.4. Officers will work with the Audit Commission and NFA to publicise and get credit for our innovative programmes such as our Social Tenancy and Blue Badge work. Officers will be continuing to work with Panorama on a forthcoming documentary.

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Consolidated Fraud Report

Contact Officer: Helen Taylor
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REASON FOR ITEM

Within its regular reports the Audit Committee receives quarterly details of the counter fraud measures and investigations undertaken by Internal Audit and a mid year report from the Corporate Fraud team. This report provides a consolidated summary and an overview of the proactive and reactive work undertaken throughout the year.

OPTIONS AVAILABLE TO THE COMMITTEE

Note the contents of the report.

INFORMATION

1. Roles and Responsibilities

1.1. At Hillingdon fraud investigation is within the remit of the Head of Audit and Enforcement. This includes proactive detection, reactive investigation and prosecution in appropriate cases. Both Internal Audit and the Corporate Fraud Team are involved in this work. There is a clear remit for the Corporate Fraud Team to investigate benefit fraud but other types of fraud often cut across both teams so there is close liaison between the two. Any decision about which team is best placed to investigate ultimately lies with the Head of Audit and Enforcement but these decisions are usually taken following joint discussions with managers in both teams, This may include putting together a mixed team of fraud investigators and auditors or starting investigation work in audit and finishing the prosecution in the fraud team.

1.2. Internal Audit involvement includes

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

1.3. The role of the Corporate Fraud team has strengthened and broadened since its move from a housing fraud service 18 months ago. Corporate Fraud involvement includes

- all housing and council tax benefit investigations
- Proactive Blue Badge examination on the streets of Hillingdon
- Investigating suspected housing tenancy fraud
- Prosecution of internal fraud where it is found.
- Delivering awareness programmes about benefit fraud

1.4. Hillingdon has committed to zero tolerance of fraud through its anti-fraud and corruption strategy and policies, codes of conduct, gifts and hospitality policy and disciplinary procedure. All policies are regularly updated and have been approved by the Corporate Management Team and endorsed by the Leader of the council and the Audit Committee.

2. Providing Training

2.1. Training events are organised regularly for specific categories of staff. A fraud awareness session is run for managers and there is an e-learning programme in place to raise awareness of fraud and corruption issues. The Corporate Fraud Manager also delivers a session for staff entitled 'The Bigger Picture', which gives an insight into how benefit fraud affects the council. Fraud awareness is included in the induction programme for new starters.

2.2. A Members' seminar on fraud issues was delivered in June 2011 and was very well attended and the councillor's Support and Development Manager reported that;

'All the Councillors found the seminar very useful and informative. There has been excellent feedback.'

3. Networking and Partnerships

3.1. Officers are involved at local and national level with a wide range of organisations. Officers chair the West London Fraud Managers forum, have executive representation on the Local Authority Investigation Officers Group (LAIOG) and are members and regular attendees of the London Boroughs Fraud Investigation Group (LBFIG).

3.2. At a national level the Council is signed up to the National Anti-Fraud Network (NAFN), which provides access to certain databases for intelligence gathering purposes. The searches meet the standard in the Police and Criminal Evidence Act (PACE). It also provides an intelligence service which swaps information on common frauds. Notifications are distributed within the council on a 'need to know' basis by the Head of Audit and Enforcement.

3.3. Since the coalition government announced the formation of a Single Investigation Service the Corporate Fraud Manager has regularly attended liaison meetings with DWP and Officers have offered Hillingdon as a pilot site for the trialling of new working practices.

Officers have excellent relationships with the local police and with UKBA. The former often assist us in obtaining court orders for information and in carrying out arrests,

where Officers need to go that far. The latter work with us on various projects related to illegal workers and, where there are joint fraud and immigration issues, they generally trust us to take forward the prosecution.

3.4. Officers have for the last couple of years worked in partnership with a local housing association to help them identify tenancy fraud.

4. Effectively Employing Resources

4.1. Linking the Fraud and Audit teams under one management has consolidated the links between the two. Where audit testing highlights possible fraudulent activity joint planning means that the most effective team is deployed to deal with the matter. This can be a mix of auditors and fraud investigators.

4.2. The fraud risk profile is assessed using tools provided by national organisations, such as the Audit Commission and the National Fraud Authority. Intelligence from these agencies, the National Anti-Fraud Network and other liaison groups is used to identify emerging risks. In 2011-12 more pro-active work to detect fraud was undertaken. Using this experience an anti-Fraud plan has been prepared for the year and is separately presented at this meeting. The plan is designed to measure inputs as well as outputs and will by the end of 2012-13 allow a better determination of the most effective use of resources.

