HILLINGDON
LONDON

A

Audit Committee

Members on the Committee

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

Date:	**TUESDAY, 25 JUNE 2013**
Time:	**5.00 PM**
Venue:	**COMMITTEE ROOM 4A - 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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Terms of Reference

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

Introduction

The Audit Committee's role will be to:

- Review and monitor the Council's audit, governance, risk management framework and the associated control environment, as an independent assurance mechanism;
- Review and monitor the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment;
- Oversee the financial reporting process of the Statement of Accounts.

Decisions in respect of strategy, policy and service delivery or improvement are reserved to the Cabinet or delegated to Officers.

Internal Audit

1. Review and monitor, but not direct, Internal Audit's work programmes, summaries of Internal Audit reports, their main recommendations and whether such recommendations have been implemented within a reasonable timescale, ensuring that work is planned with due regard to risk, materiality and coverage.

2. Make recommendations to the Leader of the Council and Cabinet Member for Finance, Property and Business Services on any changes to the Council's Internal Audit Strategy and plans.

3. Review the 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.

4. Consider reports dealing with the management and performance of internal audit services.

5. Following a request to the Corporate Director of Finance, and subject to the approval of the Leader of the Council and Cabinet Member for Finance, Property and Business Services, to commission work from Internal Audit.

External Audit

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, making any recommendations to the Corporate Director of Finance.

10. Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.

11. Following a request to the Corporate Director of Finance, and subject to the approval of the Leader of the Council / Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.

12. Monitor effective arrangements for ensuring liaison between Internal and External audit, in consultation with the Corporate Director of Finance.

Governance Framework

13. Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations. And, where necessary, bring proposals to the Leader of the Council or the Cabinet for their development.

14. Review any issue referred to it by the Chief Executive, a Deputy Chief Executive, Corporate Director, or any Council body.

15. Monitor and review, but not direct, 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.

16. Review and monitor Council policies on 'Raising Concerns at Work' and anti-fraud and anti-corruption strategy and the Council's complaints process, making any recommendations on changes to the Leader of the Council and the Deputy Chief Executive and Corporate Director of Residents Services.

17. Oversee the production of the authority's Statement of Internal Control and recommend its adoption.

18. Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on necessary actions to ensure compliance with best practice.

19. Where requested by the Leader of the Council, Cabinet Member for Finance, Property and Business Services or Corporate Director of Finance, provide recommendations on the Council's compliance with its own and other published standards and controls.

Accounts

20. 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.

21.   Consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Review and reporting

22.   Undertake an annual independent review of the Committee's effectiveness and submit an annual report to Council on the activity of the Audit Committee.

Agenda

CHAIRMAN'S ANNOUNCEMENTS

1 Apologies for Absence

2 Declarations of Interest in Matters coming before this meeting

3 Minutes of the meetings held on 12 March and 9 May 2013 **(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 Audit Committee Terms of Reference

To note the change to this Committee's Terms of Reference, as agreed at the Council meeting on 9 May 2013. The Terms of Reference are detailed at the front of the agenda.

6 Review of the Internal Audit Terms of Reference **(Pages 11-26)**

7 Annual Report to Council on the Work of The Audit Committee **(Pages 27-32)**

8 Consolidated Fraud Report **(Pages 33-38)**

9 Corporate Fraud Investigation Team Work Plan 2013/14 **(Pages 39-42)**

10 Annual Review of the Effectiveness of Internal Audit **(Pages 43-46)**

11 Head of Internal Audit Annual Assurance Statement **(Pages 47-50)**

12 Internal Audit Progress Report **(Pages 51-88)**

13 The Draft Annual Governance Statement 2012-13 **(Pages 89-96)**

14 Work Programme 2013-14 **(Pages 97-100)**

15 Changing Legislation and Current Issues

PART II

16 Internal Audit Progress Report **(Page 101)**

Minutes

Audit Committee
Tuesday 12 March 2013
Meeting held at Committee Room 3a - Civic Centre, High Street, Uxbridge UB8 1UW

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	Independent Member: John Morley (Chairman). **Members Present:** Councillors George Cooper, Raymond Graham, Paul Harmsworth and Richard Lewis. **Officers Present:** Simon Bailey (Interim Head of Internal Audit), Kevin Byrne (Head of Policy, Performance and Partnerships), Gill Crosbie (Audit Manager), Nancy Le Roux (Head of Corporate Finance), Jay Nandhra (Audit Manager), Paul Whaymand (Director of Finance) and Khalid Ahmed (Democratic Services Manager). **Others Present:** Heather Bygrave (Deloitte).
36.	**DECLARATIONS OF INTEREST** Councillors Raymond Graham and Richard Lewis declared Non-Pecuniary Interests in Agenda Item 6– Deloitte – 2012/13 Annual Audit Plan as they were both Members of the Pensions Committee. They both remained in the room and took part in discussions on the item. Councillors Raymond Graham and Richard Lewis declared Non-Pecuniary Interests in Agenda Item 14 – 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. Councillor George Cooper declared a Non-Pecuniary Interest in Agenda Item 7 - Internal Audit Progress Report and Agenda Item 9 - Internal Audit Operational Plan, as his wife was a Governor at Charville Primary School. He remained in the room and took part in discussions on the items.
37.	**MINUTES OF THE MEETING HELD ON 6 DECEMBER 2012** Agreed as an accurate record.

38.	**EXCLUSION OF THE PRESS AND PUBLIC** It was agreed that Agenda Items 15 – Risk Management and Agenda Item 16 – Internal Audit Report which were in Part II of the Agenda be considered in private. The rest of the Agenda was considered in public.	
39.	**DELOITTE – ANNUAL GRANT LETTER** Heather Bygrave from Deloitte attended the meeting and provided Members with a summary of the key findings on the grant work undertaken. The Committee was informed that Deloitte was responsible for certifying 6 claims and returns, all of which were certified by the required deadline and their key findings from this work were that as a result of errors identified during the audit, adjustments were made to 3 of the 6 grant claims prior to certification. Qualifications letters were issued in respect of 2 grant claims. The reasons for the qualifications were relating to Housing and Council Tax benefit scheme, where errors had been identified in 10 out of the 80 cases tested. Also a qualification letter was issued in respect of three points relating to the Single Programme and asking the Authority to revisit the capital and revenue split in relation to the costs of Home Energy Advisors. The Committee noted that such qualifications were not unusual, and could be because of very minor errors. The total fees for the grant certification work had reduced to £115,399 which had been due to the considerable testing undertaken by the Internal Audit Team which had helped contain the overall cost. **RESOLVED:** **1. That the contents of the report be noted.**	
40.	**DELOITTE – 2012/13 ANNUAL AUDIT PLAN** Heather Bygrave from Deloitte attended the meeting and introduced the report to Members. Members were informed that the key changes from last year were: • Changes to the Housing Revenue Account which was considered an audit risk • The HRA settlement payment no longer being considered a significant audit risk on the basis that this was a one-off transaction in 2011/12 The Committee was informed that for the 2012/13 financial	**Action By:**

statements, Deloitte had estimated materiality of £7.5million, which was based on the prior year outturn.

The significant audit risks were identified and the main areas on which specific audit work would focus would be

- Contributions
- Benefits
- Financial Instruments
- Management of Key Controls

Reference was made to the number of identified control deficiencies at the Council in monitoring housing repair and construction contracts. If controls were not designed and implemented correctly the Council would not be achieving value for money for procurement of construction contracts.

The Committee noted that the indicative fee for the audit for 2012/13, excluding the audit of the pension's scheme and certification of claims and returns was £207,090, which was a reduction of £138,000 from last year. Reference was made to the fees payable in relation to the monitoring of a building contract for the expansion of six primary schools. This was £242,231, with £177,808 retained by Drivers Jonas Deloitte, with £64,423 being paid to a sub-contractor.

Audit Plan for the Pension Fund

Members were informed that the approach was the same as for the last two years.

Reference was made to the number of complexities surrounding the calculation of both benefits in retirement and ill-health and death benefits remained a key area of audit risk.

Deloitte reported that in relation to Financial Instruments, during 2012/13, the scheme had transferred investments between Investment Managers using Nomura as transition managers. The assets were transferred to the equity portfolio from Marathon to both Kempen Global and Newton Global via a holding period at State Street Global Advisors.

Members were informed that the plan would be considered by the Pensions Committee on 27 March 2013.

RESOLVED -

1. **That the information contained in the report be noted.**

41.	**INTERNAL AUDIT PROGRESS REPORT**	**Action By:**
	The Chairman welcomed the new Interim Head of Internal Audit, Simon Bailey to his first meeting of the Audit Committee.	

The Director of Finance updated Members on the structural changes which had taken place in the Council, and the implications this had in relation to this Committee. The Committee was assured that the effectiveness of the Internal Audit Team would not be affected by the changes.

Reference was made to the proposals to transfer the Fraud Team to the Residents Services Directorate, but Members were informed that Corporate Fraud Reports would still be submitted to this Committee every six months.

The Interim Head of Internal Audit provided Members with a summary of Internal Audit activity in the period from 24 November 2012 to 8 February 2013.

During the period of the fourteen audits completed, two had received Full Assurance, ten audits had received Satisfactory Assurance and two had received Limited Assurance.

The following issues were raised by Members:

- The implementation rate for follow up reviews was 75% which was an improvement on last quarter's rate of 64%.
- Housing Services Major Works and Housing Gas and other Services Contracts – the Director of Finance reported that this service was undertaking a major BID review so it was not appropriate to carry out a full audit at the moment. These audits would be covered in 2013-14 as part of the planned Property Maintenance audit.
- Schools Buildings Programme – Permanent - The Committee expressed some concern at the lack of a Corporate Construction Procedures Handbook which had been identified as a high risk area. The Director of Finance reported that the number of high risks was being addressed.
- Licensing Service – Reference was made to the two high risk areas identified and in particular the required action plan to clear the backlog. Members asked that an update be provided at the next meeting on what level of management had been made aware of this backlog.
- Northgate IT Disaster Recovery Arrangements – Reference was made to the two data centres and subsequent to the meeting the Director of Finance

Head of Internal Audit

	reported that these were located within the UK, at London Docklands and in Woking.	
	• Self Directed Support – The Committee was informed that clients were not yet managing their own Personal Budgets so there was no increased risk to vulnerable people.	
	• Commissioning Third Sector Providers – Concern was expressed at the high risk which had been identified in relation to three unsigned contracts. Members were assured that Corporate Procurement was now tightening up procedures to ensure this did not happen in the future.	
	• Caravan Site (Colne Park) – Concern was expressed at the identified high risk recommendation regarding the collection of annual gas certificates from residents at the site. The Committee asked that Members be emailed progress on the implementation of this control improvement, together with the management response.	**Head of Internal Audit**
	• Golf Courses Follow Up Review – The Committee noted the progress made in implementing the recommendations but officers were asked to provide a further update on progress made at the next meeting of the Committee.	**Head of Internal Audit**
	• School Audits – The Committee was informed that the Governing Body of schools were sent audit reports.	
	• New Year's Green Lane Weighbridge – The Committee was informed that there was now only one medium outstanding recommendation and this would be followed up.	
	• Children with Disabilities – Transition – The Committee asked that their concerns at the revised date of May 2013 to implement the outstanding recommendations be communicated back to management.	**Head of Internal Audit**
	RESOLVED-	
	1. **That the in year progress against the Internal Audit Plan for 2012/13 be noted and the updated position on outstanding recommendations of those audits undertaken in 2009-10, 2010-11 and 2011-12 be noted.**	
42.	**INTERNAL AUDIT STRATEGY AND REVIEW OF THE TERMS OF REFERENCE** Members were informed that the report set out the strategy for delivery and development of the Internal Audit Service 2013-14 and the associated Annual Internal Audit Operational Plan.	Action By:

