

## Minutes

### Audit Committee

Thursday, 20 September 2012

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



HILLINGDON  
LONDON

	<p><b>Independent Member:</b> John Morley (Chairman)</p> <p><b>Members Present:</b> Councillors Raymond Graham, John Hensley, Phoday Jarjussey and Richard Lewis.</p> <p><b>Apologies:</b> Councillors Paul Harmsworth (Councillor Phoday Jarjussey substituting) and George Cooper (Councillor John Hensley substituting).</p> <p><b>Officers Present:</b> Fran Beasley (Deputy Chief Executive and Corporate Director of Central Services), Kevin Byrne (Head of Policy, Performance and Partnerships), Harry Lawson (Corporate Accountancy Manager), Nancy Le Roux (Head of Corporate Finance), Helen Taylor (Head of Audit), Paul Whaymand (Deputy Director of Finance) and Khalid Ahmed (Democratic Services Manager).</p> <p><b>Others Present:</b> Heather Bygrave and Jonathan Gooding (Deloitte)</p>
17.	<p><b>DECLARATIONS OF INTEREST</b></p> <p>Councillors Raymond Graham and Richard Lewis both declared Non-Pecuniary interests in Agenda Item 6 –External Auditor Report on the Pension Fund Annual Report and Accounts as they were both Members of the Pensions Committee. They both remained in the room and took part in discussions on the item.</p> <p>Councillor John Hensley declared a Non-Pecuniary interest in Agenda Item 6 – External Auditor Report on the Pension Fund Annual Report and Accounts as he was in the receipt of a Local Government Pension. He remained in the room and took part in discussions on the item.</p>
18.	<p><b>MINUTES OF THE MEETING HELD ON 26 JUNE 2012</b></p> <p>Agreed as an accurate record.</p>
19.	<p><b>EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>It was agreed that Agenda Item 11 – Risk Management Report which was in Part II of the Agenda be considered in private. The rest of the Agenda was considered in public.</p>

<p>20.</p>	<p><b>APPROVAL OF THE 2011/12 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2012</b></p> <p>The Chairman made reference to the late circulation of the Statement of Accounts.</p> <p>Consideration was given to a report which summarised the findings of the External Auditor on the audit of the 2011/12 Statement of Accounts and the Value for Money audit.</p> <p>Deloitte reported that, subject to completion of some minor procedures, an unmodified opinion would be given and the Statement of Accounts would be given a 'true and fair' view. In addition an unqualified conclusion would be issued on the Council's arrangements for securing value for money.</p> <p>Deloitte reported that the audit process for 2011/12 was efficient and rigorous and commenced a little earlier than in previous years and was carried out by auditors familiar to Hillingdon which required less officer input and time.</p> <p>Reference was made to the following significant audit risks:</p> <p><b>Revaluation of properties</b> – The auditors considered the process undertaken for the valuation of assets which included community halls, allotments and farms, assets which had changed status through being completed in the year or had been deemed surplus to requirements or planned for sale. It was concluded that the process undertaken was reasonable.</p> <p><b>Valuation of the pension liability</b> – Assumptions used to calculate the liability relating to the Hillingdon Pension Fund fell within a reasonable range.</p> <p><b>Recognition of capital and revenue grant income</b> – This had identified some instances where the grant recognition criteria had not been correctly applied. The adjustment had resulted in a reclassification of income and expenditure but had no net impact on the net cost of services.</p> <p><b>Completeness of bad debt provision for sundry debt</b> – Testing had concluded that overall the level of provision for this balance was reasonable.</p> <p><b>Housing Revenue Account Self Financing settlement payment-</b> This was identified as a risk because of the size of the settlement (£192m) and the fact that it was a one-off transaction. There were no issues noted from testing.</p> <p><b>Recording of capital spend</b> – Inconsistencies were identified in the treatment of capital and revenue spend, particularly with</p>	<p>Action By:</p>