5. Social Housing Fraud

5.1. This area has received wide publicity in the national press and in Audit Commission publications. Hillingdon continues to run its poster campaign, Blow the Whistle on Housing Cheats. The poster is advertised in every issue of Hillingdon People and posters are displayed in all the Housing Offices in the Borough. This generates calls to our fraud hotline where all information received is fully investigated.

5.2. To enhance our work Officers have been working in partnership with the credit reference agency Experian to identify possible fraudulent tenancy activity. This identified a large number of high risk matches and there are two officers working full time on this project, one of whom has been seconded from Hillingdon Housing Service. As a result of their work, 28 social housing properties were re-covered from unlawful usage in 2012-13. These properties had either been sub-let, occupied by non entitled persons such as family members or were empty. They have been returned to the housing stock to be allocated to people eligible for social housing.

5.3. The Audit Commission, in their report 'Protecting the Public Purse 2011' estimated that nationally it costs councils on average £18,000 a year for each of the families placed in temporary accommodation, therefore using this guidance it is estimated that £504,000 has been saved in Hillingdon by bringing these 28 properties into legitimate use.

5.4. The Social Housing Fraud activity has also featured in articles in Hillingdon People and the Local Gazette. One particular article in Hillingdon People featured a resident who had been housed in one of the re-covered properties. They had been in temporary accommodation since 2005. They expressed their pleasure with their new property, because it gave the family a settled life, with the consequent benefits to their children's school and social life.

5.5. The Corporate Fraud Team has performed particularly well in driving forward this new initiative and Hillingdon has been recognised as a leading Authority in this type of investigation. A number of Councils have either visited or called the team to get advice and guidance on how to identify and tackle social housing fraud. The Audit Commission and The Chartered Institute of Housing have had meetings with the Corporate Fraud Manager to look at Hillingdon's good practice and our successful work will feature in the 'Protecting the Public Purse 2012'.

5.6. In all conversations Hillingdon is at pains to point out that it is our willingness to carry out visits and above all our internal co-operation and cross council working which give us our high successes rate.

6. Housing and Council Tax Benefit Fraud

6.1. Benefit Fraud continues to be where the bulk of corporate fraud resources are applied.

Prevention

6.2. To stop fraud getting into the system in the first place the Housing Benefit team have initiated a pilot in January 2012 called, 'Assisted on-line Claiming.' It means that anyone making a claim for benefit is not sent a form. They are called by a Benefit Officer who completes the form during a telephone interview with the claimant. If, based on the evidence, they qualify for benefit then an appointment is made for them to attend the Civic Centre for an interview. This verifies their identity and income details.

6.3. In the majority of cases the claim is calculated with them present. This has reduced benefit turnaround times on average from 21 days to 8 days.

6.4. As a result of this action 20% of claimants did not turn up for interview and identity and document checks. A further 4% withdrew their claim prior to interview.

6.5. Only a handful of London Boroughs are currently using this system but more are expected to follow as a result of this successful pilot.

Detection

6.6. This is the main focus of the Corporate Fraud Team. Officers use intelligence from the NFI and DWP generated risk cases to focus this work, as well as our well established fraud hotline.

6.7. In 2011-12 Action was taken in 92 serious cases, these were:

- 38 Prosecutions – all successful
- 37 Cautions
- 17 Administrative penalties

6.8. Details of prosecutions regularly appear in Hillingdon People and Local Papers. The Council had one interesting case that was reported in the National Papers. This concerned a Benefit cheat who was working as an Actor and claiming benefit. He received a 26 week custodial sentence which was suspended for 24 months.

6.9. Members of the public regularly phone our fraud hotline following our publicity to both congratulate the team and provide information on other cases.

6.10. Hillingdon's success is recognised at a National Level and in November 2011 the team featured in a BBC1 Panorama programme which looked at good practice in fraud investigation within Local Authorities. As a result of this programme Corporate Communications received excellent comments from Hillingdon residents congratulating the team on all the work the Council does. One resident said "I thought the staff at Hillingdon were very professional in their dealings with residents involved. Well done to everyone."

6.11. Benefit fraud generated £441,000 in overpayments. All overpayments are monitored on a weekly basis to ensure that the Council recovers as much as possible. All methods of recovery are used which includes, reduction on future benefits, instalment plans and charges on any property.