	This detailed how the service would be delivered, the assurance that it would provide and how the Head of Internal Audit would contribute to corporate governance arrangements, risk management processes and key internal control systems. This report also took into account that from April 2013 the current CIPFA Code of Practice was being replaced by new UK standards for internal audit in the public sector. CIPFA was publishing an Application Note for the Local Government sector in April. There would then be a review of how the new standards and Application Note would affect the internal audit framework for 2013/14 and later years, and the results of the review would be reported to the next meeting of this Committee. **RESOLVED –** 1. **That approval be given to the Internal Audit Strategy for 2013-14 and it be noted that a review of the Terms of Reference would be reported to the next meeting of this Committee.**	**Head of Internal Audit**
43.	**INTERNAL AUDIT OPERATIONAL PLAN** 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 Internal Audit to produce a risk based plan, which was fixed for no longer than a year and was designed to implement the Audit Strategy. **RESOLVED –** 1. **That approval be given to the Internal Audit Operational Plan.**	
44.	**DELIVERING THE ANNUAL GOVERNANCE STATEMENT (AGS) 2012-13** The report provided Members with an update on the process to be adopted and the approach to be taken in compiling the Annual Governance Statement. **RESOLVED –** 1. **That the sources of management information and assurance used to produce the AGS be noted.**	

45.	**REVISIONS TO THE TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2013/14 TO 2015/15**	
	The Committee had considered the draft Annual Treasury Management Strategy Statement and Investment Strategy for 2013/14 to 2015/16 at the meeting on 6 December 2012.	
	The Committee reviewed the changes from the draft to the final version of the Statement.	
	RESOLVED –	
	1. That the contents of the report be noted.	
46.	**BALANCES AND RESERVES STATEMENT 2013/14**	
	The report was noted.	
47.	**CORPORATE SERVICES & PARTNERSHIPS POLICY OVERVIEW COMMITTEE REVIEW INTO THE EFFECTIVENESS OF THE AUDIT COMMITTEE AND ITS TERMS OF REFERENCE**	
	The Committee was provided with an update on the progress of the implementation of the recommendations of the review.	
48.	**WORK PROGRAMME 2011/12**	
	Noted.	
49.	**RISK MANAGEMENT REPORT – 2012/13 – QUARTER 3**	
	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.	
	RESOLVED –	
	1. That approval be given to the risk management arrangements and the information contained in the report be noted.	
50	**INTERNAL AUDIT PROGRESS REPORT**	
	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.

RESOLVED –

1. **That the information contained in the report be noted.** | |
| | **The meeting which commenced at 5.00pm, closed at: 7.00pm**

Next meeting: 25 June 2012 at 5.00pm | |

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

Minutes

AUDIT COMMITTEE

9 May 2013

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

HILLINGDON
LONDON

	Committee Members Present: Councillors George Cooper (Vice-Chairman) Raymond Graham Richard Lewis Paul Harmsworth **LBH Officers Present**: Steven Maiden, Democratic Services Officer	
51.	**APPOINTMENT OF CHAIRMAN & VICE-CHAIRMAN** *(Agenda Item 1)* **RESOLVED:** 1. **That Mr John Morley be elected Chairman of the Audit Committee for the municipal year 2013/2014.**	**Action by**
	The meeting, which commenced at 7.30 pm, closed at 7.35 pm.	

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

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Review of the Internal Audit Terms of Reference

Contact Officer: Simon Bailey
Telephone: 01895 556132

REASON FOR ITEM

The CIPFA[1] Code of Practice for Internal Audit in Local Government (2006) required the Head of Internal Audit to produce an Audit Strategy and Annual Operational Plan, and to ensure that the Audit Committee receives, understands and approves it.

The previous meeting of this Committee approved the Internal Audit Strategy for 2013/14, but noted that the Terms of Reference would be reviewed. This report takes into account that from April 2013 the current CIPFA Code of Practice has been replaced by new UK standards for internal audit in the public sector, the Public Sector Internal Audit Standards (PSIAS). CIPFA has recently published a Local Government Application Note (the Note) for the PSIAS.

This report presents the results of the review of how the new standards and application note affect the terms of reference for Hillingdon's internal audit service, both in 2013/14 and later years. The review has then provided the material to update the Internal Audit Terms of Reference to ensure it complies with the PSIAS. The new Terms of Reference (Charter) are in Appendix A. The existing Terms of Reference are given in Appendix B with the main differences highlighted and some comment provided.

OPTIONS AVAILABLE TO THE COMMITTEE

The Audit Committee should note the change from the CIPFA Code of Practice to the Public Sector Internal Audit Standards, note the changes to the Internal Audit Terms of Reference as a result of the review, and endorse the updated Terms of Reference (Charter).

INFORMATION

1.   Changes in the Internal Audit Code and Standards

1.1.   The Internal Audit Terms of Reference describe the purpose and authority of the council's Internal Audit service, as well as its principal responsibilities and operating methods.

1.2   For many years the Terms of Reference took into account CIPFA's Code of Practice for Internal Audit in Local Government and also took due cognisance of

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[1] The Chartered Institute of Public Finance and Accountancy

the standards of other bodies, such as the Chartered Institute of Internal Auditors, the Auditing Practices Board and the CCAB[2].

1.3 In 2012 representatives from CIPFA, other professional bodies and the main public sector organisations in the UK agreed to produce a common standard for all internal audit services across the UK public sector. It is based on the IIA's[3] International Standards for the Professional Practice of Internal Auditing, Definition of Internal Auditing and Code of Ethics and is called the Public Sector Internal Audit Standards, PSIAS. It was issued in December 2012. CIPFA published a Local Government Application Note for the PSIAS in April 2013 that clarified how the Standards could apply to local authorities.

1.4 The PSIAS are referenced in two series of thousands under these headings:

Attributes Standards

    1000 Purpose, Authority and Responsibility

    1100 Independence and Objectivity

    1200 Proficiency and Due Professional Care

    1300 Quality Assurance and Improvement Programme

Performance Standards

    2000 Managing the Internal Audit Activity

    2100 Nature of Work

    2200 Engagement Planning

    2300 Performing the Engagement

    2400 Communicating Results

    2500 Monitoring Progress

    2600 Communicating the Acceptance of Risks.

2. The Components of the New Standards Framework

2.1. As 1.3 above mentions, the new standards are within a framework of three components:

- a definition of internal auditing
- a code of ethics
- the PSIAS.

Definition of Internal Auditing

2.2. The definition of internal auditing in the CIPFA's Code of Practice for Internal Audit in Local Government (CIPFA Code) was:

'an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the

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[2] Consultative Committee of Accountancy Bodies
[3] The Institute of Internal Auditors, a body based in the United States with chapters in many countries

adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.'

2.3. The new PSIAS definition is:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

This definition is essentially similar to the definition in the CIPFA Code, but acknowledges the risk management process and the overall governance framework. This more accurately reflects both internal audit and a modern local authority. The new definition is in the revised Terms of Reference.

Code of Ethics

2.4. There is now a requirement for all internal audit staff to comply with the Code of Ethics that accompanies the PSIAS. The PSIAS (and Local Government Application Note) (the Note) state that 'The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced.'

2.5. The PSIAS and the Note also state that: 'The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace internal auditors' own professional bodies' codes of ethics or those of employing organisations. Internal auditors must also have regard to the Committee on Standards in Public Life's *Seven Principles of Public Life.'*

2.6. Internal auditors currently sign a simpler ethics declaration upon appointment. To better meet the PSIAS internal auditors will be required to sign annually that they will conform to the Code of Ethics that is part of the PSIAS framework and includes the Nolan principles. The external provider of ICT services will be requested to provide assurance that it ensures its auditors follow the Code of Ethics when carrying out work for the council.

3.   The Local Government Context

3.1. The Accounts and Audit (England) Regulations 2011 require a relevant body to *'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'*. The Note takes into account the local government context and has clarified with the Department for Communities and Local Government (CLG) that the PSIAS and Note together constitute proper practices in this regard.

3.2. There is a terminological issue, due to the global nature of the Standards, which refer often to 'the board' and 'senior management'. The Note says that:

'the terms 'board' and 'senior management' must be interpreted in the context of the governance arrangements within each individual organisation' and

'It is expected that the audit committee, where one exists, will fulfil the role of the board in the majority of instances',

but that each organisation should decide how to interpret these terms in each context that they arise.

3.3. The PSIAS and Note use the term 'chief audit executive' (CAE) throughout, but the Note acknowledges that the term only describes a role that the PSIAS glossary states can vary across organisations. Clearly in the council's context that role is currently termed the 'Head of Internal Audit'.

3.4. The PSIAS requires there to be an internal audit charter. This fulfils the same role as the current Terms of Reference, therefore the updated Terms of Reference are called Terms of Reference (Charter).

3.5. The Note acknowledges the particular context of local authorities, including the following:
- Accounts and Audit (England) Regulations 2011
- Section 151 of the Local Government Act 1972
- CIPFA Statement on the Role of the Chief Financial Officer in Local Government
- CIPFA's Statement on the Role of the Head of Internal Audit (2010).

4. Main Changes between the Code and the PSIAS

4.1. The differences between the CIPFA Code and the new PSIAS are not fundamental and mainly concern differences in emphasis, terminology, assurance and review mechanisms. The new Terms of Reference (Charter) are in Appendix A. The existing Terms of Reference are given in Appendix B with the main differences highlighted and some comments provided.

4.2. The Note takes into account the PSIAS as well as the CIPFA's *Statement on the Role of the Head of Internal Audit* (2010) when it says 'CIPFA and the IIA expect that the CAE should not report administratively to or be managed at a lower organisational level than the corporate management team'.

4.3. An example given in the PSIAS that functional reporting may include the board approving the remuneration of the CAE. However, the public sector interpretation recognises that in the UK public sector, it would be unusual for the board to carry out such a role, although it may be the case depending on the form of internal audit provision (for example if it is supplied by contractors or a partnership). The Note acknowledges that remuneration decisions within individual organisations will depend on the arrangements within the local authority.

4.4. The PSIAS have a narrower definition of 'conflict of interest' than was previously set out in the 2006 Code; conflicts of interest, whether real or perceived, are something that should be avoided at all times, whereas in the 2006 Code they were something that could be avoided or managed. The auditor ethics declaration referred to in 2.6 above takes these considerations into account.

Audit Committee   25 June 2013
PART I – MEMBERS, PUBLIC & PRESS

4.5. The Note comments that 'good working relationships with management can enhance internal audit's ability to achieve its objectives, these must not detract from internal audit's responsibility to report control issues to management and the board'.

4.6. The Quality Assurance and Improvement Programme (QAIP) described in the PSIAS is a new specific standards requirement for local authorities, but equates to the processes necessary to conduct a review of the effectiveness of its internal audit at least annually, as required by Accounts and Audit (England) Regulations 2011 section 6(3). The QAIP must include both internal and external assessments: internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years – this currently is less rigorous than the practice at Hillingdon. However, the need to disclose non-conformance with the standards is more rigorous than currently. In practice the QAIP is likely to consist of:

- on-going quality reviews of individual audits to standards
- PADAs reflecting the change to PSIAS
- quarterly audit management reviews of service output
- annual reviews of the effectiveness of the service.