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	<p>respect to Council dwellings. Management did not consider adjustments to be material but had agreed to adopt a consistent treatment going forward.</p> <p><b>Accounting for schools</b> – This related to schools changing status, particularly those changing to Academies, and the appropriate accounting treatment of removing fixed assets relating to community schools from the Council’s accounts. No issues arose from testing.</p> <p><b>Management override of key controls</b> – No significant issues were identified but whilst management judgements were considered reasonable on an individual basis, taken together they were at the more prudent end of a range considered to be acceptable.</p> <p>Discussion took place on the fees the Council paid for External Auditors and the Committee was informed that the Audit Commission set the scale fee for the external audit of the Council. For 2012/13, fees to local authorities would drop by 40% and, in addition to the fee paid by the Council; the external auditor would receive an amount from the Audit Commission.</p> <p>Reference was made to the Value for Money conclusions in relation to Capital budgeting and forecasting, and Members were informed that this could be improved by using more timely information, ensuring fewer delays and reviewing the process for the Council’s Capital Budget.</p> <p>The Committee then considered the Statement of Accounts for the year ended 31 March and the following points were discussed:</p> <ul style="list-style-type: none"> <li>• Reference was made to the comprehensive income and expenditure statement and it was noted that the Council would have made a surplus of around £8m if it had not made a one-off payment to Central Government as settlement on the introduction of the HRA self-financing regime</li> <li>• It was noted that a good indicator of the Council having a good system of internal controls in place was ending the year with an under spend and close to budget</li> <li>• Heritage Assets – These included Mayoral Regalia and the statue ‘Anticipation’ which was situated outside Uxbridge Station. These had been included on the balance sheet. In terms of insurance these items were insured through the Council’s general insurance scheme as they did not hold specific valuations</li> <li>• Income and Expenditure Statement – Non-Distributed costs of £1.1m. Last year was a surplus due to the transition from Retail Prices Index to Consumer Prices Index</li> </ul>	<p><b>Action By:</b></p>
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- Reference was made to Icelandic Impairments and the Deputy Director of Finance reported that the Council was being cautious on the expected recovery estimates because of the present economic uncertainties with the Eurozone, foreign currency exchange rates risk and fluctuating asset values
- Notes to Main Financial Statement – Exit Packages. It was noted that the number of Exit packages for this year had been 162 compared to 64 of last year
- Notes to Main Financial Statements – Liquidity Risk – The profile of the Council’s debt had altered and been adjusted as a result of HRA self-financing
- Pension Fund Accounts - Notes to Main Financial Statement –A new column (with significant unobservable inputs) was contained in the valuation of financial instruments carried at fair value table.