6.12. One benefit case alone resulted in overpayments of almost £150,000. This was repaid in full in one instalment by the recipient.

7. Proceeds of Crime

7.1. In the last year Officers have explored more fully the powers available to us through Proceeds of Crime (POCA) legislation. In 2011-12 The Council reclaimed around £4000 using this. However, there is a lag between getting prosecutions and claiming POCA funds. Some pending cases will be worth substantially more in 2012-13. Officers are intending to use POCA in all relevant cases going forward. This includes internal and external fraud.

8. Council Tax Discount Fraud

8.1. The revenues team have a continuous programme of checking single person discount and other relief, as well as a programme of visits to check suspicious claims. The last available statistics from the Audit Commission show that, from an analysis of its population Hillingdon could expect to grant Single Person Discounts in the order of 34%. Our actual rate was 31% illustrating that Hillingdon is more likely to be on top of this type of fraud.

9. Other Revenue Protection Measures

9.1. This year Visiting Officers within the Corporate Fraud Team carried out 10,506 visits to ensure the council maximises its revenue. The visits address issues in the following areas:

- Business Rates
- Council Tax
- New Build
- Benefit Compliance checks.

9.2. The visiting programme is very intense and staff are trained in all areas of work to ensure an efficient and planned approach to all visits. Work on business rates check on the occupation status of commercial premises to ensure that the council maximises the non domestic rate revenue. Similarly the visits keep track of new build properties to ensure that they are rated for domestic or business rates as soon as they are completed. Council tax visits are generally reactive and confirm the status of those claiming single person and other discounts...

9.3. The Benefit Compliance visits relate to checks carried out to verify information about a current claim. Visits requests come from a number of sources; Benefit Officers; Housing Officers and calls from the public about possible Benefit abuse. During 2011/12 Hillingdon has stopped approximately £86,000 in overpaid benefit.

10. Recruitment Fraud

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

10.2. At the year-end some National Fraud Initiative high risk identity matches were in the process of being investigated. The outcomes will be reported in 2012-13.

11. Blue Badge Fraud

11.1. Blue Badge Fraud is a national problem but it is very prevalent in London where fraudulent badges can change hands for hundreds of pounds because they not only give exemption from parking charges but from the congestion scheme.

11.2. The Corporate Fraud Team, in conjunction with Parking Enforcement officers and with assistance from the police, carried out several exercises during 2011-12 where they stopped users and inspected badges. This identified a number of fraudulent badges and numerous cases of fraudulent use, for example when the disabled person was not in the car or involved in the outing. Our Blue Badge Investigations also featured on the BBC1 Panorama programme and was identified as an innovative approach to tackling this type of fraud. 205 roadside inspections were carried out. The results of these actions were;

- 46 badges seized
- 5 cases referred for further criminal enquires
- 1 case prosecuted for Fraud Act offences, £1,115 fine and costs.

11.3. The Blue Badge checks Officers carried out have been publicised in Hillingdon People. Again this generated positive calls from residents. Officers have also attended Disability Forum meetings chaired by Cllr Kemp to highlight the work of the team.

BACKGROUND PAPERS

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

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

REASONS FOR REPORT

For good governance, it is essential that the Audit Committee not only meets and considers the reports and information within its remit, but that it ensures that the wider Council is aware of the breadth and extent of the work the Committee carries out on its behalf. This report contains the information that it is proposed to present to Full Council to provide assurance that the committee is acting appropriately on its behalf.

OPTIONS OPEN TO THE COMMITTEE

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

SUMMARY

This report summarises for the Council the work of the Audit Committee during 2011-12 in undertaking its responsibilities for overseeing and challenging the key areas within its remit, specifically:

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

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

This report details the key areas reviewed by the Committee in 2011-12. The Committee has had an impact on all areas of its remit. Notable areas were:

- Raising the profile of Internal Audit through its review of its activities and acknowledged support for the service
- Receiving and reviewing
 - the Internal Audit Operational Plan for 2012/13
 - the periodic progress reports presented by the Head of Audit & Enforcement;