4.7. The PSIAS recognises that delivery of the internal audit function could include external provision. Hillingdon Internal Audit currently use a contractor for technical ICT audits and this aspect of work falls within the standards.

4.8. In general the PSIAS has less detail than the CIPFA Code on officer management arrangements but places more emphasis on independence of the audit function and its reporting as well as on personal professionalism. The PSIAS also contains more detail on the role of internal audit in risk management, reflecting current practice.

5.   Review of the Terms of Reference against the PSIAS

5.1. The Head of Internal Audit has reviewed the existing Terms of Reference against the PSIAS and the CIPFA Local Government Application Note for the PSIAS (the Note).   The Terms of Reference have been updated with the PSIAS expressly in mind.

5.2. The other significant factor affecting the updating of the Terms of Reference is the separation during 2012/13 of the internal audit, corporate investigations and planning enforcement functions. Having an internal audit service with no other responsibilities enables a more precise fit with the PSIAS.

5.3. As referred to in 4.3 above, "Governance requirements in the UK public sector would not generally involve the board approving the CAE's remuneration specifically. The underlying principle is that the independence of the CAE is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by ensuring that the chief executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance

appraisal of the CAE and that feedback is also sought from the chair of the audit committee." The Terms of Reference (Charter) (5.3) takes this into account by including 'both the Chief Executive and the Chairman of the Audit Committee contribute to and/or review the appraisal of the Head of Internal Audit'.

6. Revised Internal Audit Terms of Reference (Charter)

6.1. The review of the current terms of reference has informed the revised terms of reference (charter), attached as **Appendix A**. The existing terms of reference are given in **Appendix B,** with the main differences highlighted and some comments provided.

6.2. The PSIAS are sourced from international standards and contain universal terms that occasionally need defining specifically for local authorities. The PSIAS refers to 'the board' as "the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation." It also refers to 'senior management'. The Terms of Reference (Charter) have interpreted this to mean the Audit Committee and Corporate Management Team respectively.

BACKGROUND PAPERS
NIL

London Borough of Hillingdon
Internal Audit Terms of Reference (Charter)

1. INTRODUCTION

1.1. These Terms of Reference (Charter) describes the purpose, authority, and principal responsibilities and operating methods of the council's Internal Audit service. The service adopted the mandatory Public Sector Internal Audit Standards on 1st April 2013.

2. DEFINITION OF INTERNAL AUDITING

2.1. The Public Sector Internal Audit Standards (PSIAS) defines internal auditing as *"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

3. PURPOSE

3.1. Hillingdon's Internal Audit section provides internal auditing services to the council with the objective of successfully carrying out internal auditing to the above standards to add significantly to the assurance and governance processes. The service also works closely with the Corporate Fraud team to provide a range of anti-fraud measures, in order to prevent fraud from occurring and to investigate instances of suspected fraud.

3.2 Internal Audit provides independent and objective assurance to the organisation, its members and directors, and in particular to the Director of Finance as S151 officer, regarding the proper administration of the Council's financial affairs.

4. AUTHORITY

4.1. The statutory basis for Internal Audit is the Accounts and Audit (England) Regulations 2011 which states that *'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'* (6 (1)). Currently the PSIAS and the CIPFA Local Government Application Note (April 2013) constitute proper practices. Internal Audit's remit extends to the entire control and governance environment of the organisation.

5. INDEPENDENCE

5.1. The Head of Internal Audit is independent of other responsibilities, has line reporting responsibilities to the Director of Finance (the Section 151 officer) and has unrestricted access to the Chief Executive, the Council's monitoring officer, the Leader of the Council, the Audit Committee and its independent chairman, the external auditors to the Council. Internal Audit's authority is derived from the Constitution, in particular Financial Regulations and Rules, and also policies, procedures, rules and regulations established

by the Council. This independence is confirmed annually by the review of these Terms of Reference.

5.2. The authority for the production and execution of the audit plan and subsequent audit activities rests with the Head of Internal Audit. The annual audit plan is presented for approval to the Council's Management Team and to the Audit Committee. The Head of Internal Audit provides an annual opinion on internal control based on the year's work and contributes to the preparation of the Council's Annual Governance Statement.

5.3. The independence of the Head of Internal Audit is further safeguarded by ensuring that his/her annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chairman of the Audit Committee contribute to and/or review the appraisal of the Head of Internal Audit.

5.4. It is not envisaged that internal audit staff will carry out any non-audit duties. However if the situation were to arise, the Head of Internal Audit would discuss with the Chairman of the Audit Committee what safeguards would be required to maintain overall independence.

6. ACCESS

6.1. Statutory access derives from the Accounts and Audit (England) Regulations 2011 part 2.6.(2):

Any officer or member of a relevant body must, if the body requires:
  a) *Make available such documents and records as appear to that body to be necessary for the purposes of the audit; and,*
  b) *Supply the body with such information and explanation as that body considers necessary for that purpose.*

6.2. Such access shall be granted on demand and not necessarily be subject to prior notice. To meet its objectives, Internal Audit shall have unrestricted access to all Council records (on manual and computerised systems), cash, stores and other property, and to enter Council property or land, and it has the authority to obtain such information and explanations as it feel necessary to fulfil its responsibilities.

7. RESPONSIBILITIES

7.1. Directors and Heads of Service are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

7.2. It is the responsibility of all staff to notify the Head of Internal Audit or the Corporate Fraud Manager of all suspected or detected fraud, corruption or impropriety.

7.3. Internal Audit has a responsibility to provide a high quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources. Its activities include:
  a.   deploying a systematic standards-based approach to evaluate and improve the effectiveness of risk management, internal control and governance processes

b.   reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information

c.   providing assurance to management that the council's operations are being conducted in accordance with external regulations, legislation, and internal policies and procedures

d.   contributing to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011

e.   reporting the results of audits and investigations to heads of service and directors and agreeing responses to recommendations made

f.   reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets

g.   appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assignments

h.   co-ordinating with the work of the external auditors for audit planning and assisting the external auditors as required

i.   promoting anti-fraud and anti-corruption practices and assist management or the Corporate Fraud Investigation team in the investigation of loss, fraud, corruption and bribery

j.   engaging in the process of gathering and assessing evidence for the Annual Governance Statement

k.   maintaining good working relationships with officers at all levels, members, external auditors and any other external review agencies.

7.4. In meeting its responsibilities, Internal Audit will exercise due professional care. Its activities will be conducted in accordance with Council strategic objectives, established policies and procedures and will comply with the PSIAS and its Code of Ethics, including the Nolan Principles (Seven Principles of Public Life). There is a Quality Assurance and Improvement Programme that includes an annual review of effectiveness of the service and on-going performance monitoring. There is an external assessment at least every five years.

7.5. There will be a regular rotation of staff between audit areas and unless there are clear operational reasons staff will not audit the same area more than twice in succession. Auditors will not be assigned to audit an area where they have:
• undertaken operational duties within the previous three years, or
• declared a relationship or other interest.

7.6. Internal Audit may, in line with the PSIAS, engage in consulting activities including advice, facilitation, and training. Internal Audit may accept proposed consulting engagements based on the engagement's potential to improve management of risks, add value or improve the organisation's operations but will not assume management responsibility or decision-making. Any such assignment must not cause a conflict of interest with the audit work programme.

7.7. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

7.8. Internal Audit may at times need to promote the understanding that the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

REPORTING

8.1. To ensure the proper discharge of its responsibility and meet the PSIAS, Internal Audit reports to the top of the organisation – usually the Corporate Management Team and Audit Committee – by:
   a. preparing the risk-based annual strategy and plan
   b. reviewing the Terms of Reference and the effectiveness of the internal audit service, including the adequacy of internal audit resources
   c. reporting quarterly on progress against plan, completed audits, monitoring the implementation of recommendations and highlighting any risk not found to be adequately addressed
   d. providing an annual assurance opinion based on audit work carried out
   e. reporting jointly with the Corporate Fraud team on anti-fraud activity.

9. RESOURCES

9.1. Internal Audit resources will be determined by the Director of Finance, after consulting annually with the Chairman of the Audit Committee, who will also need to ensure compliance with the Accounts and Audit (England) Regulations 2011 Part 2, 4-(1):

The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

9.2. The internal audit staffing structure will comprise suitable qualified posts, including trainees, to reflect the needs of the organisation. Resources may be bought in for specific specialist areas such as ICT audit.

10. DEFINITIONS

10.1 The PSIAS are sourced from international standards and contain universal terms that occasionally need defining specifically for local authorities. The PSIAS refers to 'the board' as "The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation." It also refers to

'senior management'. These Terms of Reference (Charter) have interpreted this to mean the Audit Committee and Corporate Management Team respectively.

Revised and approved by the Audit Committee June 2013

Existing Terms of Reference
(main changes highlighted and comment provided)

London Borough of Hillingdon
Internal Audit Terms of Reference

1. PURPOSE

1.1. This Terms of Reference describes the purpose, authority, and principal responsibilities and operating methods of the council's Internal Audit Section.

2. DEFINITION OF INTERNAL AUDIT

2.1. The CIPFA Code of Practice for Internal Audit in Local Government (2003) defines Internal Audit as *'an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.'* [comment: replaced by new definition]

3. PURPOSE

3.1. Internal Audit is an independent appraisal function established within the Council to examine and evaluate activities as a service to the organisation and to contribute advice at an early stage in the implementation of any developments/amendments to processes. The objective of Internal Audit is to assist elected members and officers of the Council in the effective discharge of their responsibilities. To this end, Internal Audit will furnish them with analysis, appraisals, recommendations, advice and information concerning the activities reviewed. *[comment: reworded to reflect the new standard and anti-fraud role]*

4. AUTHORITY

4.1. The statutory basis for Internal Audit is the Accounts and Audit Regulations 2011, which require that a "relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control." Proper internal Audit Practices are defined in the *Code of Practice for Internal Audit in Local Government in the UK.* *[comment: reworded to reflect the new standard and Application Note]*

4.2. Internal Audit Section takes due cognisance of the standards promoted by other bodies such as the Institute of Internal Auditors [IIA], Auditing Practices Board (APB) and the CCAB accounting bodies. *[comment: not now needed]*

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5. INDEPENDENCE

5.1. The Head of Internal Audit reports to the Deputy Chief Executive and Corporate Director Central Services and has unrestricted access to the External Auditors, Chief Executive, the S151 Officer, Independent Members of the Audit Committee, Leader of the Council and to members through the Audit Committee. Internal Audit's authority is defined in statute and internally is derived from policies, procedures, rules and regulations established by the Council. This includes these terms of reference, Financial Regulations, Conditions of Service, and Code of Conduct.

5.2. The authority for the production and execution of the audit plan and subsequent audit activities rests with the Head of Internal Audit. The annual audit plan will be presented for approval to the Council's Corporate Management Team (CMT) and to the elected members via the Audit Committee. Based on the work carried out the Head of Internal Audit will produce an Annual Audit Opinion on the systems and controls operating in the year.

5.3. The Head of Internal Audit will also report to the Annual Governance Statement Working Group any audit issues likely to merit inclusion in the statement and contribute to the Audit Committee's Annual Report to the Council.