The Deputy Chief Executive and Corporate Director for Central Services attended the meeting to present the Annual Governance Statement (AGS) which was included in the Statement of Accounts. Points discussed and raised included:

- The Code of Conduct was included in the AGS
- Review of Effectiveness, paragraph 4.1, reference was made to the comment of “a comprehensive annual programme of scrutiny and review by the Policy Overview and Scrutiny Committees and the Audit Committee.”
- Reference was made to the role of the Section 151 Officer and his position in the structure of the organisation. The Deputy Chief Executive and Corporate Director for Central Services reported that the Section 151 Officer was part of the Corporate Management Team of the Council and held separate meetings with the Chief Executive
- Significant Governance Issues – The Head of Audit reported that in relation to the weaknesses that had been identified in the monitoring and control of some construction projects, specialist auditors were undertaking an investigation into this area, looking at the processes and procedures robustly, with a view to improved procedures being in place by next April

The Deputy Chief Executive and Corporate Director for Central Services informed the Committee that the Council had implemented a range of improvement actions as part of its overall continuous improvement programme, to strengthen governance arrangements and control systems. In all the five areas where governance issues had been identified, proposals were in place to address these issues which would further strengthen the governance arrangements of the Authority.

	<p><b>RESOLVED -</b></p> <ol style="list-style-type: none"> <li>1. That the Committee considered and approved the Statement of Accounts for 2011/12.</li> <li>2. That the Auditors findings and adjustments as outlined in Appendix 1 to the report be noted.</li> <li>3. That officers be congratulated for presenting an excellent Statement of Accounts.</li> </ol>	
<p><b>21.</b></p>	<p><b>EXTERNAL AUDITOR REPORT ON THE PENSION FUND ANNUAL REPORT AND ACCOUNTS</b></p> <p>Members were reminded that regulations required the auditor's report to be communicated to the Audit Committee as the body charged with governance of the Council's accounts. The report had also been considered by the Pensions Committee on 19 September 2012.</p> <p>Members were informed that on completion of the outstanding matters, the Council would be issued with an unmodified audit opinion.</p> <p>Members reviewed the Pension Fund Annual Report &amp; Accounts, and noted that these had been approved by the Pensions Committee.</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li>1. That the auditor's findings contained in the report be noted and agreed.</li> <li>2. That the Committee considered and approved the Accounts of the Pension Fund.</li> </ol>	
<p><b>22.</b></p>	<p><b>DELOITTE – ANNUAL AUDIT LETTER – DRAFT</b></p> <p>Members were informed that the Audit Commission had brought forward the submission date for the Annual Audit Letter to 26 October 2012 and the report before Members was in draft form. The final version would be circulated to Members before submission to the Audit Commission with any changes highlighted.</p> <p>Deloitte's Draft Annual Audit Letter provided a summary of the expected conclusions from their audit work undertaken for the year ended 31 March 2012.</p> <p><b>RESOLVED –</b></p>	

	1. That the report be noted.	
23.	<p><b>INTERNAL AUDIT PROGRESS REPORT</b></p> <p>The Head of Audit provided Members with a summary of Internal Audit activity in the period from 1 June 2012 to 31 August 2012.</p> <p>During the period five completed audits in the current report had received limited assurance (all relating to 2011/12) and three had received Satisfactory Assurance.</p> <p>The following issues were raised by Members:</p> <ul style="list-style-type: none"> <li>• IT Security &amp; Data Handling Controls in Schools – The Head of Audit informed Members this had been carried out in a sample of schools and the outcomes had been communicated to all schools. Members asked that the Chief Education Officer writes to the Chairs of Governors of all the schools which the Council was responsible for asking them to confirm that they had implemented recommended actions in their schools.</li> <li>• New Years Green Lane Civic Amenity Site Weighbridge – The Committee expressed concern at the findings of the audit and asked that for the next meeting of the Committee an update be provided by the Head of Audit on the progress of the implementation of the improvements and controls requested</li> <li>• Food Health &amp; Safety Team – The Committee asked for an update at the next meeting of the Committee on the realistic implementation dates for the outstanding actions</li> <li>• Leasehold Management &amp; Service Charges – The Head of Audit said she would update the Committee outside the meeting on the high risk action which had been identified and the likely implementation date</li> <li>• Planning Enforcement – 2011/12 Review – Members noted that this function of the Council had now been transferred back to Planning, Environment, Education and Community Services and improvements were being made to the service</li> <li>• Cloud Computing Advisory Review – The Head of Audit reported that this would be an area which Internal Audit would be monitoring as part of the Audit Plan</li> </ul> <p>The Committee agreed that the follow up audits contained in the report be considered at the next meeting of the Committee.</p> <p><b>RESOLVED -</b></p>	<p><b>Helen Taylor / Julien Kramer</b></p> <p><b>Helen Taylor</b></p> <p><b>Helen Taylor</b></p> <p><b>Action By:</b></p>

	<p>1. That the progress against the Internal Audit Plan for 2012/13 and the updated position of those audits undertaken in 2009-10, 2010-11 and 2011-12 be noted.</p>	
<b>24</b>	<p><b>WORK PROGRAMME 2012/13</b></p> <p>The Head of Audit reminded Members that consideration needed to be given to the annual review of the Audit Committee and how this would be undertaken.</p> <p>Noted. Members requested that this be an agenda item for December 2012.</p>	
<b>25.</b>	<p><b>CHANGING LEGISLATION AND CURRENT ISSUES</b></p> <p>The Committee was provided with an update on the implementation of the recommendations of the Corporate Services &amp; Partnerships Policy Overview Committee review into the Effectiveness of the Audit Committee and its Terms of Reference.</p> <p>Members were informed that the proposals from the review were being considered in conjunction with a review which was taking place into the decision making structure of the Council. Members would be updated on the progress of this.</p>	<b>Khalid Ahmed</b>
<b>16.</b>	<p><b>RISK MANAGEMENT REPORT</b></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><b>RESOLVED –</b></p> <p>1. That the Committee notes the quarter one 2012/13 risk management report as providing evidence of the Council’s ongoing actions to actively access and manage risks.</p>	
	<p><b>The meeting which commenced at 5.00pm, closed at: 6.45pm</b></p> <p><b>Next meeting: 6 December 2012 at 5.00pm</b></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.