Audit Committee 26 June 2012
PART I – MEMBERS, PUBLIC & PRESS

- Internal Audit's Terms of Reference
 - Internal Audit Strategy
 - the Head of Audit Annual Assurance Statement
 - an independent report on the Annual Review of the Effectiveness of the Systems of Internal Audit from the Head of Audit at the City of London
 - a report on the progress of implementing ICT recommendations
 - quarterly reports on the risk management process;
 - reports on Revised Treasury Management Practices
 - the Treasury Management Strategy Statement and Investment Strategy 2012/13 to 2014/15
 - a verbal overview from External Audit on the changes to the accounts under International Financial Reporting Standards (IFRS)
 - a Briefing Note on the Consultation on the Future of Local Public Audit
 - the External Audit Annual Audit Letter, Annual Grants Letter and Annual Audit Plan
 - the External Audit report on the Pension Fund Annual Report and Accounts
 - the Balances and Reserves Statement 2012/13
 - a Consolidated Fraud Report assessing our internal practices against the Audit Commission's recommended good practice
 - the bi-annual Corporate Fraud reports
 - A Fraud Plan indicating how anti-fraud resources will be utilised in 2012-13 and detailing the expected benefits to the council;
- Approving the 2010/11 Statement of Accounts and External Audit Report, and presenting a robust challenge by addressing questions and seeking assurances from both officers and the external auditors.
 - Monitoring the production of the Annual Governance Statement and its supporting evidence, and recommending the adoption of the statement to the Leader and Chief Executive.
 - Reviewing the Audit Committee Annual Report to Council and referring it to Council for approval.
 - Reviewing and setting its work programme.
 - Keeping up to date on changing legislation and emerging issues.

RECOMMENDATION

That the Committee approves the report before its submission to Council.

INFORMATION

1. Background

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

2. Membership

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

Table 1

Member	Role
Mr. John Morley	Independent Chairman
Cllr. George Cooper	Elected Member
Cllr Paul Harmsworth	Elected Member
Cllr Richard Lewis	Elected Member
Cllr Raymond Graham	Elected Member

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

3. Internal Control

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

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

3.2. The Committee has received reports from the Annual Governance Statement Steering Group This group reviews and challenges the assurances used to support the Annual Governance Statement that accompanies the statutory accounts. It also reviewed the resultant draft Annual Governance Statement 2010-11 and recommended its approval to the Leader and Chief Executive and will do the same for 2011-12.

4. Risk Management

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

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

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

5. Internal Audit

5.1. The Council's Internal Audit is mainly provided by an in-house team, with IT audit outsourced to a private firm. There was some staff turnover this year and consequently the number of reports issued to draft stage fell from 90% in 2010-11 to 85% in 2011-12.

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

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

5.4. The audit plan and strategy approved by the Committee for 2012-13 is risk based and uses a methodology adopted four years ago. Using this methodology, the highest risk-ranked audits are undertaken each year with the risks being re-evaluated annually to take account of emerging and receding issues.

5.5. In line with CIPFA guidance, an annual review of Internal Audit was undertaken. This year, the Head of Audit at the City of London, who was recommended by one of the Audit Committee members, carried out an independent review. He included within his review an assessment of the Head of Audit role based on, The Role of the Head of Audit in Public Sector Organisations, which was issued by CIPFA in 2011. The service and the Head of Audit were found to be compliant. Two good practice suggestions

were made for the Head of Audit and one for the council. These will be considered in the coming year.

6. Anti-Fraud

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

6.2. Twenty investigations into fraud or irregularities were concluded in 2011/12 and these have been reported to the committee in updates throughout the year. Largely they have fallen into three categories:

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

6.3. The Head of Audit has responsibility for the Corporate Fraud Team. A fraud report is presented to the committee biannually. During the year the team has investigated fraud related issues in the following areas

- Housing and Council Tax Benefit
- Social Housing
- Identity and recruitment
- Blue Badges
- Council tax discount
- Internal issues

6.4. Team achievements include

- 38 successful prosecutions
- 37 cautions
- 17 administrative penalties
- 28 council properties reclaimed
- 46 Blue Badges seized
- Identified over £440,000 in benefit fraud
- Recovered £200,000 in overpayments
- Obtained £4,000 using Proceeds of Crime Legislation.

7. External Audit

7.1. The external auditors have attended each meeting of the committee. The Head of Audit has met with Deloitte's Audit Manager to discuss the respective approaches to audit. The relationship is now well established. Deloitte are currently reviewing Internal Audit reports for their 2011-12 audit and we expect that they will be able to place reliance on the work. This year we will be carrying out some specific testing on grants under the direction of Deloitte and on which they will place reliance. Representatives from Deloitte continue to attend Audit Committee meetings to present various reports and answer questions. The Chairman of the Audit Committee has met the Deloitte auditors independently, in keeping with good governance arrangements.