5.4. The Head of Audit has operational duties in respect of Corporate Fraud and Planning Enforcement. Where audits are required in these areas the Terms of Reference for the audits will be discussed with and all finding will be reported directly to the Deputy Chief Executive and Corporate Director Central Services, prior to the implementation by the Head of Audit. *[comment: deleted - not now applicable and replaced by general principles for non-audit work])*

6. ACCESS

6.1. Statutory access derives for the Accounts and Audit regulations 2011, part 2 6.(2) which state

Any officer or member of a relevant body must, if the body requires-

    c) *Make available such documents and records as appear to that body to be necessary for the purposes of the audit; and,*

    d) *Supply the body with such information and explanation as that body considers necessary for that purpose.*

6.2. To meet its objectives, Internal Audit shall have unrestricted access to all Council records (whether manual or computerised systems), cash, stores and other property, and to enter Council property or land. Such access shall be granted on demand and not subject to prior notice. Internal Audit will have the authority to obtain such information and explanations as it feel necessary to fulfil its responsibilities.

7. RESPONSIBILITIES

7.1. Service Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Services.

7.2. Internal Audit responsibilities include but are not limited to:

a. Examining and evaluating the adequacy of the Council's system of internal control;
b. Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
c. Reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
d. Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
e. Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assignments;
f. Co-ordinating with the work of the external auditors for audit planning and assisting the external auditors as required;
g. Working in partnership with other bodies to secure robust internal control that protects the Council's interests.
h. Promote anti-fraud and anti-corruption practices and assist management in the investigation of fraud/corruption and other irregularities.
i. Engage in the process of gathering and assessing the evidence for the assessment of the control environment thereby contributing to the production of the Annual Governance Statement
[comment: a), c) and i) broadened beyond internal control]

7.3. In meeting its responsibilities, Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures. In addition, Internal Auditors shall comply with the Code of Ethics and the Code of Practice for Internal Audit in Local Government promulgated by the Chartered Institute of Public Finance and Accountancy and other such professional bodies of which internal auditors are members. *[comment: reworded to reflect the new standard]*

7.4. There will be a regular rotation of staff between audit areas and unless there are clear operational reasons staff will not audit the same area more than twice in succession. Auditors will not be assigned to audit an area where they have;
- undertaken operational duties within the previous three years.
- declared a relationship or other interest

7.5. In line with the International Standards internal audit may engage in consulting activities including, advice, facilitation, and training. Internal Audit will accept proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organisation's operations but will not assume management responsibility or decision-making. For significant pieces of work a specific

written understanding as to the objectives, scope, respective responsibilities, and other expectations will be reached with managers. Such agreements will ensure that there is a clear separation of the role of Internal Audit from the decision making process. *[comment: reworded to relate directly to the PSIAS, also sentence removed]*

7.6. In order to ensure the proper discharge of its responsibility, Internal Audit will:-

   a. Prepare the strategic and annual plan for approval by the Corporate Management Team, taking into account the risks of service departments.

   b. Conduct audits in accordance with established and best practice, as enshrined in CIPFA's Internal Audit Manual, which has been supplemented by internal procedures.

   c. Promptly consult and report its findings to the relevant level of management, including members as necessary, making recommendations for improvements where weaknesses are identified.

   d. Monitor the progress of implementation of recommendations and report this to members. It is for management to accept and implement internal audit findings and recommendations or to accept the risk resulting from taking no action. However, it is for the Head of Internal Auditor to bring to the attention of management and/or members any risk they feel is not being adequately addressed.

   e. Educate the organisation to understand that the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

   f. Maintain good working relationships with officers at all levels, Members, External Auditors and any other external review agencies.

   g. Make adequate arrangements for the monitoring and review of audit work to deliver a quality audit service.
   [comment: this is now a separate section on reporting with a) to e) simplified, and f) is now 7.3(k), and g) is in 7.4]

8. RESOURCES
8.1. Internal Audit resources will be determined by the Deputy Chief Executive Central Services and S151 Officer acting on behalf of the members of the Audit Committee and will reflect the corporate needs of the council. *[comment: reworded to reflect the new standard and reporting lines]* Resources will also reflect the need to allow the S151 Officer to discharge his obligations and the council to discharge is obligations under the Accounts and Audit Regulations 2011 Part 2, 4-(1).

The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

8.2. <mark>The staffing structure will comprise suitable qualified posts with a mix of professional specialisms to reflect the needs of the organisation. Resources may be bought in for specific specialisms such as IT audit.</mark> *[comment: reworded]*

**Annual Report to Council
on the Work of The Audit Committee**

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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 also ensures that the wider Council is aware of the breadth and extent of the work it does on its behalf. This report contains the information that it is proposed to present to Council so that it can be assured that the Committee is acting appropriately on its behalf.

OPTIONS OPEN TO THE COMMITTEE

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

SUMMARY

This report summarises for the Council the work of the Audit Committee during 2012/13 in undertaking its responsibilities for overseeing and challenging the key areas within its remit, specifically:
- Internal Control
- Risk Management
- Internal Audit
- Anti Fraud
- 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 2012/13, based around the four meetings of the Committee in June, September and December 2012, and March 2013. 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 2013/14
    - the periodic progress reports presented by the Head of Internal Audit
    - Internal Audit's Terms of Reference
    - the Internal Audit Strategy 2013/14
    - 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 and Risk Management at the City of London
    - quarterly reports on the risk management process;
    - Treasury Management updates
    - the Treasury Management Strategy Statement and Investment Strategy 2013/14 to 2015/16, including revisions updates
    - 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 2013/14
    - Corporate (Consolidated) Fraud reports
    - the Corporate Fraud Investigation Team Work Plan 2012/13.

- Approving the 2011/12 Statement of Accounts and External Audit Report, and presenting a robust challenge through asking 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 this 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 Council approves the annual report.

INFORMATION

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

2. Membership

2.1. Details of the Committee members for 2012/13 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	Deputy Chairman
Cllr Paul Harmsworth	Appointed May 2011
Cllr Richard Lewis	Appointed May 2011
Cllr Raymond Graham	Appointed May 2011

2.2. During the course of meetings 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 (England) 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 2011/12 and recommended its approval to the Leader and Chief Executive and will do the same for 2012/13.

4. Risk Management

4.1. Regular reports on the Council's corporate risks are produced and presented to the Audit Committee, to provide evidence that significant risks are identified and that they are managed through appropriate mitigating actions.

4.2. The committee received assurance that the Corporate Risk Management Group continued to meet regularly and to challenge and review the risks and mitigation strategies. 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 service is mainly provided by an in-house team, with IT audit outsourced to a private firm. Audits completed at least to draft report stage by the end of May 2013 was 90%.

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. In the year 99% of audit recommendations were accepted, against a target of 95%. Acceptance and then implementation of audit recommendations improve overall control. Over the year an average implementation rate of around 68% against agreed target dates was achieved at follow up review stage. The robust system of multiple follow up reviews and reporting results to this Committee ensures there is effective challenge where recommendations have been outstanding for long periods of time and despite regular audit follow up reviews.

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 indicated no or limited assurance. The Committee can ask officers to appear before it, if it considers it necessary.

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

5.5. There is an annual review of internal audit and this year it was carried out by the current interim Head of Internal Audit, who has carried out similar reviews elsewhere. The service was also reviewed against the new Public Sector Internal Audit Standards and found to be broadly compliant. The result of this review is the subject of a separate report to this Committee. A number of recommendations were made for the in-coming Head of Internal Audit to consider.

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. It also received two Consolidated Fraud Reports on the combined efforts of the Internal Audit and Corporate Fraud Investigation teams to combat fraud and loss.

6.2. For the majority of the year the Internal Audit service and the Corporate Fraud Investigation Team were both within the remit of the Head of Audit. In late 2012 the reporting line of the Corporate Fraud Investigation Team was moved to Residents Services. Both the Internal Audit and Corporate Fraud Investigation teams work together to provide a range of anti-fraud measures, in order to prevent fraud from occurring and to investigate instances of suspected fraud. This activity includes proactive detection and reactive investigation, and prosecution in appropriate cases. There is a specific remit for the Corporate Fraud Investigation Team to investigate benefit fraud. Other types of fraud often cut across both teams so there is close liaison between them.

6.3. Thirteen audit investigations into fraud or irregularities were concluded in 2012/13 and these have been reported to the committee in updates throughout the year. Largely they have fallen into two categories: no issue at the conclusion of the investigation or issues to be addressed by management action.

6.4. Activities of the Corporate Fraud Investigation Team include:
- housing and Council Tax benefit investigations and prosecutions
- Council Tax/Business Rates inspections
- social housing fraud investigations and prosecutions
- proactive on-street Blue Badge examinations and prosecutions
- internal and external fraud investigations and prosecutions
- delivery of awareness programmes about benefit fraud
- development of anti fraud strategies
- co-ordination and delivery of the Single Investigation Service pilot exercise with the Department for Work and Pensions.

6.5. Achievements for the Team include:
- over £340,000 in benefit fraud identified
- 27 benefit administrative penalties
- 23 successful benefit prosecutions
- one successful fraud prosecution
- 9 Blue Badge prosecutions
- 42 council properties reclaimed
- 8 Proceeds of Crime cases under review.

7. External Audit

7.1. Representatives from Deloitte attend Audit Committee meetings to present various reports and answer questions. Members of the Audit Committee have 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 2012
- Statement of Accounts 2011/12
- External Audit Report on the Audit 2011/12
- External Audit's Report on the Pension Fund Audit 2011/12
- External Audit's Annual Audit Letter.

March 2013
- External Audit's 2012/13 Annual Audit Plan
- External Audit's 2012/13 Annual Audit Plan for the Pension Fund
- Annual Grant Audit Letter 2011/12.

8.2. The Committee has maintained an active interest in all financial matters, including treasury management. Reports have been received on the Treasury Management Strategy Statement and Investment Strategy 2013/14 to 2015/16 as well as updates on current issues.

9. Conclusion

9.1. The Audit Committee believes it has continued to make 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 PAPER
Terms of reference for the Audit Committee

Consolidated Fraud Report

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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 half-yearly reports from the Corporate Fraud Investigation team. This report summarises the proactive and reactive work undertaken in the second half of the year by both teams.

OPTIONS AVAILABLE TO THE COMMITTEE

Note the contents of the report.

INFORMATION

1. Roles and Responsibilities
1.1. The Internal Audit service and the Corporate Fraud Investigation Team were both within the remit of the Head of Audit and Enforcement until late 2012, when the reporting line of the Corporate Fraud Investigation Team was moved to Residents Services. Both Internal Audit and Corporate Fraud Investigation teams work together to provide a range of anti-fraud measures, in order to prevent fraud from occurring and to investigate instances of suspected fraud. This activity includes proactive detection and reactive investigation, and prosecution in appropriate cases. There is a specific remit for the Corporate Fraud Investigation Team to investigate benefit fraud. Other types of fraud often cut across both teams so there is close liaison between them. Whenever a case (excluding Housing Benefits-related) arises that requires investigation, a manager from each team will jointly decide the specific course of action.

1.2. Internal Audit involvement in the second half of the year included:
- internal proactive audit work aimed at detecting potential fraud
- reactive investigations into fraud and irregularity reported through whistleblowing or detected through the audit process
- co-ordination of the National Fraud Initiative data gathering and returns, and the associated follow up work on investigation matches
- provision of awareness programmes across the council
- the regular updating of relevant policies and procedures
- advice to managers on the measures they can take to prevent and detect fraud.

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1.3. Corporate Investigation Team duties in the second half of the year included:
- Housing and Council Tax benefit investigations and prosecutions
- Council Tax/Business Rates inspections
- Social Housing fraud investigations and prosecutions
- Blue Badge prosecutions
- internal and external fraud investigations and prosecutions
- delivery of awareness programmes about benefit fraud
- development of anti fraud strategies
- co-ordination and delivery of the Single Investigation Service pilot.

1.4. Hillingdon is 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 polices 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 new managers and there is an e-learning programme in place to raise awareness of fraud and corruption issues. This is now mandatory part of the induction process for all new staff. The Corporate Fraud Investigation Manager also delivers a session for staff entitled 'The Bigger Picture', which gives an insight into how benefit fraud affects the council.

3. Networking, Partnerships and the Single Investigation Service
3.1. Officers are involved at local and national level with a wide range of organisations. The Corporate Fraud Investigation Manager is an executive representative on the Local Authority Investigation Officers Group (LAIOG) and is a member and regular attendee of the London Boroughs Fraud Investigation Group (LBFIG). Audit staff keep up to date on anti fraud matters through the London Audit Group and its Procurement Sub-Group.

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 exchanges information on common frauds. Notifications are distributed within the council on a 'need to know' basis by the Head of Internal Audit and the Corporate Fraud Investigation Manager.

3.3. The government is currently running four national pilot exercises to establish a Single Fraud Investigation Service. Hillingdon is running the only pilot in London. The pilot brings together the council benefit investigation team with Department for Work and Pensions (DWP) investigation colleagues under a single team, located at the Civic Centre and led by the Corporate Fraud Investigation Manager. The pilot started in November 2012 and is expected to run for at least a year. This is currently a major

aspect of the remit of the Corporate Fraud Investigation Manager because it is essential to shaping the future design of benefit fraud investigations in the future. Hillingdon's selection as a pilot authority was based on the previous high profile success of the team and its reputation nationally for innovative work and results.

3.4. Officers have excellent relationships with the local police and with the UK Borders Agency. The Police often assist in obtaining court orders for information and, where necessary, in carrying out arrests. The UK Borders Agency work with the Corporate Fraud Investigation Team on projects related to illegal workers and immigration issues. The Team have also worked in partnership with local Housing Associations to help them identify tenancy fraud and take appropriate action.

4. Effectively Employing Resources

4.1. Although in the half year the reporting lines of the Internal Audit and Corporate Fraud Investigation teams changed, the need for regular co-ordination remains and there will be close monitoring to ensure an effective 'seamless' service is maintained. Where audit testing highlights possible fraudulent activity, joint planning means that the most appropriate person, team or combination is deployed at each stage to deal with the matter.

4.2. The fraud risk profile is assessed using tools provided by national organisations, such as the Audit Commission and the National Fraud Authority (NFA). The Audit Commission is still currently responsible for co-ordinating the two-yearly National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

4.3. Internal Audit co-ordinate the data gathering and uploading of council information for the data matching processing, then also co-ordinate the dissemination of the various data-match reports for analysis and investigation across the council. Results from the data-matching exercises are reported in the internal audit progress reports that are presented to each meeting of this committee. The Corporate Fraud Investigation Team makes much use of this data, particularly for benefit matches.

4.4. The National Fraud Authority (NFA) works with wider government, law enforcement, industry and voluntary/charity sectors to coordinate the fight against fraud in the UK. The NFA is responsible for the implementation of the 'Fighting Fraud Together' strategy plan to reduce fraud nationally. It has started to produce guidance on how local authorities can fight fraud.   Intelligence from these agencies, the National Anti-Fraud Network and other liaison groups is used to identify emerging risks.

4.5. Using this experience a proactive anti–fraud plan for the Corporate Fraud Investigation Team has been prepared for the year 2013/14 and is separately presented at this meeting. In the second half of 2012/13 further pro-active internal audit work to

detect fraud was undertaken, including employee expenses, use of purchase cards, single tender actions and succession tenancies.

5. Social Housing Fraud

5.1. Hillingdon continues to run its poster campaign, Blow the Whistle on Housing Cheats. The poster is advertised in every issue of Hillingdon People: this generates calls to our fraud hotline where all information received is fully investigated. Our work in this area is to feature in a BBC programme that is due to be aired at the end of this year. We have successfully bid for funding from the Government to support this area of work and will receive £200,000 in two equal annual tranches. This funding will enable the Corporate Fraud Investigation Team to look at other innovative ways to identify and deal with housing-related fraud.

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 two officers continue to work full time on this project, one of whom has been seconded from Hillingdon Housing Service. As a result of their work, 14 social housing properties were recovered in the second half of 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 with genuine housing need.

5.3. The Audit Commission, in their report 'Protecting the Public Purse 2012' estimated that nationally it costs councils on average £18,000 a year for each family placed in temporary accommodation, therefore using this guidance it is estimated that £252,000 has been saved in Hillingdon by bringing these 14 properties into legitimate use.

5.4. The teams' 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 recovered 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 Investigation Team has continued to perform 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 Investigation Manager to look at Hillingdon's good practice and the successful work in 2011/12 featured on page 39 of 'Protecting the Public Purse 2012'.

5.6. Right to Buy and First Time Buyer applications are reviewed and visits are carried out to verify occupancy details. So far no fraudulent claims have been identified.

6. Housing and Council Tax Benefit Fraud

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

6.2. Officers use intelligence from the NFI and DWP generated risk cases to focus this work, as well as our well established fraud hotline.

6.3. In the second half of 2012/13 action was taken in 28 serious cases leading to 28 sanctions. These were:
- 8 prosecutions – all successful
- 6 cautions
- 14 administrative penalties.

6.4. 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. The Corporate Fraud Investigation Manager featured in a BBC programme in February 2013 called "Saints and Scroungers" where he spoke about the fraud case.

6.5. Benefit fraud activity in the second half year generated over £51,000 in overpayments, which equates to nearly £160,000 of saved benefit using an average fraud multiple. All overpayments are monitored on a weekly basis to ensure that the Council recovers as much as possible. All methods of recovery are used, including reductions on future benefits, instalment plans and charges on any property.

7. Proceeds of Crime

7.1. The Corporate Fraud Investigation Team is now in a position to make full use of Proceeds of Crime Act (POCA) powers in appropriate cases (both internal and external). There are currently 8 cases that are being investigated and so far we have received £8,000 income.

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 29.5%, illustrating that Hillingdon is more likely to be on top of this type of fraud.

9. Other Revenue Protection Measures

9.1. This half year Visiting Officers within the Corporate Fraud Investigation Team carried out 6,659 visits to ensure the council maximises its revenue. The visits address issues in the following areas:
- Business Rates
- Council Tax

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- 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. Benefit Compliance visits relate to checks carried out to verify information about a current claim. Visits requests come from a number of sources, but chiefly from benefit and housing officers, and from calls from the public about possible Benefit abuse.

10. Recruitment Fraud
10.1. Hillingdon has a liaison officer in the UK Borders Agency 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 2013/14.

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

11.2. Our effective Blue Badge work in the first half of the year was filmed by the BBC and appeared in a Panorama programme screen in late 2012. Results of the work were reported in the first half year report at the December meeting of this committee, although a further three penalty notices and five more prosecutions were instigated in the second half year.

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

BACKGROUND PAPER

NIL

Corporate Fraud Investigation Team
Work Plan 2013/14

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Contact Officer: Garry Coote
Telephone: 01895 250369

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REASON FOR ITEM

The Corporate Fraud Investigation Team plays a key role in ensuring that loss to the Council due to fraud or other illegal action is kept to a minimum. Loss can arise internally or externally and is minimised through a mix of planned and reactive activity. The 2013/14 Corporate Fraud Investigation Team Work Plan explains how resources will be deployed over the year to meet the fraud risks faced, and also how the Team works with other anti-fraud agencies to reduce crime generally.

OPTIONS AVAILABLE TO THE COMMITTEE

The Audit Committee should review and comment on the Corporate Fraud Investigation Team Work Plan.

Background to the Team and Issues Faced

1. The Corporate Fraud Investigation Team Manager bases the assessment of risk on intelligence received both locally and nationally. The Team is based in the Residents Services directorate.

2. With the DWP's move to a Single Fraud Investigation Service (SFIS) and the intention to combine Council teams with DWP services, 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.

1. Measuring Fraud

1.1. Measuring the possible extent of fraud is always difficult for the obvious reason that if the Council had knowledge of the full 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,

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

2. Allocation of Resources

2.1. The Corporate Fraud Investigation Team comprises of 16 staff, some of whom are on part time contracts. Taking into account leave and other non productive days within the team, there are 2,550 working days available to the address the Corporate Fraud Programme.

2.2. Utilising local knowledge and taking into account the National Fraud Authority fraud loss profiles, there are areas on which Hillingdon should focus. This information has been used to create a resources plan which is illustrated in the table 1 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 1 Allocation of Fraud Resources

Activity	Resource (Days)	Outcome	Estimated Savings £'000
Benefit Investigation	818	75 sanctions	500
Visiting programme	812	Increased revenue	*300
Social Housing Fraud	279	Recover 52 properties	936
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
Proceeds of Crime Investigations	160	Increased revenue	50

*Officers will look to develop measures for the success of these visits in 2013/14.

Benefit Fraud

2.3. Hillingdon Council pays £170 million in Housing and Council Tax Benefit so this is the main focus of investigation work. A target of 75 sanctions has been set which covers Prosecutions and Administrative Penalties. Much of the work in this area is preventative or aims to disrupt fraud activity. These visits and checks are a deterrent to people committing fraud. Last year Officers dealt with over 1,000 fraud referrals. Each referral is investigated by either a visit or full criminal investigation depending upon the nature of the referral.

2.4. Sanctions are used when officers detect serious abuse and a full criminal investigation is undertaken.

Visiting programme

2.5. Officers will continue to manage a visiting programme to cover the areas of:
- Business Rates
- Council Tax
- New Build
- Benefit Compliance checks.

Visiting Officers check commercial and industrial premises to ensure that the council is getting its full rateable value. This work has become more important as the council has moved towards a more localised system for Non Domestic Rates. Data sets will be developed in 2013/14 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 social housing fraud. In 2013/14 Officers have set a target to recover 52 properties. Based on the Audit Commission estimate that the average cost of housing a family in temporary accommodation is £18,000, this would generate £936,000 in savings. It also fulfils the priority of putting residents first by providing quality permanent homes for families in Hillingdon.

Intelligence and Administration

2.7. Within the team dedicated officers take calls from the public. They carry out preliminary enquires including checking addresses and benefit information that the Council holds on alleged fraudsters. They also prepare 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. Hillingdon pursues cases of internal fraud vigorously when they are identified. As well as the obvious financial damage, this type of fraud can impact on Hillingdon's reputation as a well managed council. The Fraud team work is mainly reactive, while prevention and detection activity is incorporated in the Internal Audit Plan. Fraud team members work closely with internal

audit colleagues to ensure investigations and proactive anti-fraud activity is optimised through effective use of investigative resources.

Overpayment recovery
2.9. A number of measures will be employed to maximise recovery of fraudulent overpayments. This will include visits to agree re-payment plans where there appear to be problems with compliance The recovery measures will also include bankruptcy assessments, where the Authority is pursuing outstanding Council Tax revenue.

Blue Badge Abuse
2.10. Officers plan to carry out two major Blue Badge exercises during the year. Each exercise will involve 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 by ensuring that spaces are available for those who need them and that those who abuse the system are suitably punished.

Proceeds of Crime Act 2002 (POCA)
2.11. A Financial Investigator has recently joined the team. Their role is to undertake financial investigations into prosecution cases to ensure that we recover overpaid monies and also use the powers under POCA to freeze assets and bank accounts.