8. Annual Accounts and Financial Reporting

8.1. The Audit Committee received or approved the following reports:

September 2011

- 2010-11 Statement of Accounts
- External Audit Report on the Audit for the Year Ended 31 March 2011
- External Audit's Report on the Pension Fund Annual Report and Accounts
- External Audit's Annual Audit Letter and Annual Grant Audit Letter

March 2012

- External Audit's 2011/12 Annual Audit Plan.

8.2. The Committee have maintained an active interest in all financial matters, including Treasury Management and in the move to International Accounting Standards. Reports have been received on Revised Treasury Management Practices, Treasury Management Strategy Statement and Investment Strategy 2012/13 to 2014/15, International Accounting Standards.

9. Conclusion

9.1. The Audit Committee believes it has made a significant contribution to ensuring that the key elements of the Governance Framework are given proper consideration and are appropriately challenged. It will continue to develop this role and contribute to strengthen internal control, risk management and governance throughout the authority.

BACKGROUND PAPERS

Terms of reference for Audit Committee
Annual Governance Statement Framework

Report by Deloitte summarising APB consultation on amendments to ISAs (UK and Ireland) 315 and 610 relating to the use of internal audit

APB is consulting on amendments to auditing standards relating to the use of internal audit by external audit. As background, since 2005 APB's policy has been to implement International Standards on Auditing (ISAs) issued by the International Audit & Assurance Standards Board (IAASB) as UK auditing standards, subject to inclusion of various "pluses" to add UK and Irish specific supplementary material. APB first adopted ISAs in 2005 as a whole suite of standards; and in 2010 they did the same with the "clarified" standards. This is the first time that an individual standard has been revised by IAASB since 2005 and hence APB is deciding what to do about it.

Changes to reliance on internal audit

APB are consulting on whether to adopt changes to the underlying ISAs that have already been made by IAASB. As such, APB are not consulting on all of the detailed changes to the ISAs made by IAASB; rather, whether they should continue to remain converged and whether any additional UK material is needed to supplement the standards. Broadly speaking:

- The new standards would require a conversation with internal audit as part of the risk assessment in the audit, whether or not the auditor intended to rely on internal audit.
- The new standards set out some slightly more robust requirements for auditor review of key internal audit output in the event that it is relevant to their external audit work.
- The new standards (for the first time) include material in IAASB's standards relating to direct assistance – where internal audit staff perform work under external audit's direction solely for the purpose of the external audit. The UK has explicitly permitted direct assistance since 2009 and APB is proposing to continue this.

APB's future processes

APB have asked whether they should continue to consult on converged standards; we believe they should with the presumption that they adopt ISAs issued by the IAASB with as little additional "plus" material as possible.

APB have also asked whether they should consult when IAASB proposes a new standard in order to gain UK and Irish input when forming their own views on changes to the underlying ISAs. We agree with this as we believe a wider range of

views (including from audited entities and users of financial statements) would help APB provide a higher quality response to IAASB.

Agenda Item 15

WORK PROGRAMME 2012/13

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
26 June 2012	CR 2
20 September 2012	CR 3
6 December 2012	CR 5
12 March 2013	tbc

AUDIT COMMITTEE

2012/13 DRAFT Work Programme

26 June 2012	Corporate Fraud Team Work Plan	Head of Audit & Enforcement
	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 and Corporate Director of Central Services / Head of Policy
	Head of Audit Annual Assurance Statement	Head of Audit & Enforcement
	Internal Audit Progress Report	Head of Audit & Enforcement
	Audit Committee Annual Report to full Council	Head of Audit & Enforcement
	Audit Committee Work Programme	Democratic Services Manager

Meeting Date	Item	Officer/member
20 September 2012		
	External Audit Annual Governance Report	Deputy Director of Finance/Deloitte
	External Audit Report to the Audit Committee on the 2011/12 audit	Deputy Director of Finance/Deloitte
	External Audit Report to the Audit Committee on the 2011/12 audit of the Pension Fund Financial Statements	Deputy Director of Finance/Deloitte
	Internal Audit Progress Report and plan amendments	Head of Audit & Enforcement
	Risk Management Quarter 1 Report – PART II	Head of Policy
	Audit Committee Work Programme	Democratic Services Manager

6 December 2012	* 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 2012/13	Deputy Director of Finance
	Deloitte – Annual Audit Letter	Deloitte
	Corporate Fraud Update	Head of Audit & Enforcement
	Audit Committee Work Programme	Democratic Services Manager

12 March 2013	* 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	Deputy Chief Executive and Corporate Director of Central Services / 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 – 2012/13 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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