3. Other work
3.1. The themes below 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 National Fraud Authority (NFA), National Fraud Initiative (NFI), National Anti-Fraud Network (NAFN), the Audit Commission and the London and National Fraud Investigators Groups to ensure that Hillingdon makes the most of the intelligence available. Officers will continue to work with Credit Reference Agencies to identify potential Social Housing Fraud cases.

Publicity
3.3. Working closely with colleagues in Corporate Communications, the Team 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 be acknowledged for our innovative programmes such as our Social Housing Fraud and Blue Badge work. Officers will be continuing to work with the BBC on a forthcoming documentary.

Annual Review of the Effectiveness of Internal Audit

Contact Officer: Simon Bailey
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REASON FOR ITEM

The Accounts and Audit Regulations (England) 2011 include the requirement that the Council *'must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'* (6 (1)). Section 6(3) already requires larger relevant bodies to conduct a review of the effectiveness of its internal audit at least annually.

The purpose of this report is to present the results of the review of the effectiveness of the internal audit function in relation to the year 2012/13 and make suggestions about how it can improve.

For many years the internal audit service was primarily reviewed against the CIPFA[1] Code of Practice for Internal Audit in Local Government (2006). In December 2012 a common standard for all internal audit services across the UK public sector was introduced. It is based on the IIA's[2] International Standards, Definition of Internal Auditing and Code of Ethics and is called the Public Sector Internal Audit Standards, PSIAS. CIPFA published a Local Government Application Note for the PSIAS in April 2013 that clarified how the Standards could apply to local authorities. CIPFA also published in 2010 a 'Statement on the role of the Head of Internal Audit in public service organisations" (the Statement).

The review took into account the requirements of the new PSIAS and applied a checklist supplied with the Application Note to gauge compliance currently and what improvement actions could be considered for the future. The service was also reviewed against the CIPFA Code since that was the standard for 2012/13. The review also bore in mind relevant improvement suggestions mentioned in previous annual reviews. The applicability of the Statement was not reviewed this time since the service's new (permanent) Head of Internal Audit takes up his post in July 2013.

OPTIONS AVAILABLE TO THE COMMITTEE

The Audit Committee should note that the review concludes that the internal audit service has been complying with the majority of the requirements of the Public Sector Internal Audit Standards and that consideration be given by the committee and the new Head of Internal Audit to implement the recommendations made with a

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[1] The Chartered Institute of Public Finance and Accountancy
[2] The Institute of Internal Auditors, a body based in the United States with chapters in many countries

view to complying more fully with the standards and to help improve the service's effectiveness.

INFORMATION

1.   Background

1.1. The Accounts and Audit Regulations (England) 2011 include the requirement that the council *'must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'* (6 (1)).   Section 6(3) requires the council to conduct a review of the effectiveness of its internal audit at least annually.

1.2. For many years the internal audit service was primarily reviewed against the CIPFA[3] Code of Practice for Internal Audit in Local Government (2006). In December 2012 representatives from CIPFA, other professional bodies and the main public sector organisations in the UK agreed a common standard for all internal audit services across the UK public sector. It is based on the IIA's[4] International Standards, Definition of Internal Auditing and Code of Ethics and is called the Public Sector Internal Audit Standards, PSIAS. CIPFA published a Local Government Application Note for the PSIAS in April 2013 that clarified how the Standards could apply to local authorities. The Note acknowledges the particular context of local authorities.

1.3. The review took into account the requirements of the new PSIAS and applied a checklist supplied with the Application Note to gauge compliance. The review also reviewed the service against the CIPFA Code (since the service was delivered during the year to this Code) and bore in mind relevant improvement items mentioned in previous annual reviews.

1.4. A more detailed explanation of the PSIAS, the local context and the revised internal audit Terms of Reference (Charter) is provided in the report entitled 'Review of the Internal Audit Terms of Reference' elsewhere on this agenda.

2.   The Components and Objectives of the Review

2.1. The review comprised:
- a detailed assessment against the PSIAS through the Application Note checklist
- an assessment against the CIPFA Code
- an examination of a sample of audit files and committee reports
- an assessment of the audit planning and review process and of the current staffing and resources
- an appraisal of the Audit Manual and quality assurance actions, audit recording system and Audit Committee minutes
- a review of improvement actions recommended in the last two effectiveness statements.

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[3] The Chartered Institute of Public Finance and Accountancy

2.2. The objectives were to:

- establish the extent of compliance with the PSIAS and CIPFA Code
- identify any areas where improvements could be made, bearing in mind the imminent arrival of a new Head of Internal Audit.

3. Review Findings

3.1. The internal audit service was found to meet the PSIAS in all material respects, especially if the matters mentioned below are actioned.

- introduce annual declarations of compliance with the PSIAS Code of Ethics for all auditors
- formalise the quality assurance aspects of internal audit work to align more clearly with the PSIAS concept of a quality assurance (QA) and improvement programme (for example, assigning a QA role to an auditor, periodic assessments of conformance, and an annual review of policies and conformance declaration)
- decide either to exclude investigation work from the operational aspects of PSIAS or ensure that relevant documents and processes are incorporated into the Audit Manual.

3.2. The service was found to meet the requirements of the CIPFA Code for 2012/13. The two suggestions made in last year's effectiveness report (to the June 2012 meeting of this committee and not affecting compliance with the Code) related to quality assurance: that the Head of Internal Audit sign off audit terms of reference and occasionally call in audit files where concerns are identified. These recommended actions were partially complied with in 2012/13 and have been taken into account when recommending formalising the QA process. A third suggestion, relating to positioning the internal audit function in relation to significant change projects, was being progressed in 2012/13: internal audit was able to play a more prominent role in some projects, but this could be further developed in the current year.

3.3. Other actions to consolidate particular aspects of the PSIAS into day-to-day auditing are also suggested for consideration in the following areas:

- provide training refresh sessions for auditors that include topics related to ethics, the Terms of Reference (Charter), objectivity and ICT controls
- refresh the Audit Manual to more closely follow the PSIAS, including prompts within forms to include the above items
- introduce bi-annual Standards workshops with audit staff to ensure on-going understanding of the Standards.

3.4. A number of more operational improvement suggestions have been made that the new Head of Internal Audit can consider with his management team. These cover areas such as:

- how further IA can assist in BID programmes to ensure control and risk related issues are effectively addressed
- ensuring fieldwork for planned audits is completed by the end of March, despite the inevitable operational challenges during the year
- enhancing the audit planning and governance process by earlier discussion with heads of service of risks within their area through the Control Assurance Statement process
- reviewing aspects of the service such as the audit performance system, the Audit Manual, audit universe, follow up reviews and graduate trainee scheme.

BACKGROUND PAPERS
NIL

Head of Internal Audit Annual Assurance Statement

Contact Officer: Simon Bailey
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Telephone: 01895 556132

REASON FOR ITEM

The CIPFA[1] 2006 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.

This Code has been replaced for the years 2013/14 onwards by the Public Sector Internal Audit Standards. This assurance statement is therefore the last one based on the Code.

OPTIONS AVAILABLE TO THE COMMITTEE

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

INFORMATION

1. Opinion
1.1. Based on the work undertaken or reports finalised during the year Internal Audit can provide **satisfactory** assurance that the systems of internal control within the Council were operating adequately and effectively. Overall the majority of audits received Satisfactory Assurance audit opinions. There were no audits with No Assurance opinion and seven with Limited Assurance opinion (including two schools). It should, however, be noted that ten Limited Assurance opinion reports were issued in 2012/13 that related to 2011/12 planned work.

2.Summary of Work
2.1. Appendix 1 of the quarterly progress report, also presented to this meeting, summarises the current status of audits in the 2012/13 annual plan. As the year

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[1] The Chartered Institute of Public Finance and Accountancy

progressed, audits were added, deleted or occasionally combined as circumstances changed (including many structural changes). A total of six audits were added and eighteen deleted or postponed during the year. Reasons for changes have been reported to previous meetings. Four audits have been removed post March 2013, due to changes in service processes or time constraints. Progress reports include details of audits finalised since the previous meeting of this Committee.

3. Comparison of actual and planned work
3.1. Of the 96 audits in the year, those completed (finalised) were 74, with a further twelve draft reports issued, seven awaiting issue and three audits in progress (fieldwork).

3.2. A comparison with previous years' performance is included in the tables below. The tables show comparisons with the adjusted plan in the last two years. Performance has been maintained despite the need to address factors such as clearing the backlog from the previous year's work, vacancies and developing trainees, extra investigation time and chasing management responses. Effort will be maintained in 2013/14 to ensure targets are met by aiming to complete more planned audit fieldwork by 31st March and issue all draft reports by 30th April.

Table 1 - Adjusted plan - Fully completed audits

Adjusted Plan	Percentage of plan		
	2012/13	**2011/12**	**2010/11**
Complete (finalised) at year-end	77	76	75
Work in progress and draft issued at year-end	23	24	23
Planned, not started	0	0	2
Total	100	100	100

Table 2 – Adjusted plan - Fully completed or draft issued

Work Planned	Percentage of plan		
	2012/13	**2011/12**	**2010/11**
Complete (finalised) or draft issued at year-end	90	84	90
Work in progress at year-end	10	16	8
Planned, not started	0	0	2
Total	100	100	100

3.3. Thirteen investigations into fraud or irregularities have been completed during the year. Where a conclusion has been reached, these have been reported to the Committee in update reports. Largely they have fallen into two categories: no issue at the conclusion of the investigation or issues to be addressed by management action.

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

- Co-ordinating the National Fraud Initiative exercise
- Maintaining the Fraud Hotline (until handing over to the Corporate Fraud Investigation Team) and email addresses
- Contributing to the Annual Governance Statement (AGS) working group, reviewing evidence for the AGS 2012/13 and auditing the manager control assurance statements (including completeness of supporting evidence)
- Providing advice and guidance on a wide range of issues to directorates, in particular on controls when new financial systems are being developed
- Delivering bite-size sessions on fraud awareness to managers and monitoring results from the e-learning fraud awareness module for staff.

4. Issues Relevant to the Annual Governance Statement (AGS)

4.1. The following are summaries of control issues that impact on this opinion and also on the council's Annual Governance Statement.

- Although policies and procedures were generally found to be updated regularly, in many cases reviewed they were insufficiently detailed or had not been finalised and embedded.

- The BID programme has resulted in the amalgamation, division and reorganisation of services throughout the council. Changes to strategies and procedures have not always matched this pace. Sometimes management checks have not been introduced or are not evidenced.

- Audits of contracts have highlighted the need for more effective contract management - in particular clarity in project planning and monitoring, maintaining performance data, documenting contract changes and maintaining key records during and at completion of contracts.

- In November 2011 the Council brought back in-house the management of three Council owned golf courses. An audit was commissioned to review the application of corporate processes, procedures and controls. A number of high and medium risks were identified and recommended actions were progressed during 2012/13 to manage them to ensure greater financial control.

- An amount of cash generated from anti-social fixed penalty notices could not be unaccounted for. An investigation was completed and all recommendations have been implemented. This has included a new process for handling cash payments.

Management has responded by agreeing and then progressing the implementation of audit recommendations in the areas reviewed.

5. Performance against targets set

5.1. Seventy four audits have been finalised, representing 77% of planned audits, after adjusting for audits postponed, added or deleted. The target of achieving 90% of audits to draft stage was met. This was achieved despite the extra time that was needed to complete audits brought forward from 2011/12, investigations and follow-up reviews. There were also lesser effects such as planning, fieldwork and report writing overruns, vacancy days, time spent finalising reports with managers and training requirements. Two factors may be influential here. One is the need for auditors to have greater preparation time and to gain wider knowledge as the breadth and complexity of audit work expands, and the other is that some audits are more complex as they take in the effects of significant structural change that the council is currently experiencing. This included preparation time spent for audits unable to be progressed due to BID reviews.

5.2. It was not possible to carry out audit satisfaction surveys during the year as accumulated survey data was lost when moving to internet based operations. A new survey system is now in place. Other performance against targets is as follows:

Table 3 – Other targets

Description	Target	2012/13	2011/12	2010/11
% of draft audits issued within 15 working days of audit conclusion	90	85	70	92
% of final reports issued in two working days (five for schools)	85	92	84	83
% of recommendations agreed by management	95	99	99	99

6. Compliance with Standards

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

- self assessment by the Head of Audit (2009/10)
- review by this Audit Committee in private session (2010/11)
- peer assessment by the Head of Internal Audit and Risk Management at the City of London Corporation (2011/12).

6.2. Following discussions with the Chairman of this Audit Committee it was felt that a review by the interim Head of Internal Audit would be useful this year because he has had the benefit of having detailed internal knowledge yet also wide experience of internal audit management elsewhere, including providing similar assessments in other London boroughs. The service was found to meet the requirements of the CIPFA Code for 2012/13, including quality assurance. The results of this review are reported separately to this meeting.

BACKGROUND PAPERS
Previous Audit Committee reports

Internal Audit Progress Report

Contact Officer: Simon Bailey
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REASON FOR ITEM

This report provides the Audit Committee with a summary of Internal Audit activity in the period from 9th February 2013 to 12th June 2013. This fulfils the requirements of CIPFA's Code of Practice for Internal Audit in Local Government and of the Public Sector Internal Audit Standards to bring to members' attention periodic reports on progress against planned activity and any implications arising from Internal Audit findings and opinions.

OPTIONS AVAILABLE TO THE COMMITTEE

To note progress against the Internal Audit Plan for 2012/13 and the updated position regarding following up the implementation of recommendations made in reports of audits undertaken in years 2009/10, 2010/11 and 2011/12.

INFORMATION

1. Introduction
1.1. In addition to the Annual Report, the Head of Internal Audit produces interim reports to Corporate Management Team and this committee 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. Following on from the change in the Constitution made in the autumn to transfer responsibilities for anti-fraud work to Residents Services, the line management responsibility for the Corporate Fraud Investigation Team has been moved, as an interim measure, to the Deputy Director ICT, Highways & Business Services in Residents Services. A permanent arrangement within the directorate is currently being progressed.

2.2. The service has been fully staffed since mid February 2013, with a new trainee auditor started in January 2013 and the appointment of a permanent Head of Internal Audit, who takes up his post in July 2013. The interim Head of Internal Audit will remain in post until a handover is achieved.

3. Progress against Plan and Follow up Status

3.1. During the period, of the fifteen completed audits, three received Limited Assurance opinion, eleven received Satisfactory Assurance opinion and one received Full Assurance opinion.

3.2. The current status of the 2012/13 plan is included in Appendix 1.

3.3. The progress and status position of those audits carried out in 2011/12, 2010/11 and 2009/10 is included in Appendices 2, 3 and 4. The implementation rate for recommendations after follow up reviews was 63% compared with last quarter's rate of 75% and the year average of 68%. See Appendix 5 for details.

3.4. The following audits have been deleted from the 2012/13 Audit Plan or deferred to 2013/14:

- **Disabilities Service (Adults)** – the audit is being postponed as the service may be affected by the review of disabilities services
- **Assessment and Care Management (Adults)** – the audit was due to review operations of the Access and Intake team, however new ways of working are being trialled therefore the scope of the audit will be reconsidered once the results of the trials are known
- **Homecare In-House Provision** – the audit will be postponed until the current review of the service is complete
- **Performance Management** – the audit has been postponed as a new performance management system is being considered

3.5. Unless otherwise stated, all reports have an action plan agreed with Internal Audit.

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

3.7
Audit Title: Civic Centre M & E Contract
Assurance level: Limited
The mechanical and electrical maintenance services at the Civic Centre cover all aspects of the maintenance of heating, ventilation and air conditioning equipment and plant on site. This also includes the maintenance of specialist building management systems and emergency generators.

The Civic Centre Mechanical and Electrical Maintenance Service (M & E) Contract is undertaken by Honeywell who were awarded the current contract in 2008 for a seven year period with a possible extension of three years. The contract value over the seven years is £1,659,228.26.

The objective of the audit was to ensure that the Civic Centre M&E contract management arrangements are efficient, effective and economical.

We were pleased to report risks are appropriately addressed in these areas:
- Number of tenders required
- Approval by Cabinet and contract award
- Monthly payments to contractor

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The regularity of contractor maintenance work should be agreed with the contractor and fully documented otherwise compliance cannot be monitored. Also, disputes could result, incurring extra costs if requirements are not appropriately documented.	High	July 2013
There should be a clear audit trail of maintenance undertaken by the contractor which should be referenced to the contract specification requirements. Without this, there is no evidence of specification compliance and inability to confirm work has been carried out which could lead to equipment failure.	High	July 2013
Quantifiable key performance data should be produced in accordance with the contract and discussed at regular monthly meetings with the contractor and overviewed by senior management, otherwise poor contractor performance may not be realised and addressed. The accuracy of contractor performance information reported should be checked periodically.	High	Aug 2013
All changes made to the contract so far should be recorded and authorised. Any future changes to the contract should be evidenced in writing and take the form of an authorised written addendum to the contract. Without this, unauthorised contract changes could result in a poor maintenance regime, which could increase the risk of equipment failure and contravention of legal requirements and standards.	High	July 2013
A plan for test checking contractor maintenance actions should be introduced. Without this the risk of equipment failure could increase and health and safety could be compromised, resulting in possible extra expense to the Council to remedy such failure and possibly having to defend legal action taken against it.	High	July 2013
A control should be introduced to ensure that all relevant contract information is retained in support of tender invitations, evaluations etc. Without this, there would be	Medium	July 2013

no evidence to defend the Council if the tender and award
process was challenged.

A checking process should be put in place to ensure that contractor insurances comply with contract and that they remain so during the course of the contract. This should also apply to any safety registrations the contractor must have. Without this all potential liability costs may not be covered by insurance and there would be an inability to claim resulting in financial loss.	Medium	July 2013
Key contract processes undertaken by Facilities Management staff should be documented, agreed by management and reviewed periodically. Otherwise management expectations may not be met by staff which could result in contract mismanagement.	Medium	August 2013

Management Comment - Since the recommendations were agreed there has been a number of changes in key personnel dealing with this contract. At the same time the department processes and procedures are being modified as part of the transformation programme in Residents Services.

As a result, the recommendations are not being progressed as quickly as originally planned and therefore some target dates for implementation have had to be changed.

Some of the recommendations will be implemented as part of the revised processes being formulated as part of the transformation programme.

3.8
Audit Title: FM – Statutory Requirements for Building Maintenance
Assurance level: Limited
The Facilities Management (FM) Team in Residents Services is responsible for maintaining General Fund properties and sites where services to residents are facilitated and staff are employed. Some of the responsibilities of this team are discharged through the appointment of external service providers / contractors.

There are approximately 250 such properties and sites on the portfolio that the FM Team has been managing. They range from comparatively small allotments, day centres, residential homes, youth clubs etc. to much larger sports and recreation grounds and pavilions, the Civic Centre, libraries, crematorium and mortuary, swimming pools, stadiums, leisure centres, lido, golf courses, car parks and many more.

Following a BID review and restructure of FM, this audit was requested by the interim Facilities Manager who was apprehensive about the adequacy and effectiveness of compliance with various statutory obligations in respect of maintenance of Council properties and sites.

The objective of this audit was to establish whether there are adequate controls, systems and arrangements in place to ensure that the Council is complying with all the statutory requirements for maintaining relevant Council properties and sites.

We do not have any major concerns about the operational arrangements in place with most of the contractors, but consider that significant reliance is still placed on the main contractor to retain the documentary evidence of compliance work that they carry out on behalf of this council.

The current management in the recently restructured FM has made good progress and started to maintain records to monitor the contractors' roles, insufficient time has elapsed for us to form an opinion on their completeness and adequacy. Therefore, improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The Compliance Manager should ensure that the Schedule of FM Statutory Obligations is finalised at the earliest opportunity. Also, the two versions of the Property Portfolio should be reviewed and one master version drawn up for monitoring relevant areas / aspects at individual locations. Otherwise, relying on incomplete or out of date records, could lead to certain statutory obligations being overlooked.	High	June 2013
The Operational Contracts Manager should ensure that copies of relevant contracts and related documents, such as specification, or service level agreements and quotation schedules, are available to FM staff for reference. Without knowing the terms and conditions of the contract, effective monitoring cannot be carried out.	High	July 2013
An operational manual should be drawn up that reflects the key roles and responsibilities of Facilities Management on a day to day basis. Without such a manual, staff may not be clear about their responsibilities and inconsistent practices may occur.	Medium	June 2013
Facilities Management should seek independent, competent advice to confirm the completeness and accuracy of the schedule of statutory obligations. If the Council is not fully aware of all its statutory obligations, failure to meet them might lead to the Council having to	Medium	September 2013

pay financial penalties and/or bad publicity if an employee
or member of the public was injured as a result.

The Operational Contracts Manager should ensure that the main contractor grants online access to designated FM staff to relevant parts of their system. In the meantime, they should email scanned copies of relevant documents to FM supporting the checks / inspections they have carried out. If the Council has no documentary evidence that work has been carried out, the Council could be held liable if something goes wrong.	Medium	August 2013
The Compliance Manager should develop adequate system/s, showing a clear trail of how the significant clauses of the contract specification and quotation schedules are monitored, and ensure that the system/s are complied with. Without adequate supporting documentation, it may be difficult to establish who was responsible for any unexpected eventuality.	Medium	July 2013

A follow up review is currently in progress and indications are that substantial effort is being made to address all recommendations.

Management Comment - Since the recommendations were finalised there has been a number of changes in key personnel dealing with this contract. At the same time the department processes and procedures are being modified as part of the transformation programme in Resident Services.

As a result the recommendations are not being progressed as quickly as originally planned. Some of the recommendations will be implemented as part of the revised processes being formulated as part of the transformation programme.

3.9
Audit Title: Music Service (Income & Asset Management)
Assurance level: Limited

From 1 August 2012, Hillingdon Music Service became the lead organisation for the new Hillingdon Music Education Hub, one of 122 across the country that have competitively bid for this status, and the accompanying Department for Education grant funding which lasts for three years.

The Arts Council (England) administer the funding process which supports core priorities, as set out in the National Plan for Music Education.

In view of impending changes in the Music Service's processes and procedures, it was agreed that the scope of this audit would be restricted to recovery of income and management of assets, pending a full audit review in

2013/14. This was to allow for new processes and procedures to be fully embedded and documented.

The audit objective was to ensure that there are adequate arrangements in place for income, musical instruments and debt recovery.

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

- Recognising when fees are due
- Applying fees in accordance with established fee scales
- Calculation and application of fee adjustments
- Invoicing of fees
- Obtaining signed agreements for instruments loaned out.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
All musical instruments under the control of the Music Service should be identified and action taken to comply with Financial Regulations in respect of accounting for and safeguarding those assets. Failure to do so may result in instruments on loan not being returned or misappropriation of instruments not being identified.	High	31st December 2013
Historic outstanding debts for former music tuition pupils should be determined and notified to the Corporate Income Team in order that recovery action can be taken, otherwise income due may be lost. A plan of action should be agreed for this.	High	30th June 2013
In order to evidence credits due to students because of absences etc. a pro forma template should be introduced for completion and signing by a music teacher and then passed to the Music Service for action and retention. Without this, invoice adjustments would not be supported by evidence if there is a dispute.	Medium	1st May 2013

Management Comment – The results of the recent audit have served to underpin our decision to introduce a new data management system within the Music Service. The Paritor system will replace the current in-house written system which does not have the facilities available to effectively manage the Music Service business. The new system will be fully documented and procedures developed to ensure that there is a clear audit trail for all transactions. Furthermore, all income is now collected via the Corporate Debt Team which has dramatically improved debt management and recovery as a result of the introduction of the on-line payment facility.

The historic debt is currently being analysed by colleagues in the Finance Team

in conjunction with the Music Office in order to determine which debts are capable of being pursued by the Corporate Income Team and which need to be formally written off through the council's procedures.

The Paritor system includes a Musical Instrument Inventory module which operates via barcodes and a PDA reader. We intend to use this system to record and control our stock of instruments. The vast majority of instruments are held by individual students, however we also have instruments in store at Uxbridge High School, the Compass Theatre and at North Hillingdon HQ building. In addition some instruments are held by music departments in schools therefore physical visits will be necessary to mark and record these items.

As suggested the Music Service has introduced a new proforma to enable the peripatetic music teachers to inform the Music Office quickly of any absences which could result in a fee credit to students.

3.10
Audit Title: Housing Stock Data
Assurance level: Satisfactory

The Programme and Asset Management Team manage and maintain housing stock data on 11,421 properties (10,360 resident properties and 1,061 resident blocks).

Data is held on an asset management system called Keystone; it holds information on property elements, repairs, major works, asbestos register and energy.

The objective of the audit was to ensure that there were adequate and effective processes in place which ensure information on housing stock is complete, accurate, valid and timely.

We were pleased to report risks are appropriately addressed in these areas:
 • Security Protocol
 • Training.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The Asset Data Management Strategy should be finalised. This will ensure the service is achieving the objectives of the directorate and the Council.	High	September 2013
A process map should be produced showing roles and responsibilities of other services and the information they should provide on housing stock with timeframes. This	Medium	June 2013

will ensure accurate and updated data is being
maintained on the Council's housing stock.

3.11
Audit Title: Website and Network Security and Contingency Planning
Assurance level: Satisfactory

An audit of Website Security and Network Contingency Planning was
undertaken as part of the audit plan for 2012/13.

The council has outsourced responsibility for ensuring that its websites are
available to the public to Goss Interactive Limited, a communications
company based in Plymouth. A four year website hosting agreement was
signed 27 March 2012 and commenced 1 April 2012.

In addition to its website, the Council maintains an internal version of the
hosted websites for use by staff and is updated or amended by the Council.
All updates and amendments applied to the internal website content are
automatically replicated to the hosted website in order to ensure that the
hosted version is a mirror of the internal version.

The website content is managed using iCM Content Management software
that has been supplied by Goss Interactive Limited.

We were pleased to report the following well-designed controls:

- An annual IT Health Check is conducted by Encryption IT Security and
  Forensic Services to identify and examine any potential vulnerabilities
  regarding the external and internal network of the Council and the
  website. The last health check was carried out 30 August 2012. The
  review reported that the external network was fit for purpose and that
  internal network physical security and user awareness practices were
  of a high standard.

- The ability to update/amend the content of the website is managed by
  the content management system iCM that has been provided by
  GOSS, the website hosting provider. A username and password is
  required to access iCM and the password is force changed every 40
  days and cannot be a previously used password. Access controls are
  supported by robust account management processes, reducing the risk
  of unauthorised systems access.

- System level separation of duties is provided by role based access
  controls, designed to ensure that access provided is in line with
  associated roles and responsibilities.

- Change control procedures have been designed, setting out processes
  to follow in the event of any changes to web-site content, reducing the
  risk that changes occur that are detrimental to content management
  requirements and subsequently impact the quality of web based
  communication.

- An automated review process has been designed to validate system access accounts, thereby supporting the validity and currency of web system activity.
- The content of the website hosted by GOSS is updated automatically by the Councils internal website being replicated to the external hosted website. The replication occurs when an update/amendment has been made to the content of the internal website and it has been approved for publishing. The immediate replicating of the internal website content to the external hosted website reduces the risk that important information that is time sensitive is not available to the general public.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Management should ensure that all user accounts comply with the default requirement to force a change of password every 40 days and ensure that user set up protocols provide for assurance that these requirements are adhered to.	Medium	April 2013
Management should ensure that user access to privileges is only provided by group membership.	Medium	End of May 2013
A comprehensive business continuity plan for the website should be documented.	Medium	End of May 2013
Management should maintain details of those staff that have the ability to approve and publish content to the website.	Medium	End of May 2013

3.12
Audit Title: ICT Service Desk Review
Assurance level: Satisfactory
The Council has established an IT Service Desk function as the user interface with IT, to register, communicate, dispatch and analyse all calls, reported incidents, service requests and information demands. The council has implemented LANDesk Service Desk suite 7.4. Plans are in place to upgrade to version 7.6 to integrate the core aspects of IT service management, customer service and support, and network and system management into a cohesive solution.

The Council employs in excess of 3,000 staff and the service desk is an important element of the IT department. It is the Single Point of Contact for IT users and it is the tool to manage all incidents, access requests, and service requests. The primary purpose of the service desk is to restore "normal service" to users as quickly as possible. "Normal service" refers to what has

been defined in the SLAs for resolving a technical error or for filling a service request or answering question.

During the year April 2011 to March 2012, the service desk handled 34,627 phone calls, 9,078 IS emails and 17,400 ICT emails and to date this financial year has handled 35,296 phone calls.

The audit was designed to assess the controls in place, which ensure the IT Service Desk is appropriately organised and administered to meet the requirements of the council.

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

- Responsibilities for the effective operation of the Service Desk have been documented.
- The processes from registering and tracking to a successful conclusion of incidents and work requests are documented.
- An automated email process has been established within LANdesk to inform customers (users) of the status of their incidents (queries), if they are unable to be resolved initially by first line support. An incident escalation process is in place, designed to provide a basis to respond to incidents and again helping to ensure accountability of helpdesk performance.
- A Service Desk skills matrix is in place supported by a focused training plan, designed to ensure that service desk staff have the adequate basic skills to ensure effective service delivery.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Management should define, document and formally agree the Service Desk SLA matrix with the Business. This will ensure targets formally agreed with the Business meet the overall business priorities.	Medium	30th Sept 2013
Management should, once the performance SLA has been formally agreed, provide Management reports to indicate the performance of the Service Desk against the agreed key performance indicators and provide details of the unresolved recorded issues. This will ensure robust monitoring of performance against the SLA.	Medium	30th Sept 2013

3.13
Audit Title: Blue Badges
Assurance level: Satisfactory

The Blue Badge Scheme is a parking concession that allows blind people and those with permanent and severe disabilities, to park their vehicles near to their required destination to enable them to work, fulfil their domestic responsibilities and enjoy leisure and other pursuits.

Following the national reform of the scheme in December 2011, the facility for local authorities to physically issue Blue Badges was withdrawn.

The Department for Transport awarded a contract to Northgate Public Services to manage the distribution of Blue Badges. Councils continue to be responsible for determining eligibility and implementing enforcement procedures.

There were 3,749 Blue Badges issued in 2010/11 and 3,292 in 2011/12. The percentage of Blue Badges issued under "automatic" criteria was 32% and 33% respectively.

The majority of Blue Badges issued under "discretionary" criteria were for applicants with "walking disability"/"permanent and substantial disability" and would have been subject to assessment by the Council. Between 1 January 2012 and 4 December 2012, only 25 applicants were unsuccessful in their applications for Blue Badges under the "discretionary" criteria.

The objective of the audit was to ensure that the administration of the Blue Badges Scheme at Hillingdon is adequately controlled. A recent service review has resulted in a streamlined service that is more customer friendly.

Although broadly welcome, the risk of error and fraud may be increased unless compensating controls are able to be introduced. Recommendations are therefore made in the context that service managers will manage the increased risk cost effectively. Our testing was carried out after the changes were made
We were pleased to report risks are appropriately addressed in these areas:

- Documented processes and procedures
- Assessment and processing of new applications
- Cancellations
- Income.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date

At Blue Badge renewal, the applicant should be required to provide evidence in support of their continued entitlement otherwise if a person's mobility has improved they may no longer be entitled to a Blue Badge. Alternatively, such checking could be undertaken following a risk assessment of the likelihood of an applicants' disability improving since receiving a Blue Badge.	High	31 March 2013
At Blue Badge renewal, a comparison should be made to the last application to ascertain any significant mobility changes which should be subjected to reassessment as appropriate. This could indicate fraud and/or there is no longer entitlement to a Blue Badge.	Medium	31 March 2013
Management sample checking of Blue Badge applications processed should be evidenced by referencing the recording control spreadsheet entries to scanned applications signed-off by the checking officer. Without this, it would be difficult to confirm that checking was actually performed.	Medium	30 April 2013
Parking Enforcement should be informed of Blue Badges reported as stolen, lost or not received by the designated holder so that, as part of their enforcement duties, they can check if they are being used fraudulently and report back to the Blue Badges Team.	Medium	31 March 2013
A process should be introduced to verify that invoices received from Northgate, for the production and distribution of Blue Badges, can be reconciled to the number of Blue Badge requests made by the Council to ensure incorrect payments are not made.	Medium	31 May 2013
Death registry packs should include how to return a Blue Badge and information on deaths registered should be compared and cross referenced to Blue Badge. Without this, Blue Badges could be used fraudulently.	Medium	30 June 2013
Where the Mobility Assessor advises that a successful Blue Badge applicant should be re-assessed at the next renewal, the available Northgate computer system input field should be updated to confirm this, otherwise advised mobility re-assessment could be missed at renewal and entitlement to a Blue Badge may no longer be valid due to changed mobility circumstances of the holder.	Medium	31 March 2013

3.14
Audit Title: Waste Disposal
Assurance level: Satisfactory

The corporate vision is "Putting Our Residents First" while the objective is to "make Hillingdon a cleaner and greener borough".

There are two contracts for recycling and waste disposal; one for dried co-mingled recycling waste and the other for heavy grade building industry and highways arising waste. Both contracts are in the process of being re-tendered.

The objective of the audit was to review processes in place which ensured the collection and disposal of dried co-mingled recycling and heavy grade waste was efficient, effective and economical.

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

- Roles and responsibilities are clearly defined
- Performance is appropriately monitored, benchmarked and reported;
- Payments made were in accordance with both contracts;
- There was evidence in place to ensure that waste was environmentally and legally disposed of.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
A local LBH Waste Management Strategy should be produced incorporating the relevant statutory guidelines and directives. It is good practice to have a clearly articulated waste management strategy that is linked to the Council's objectives.	Medium	November 2013
The Waste Service Manager must ensure that when calculating the recycling tonnage in the % performance calculation, the rejected recycling amount is excluded. This will ensure performance data can be compared with similar demographics.	Medium	August 2013
The Waste Development Manager and Performance Manager should document procedures for collecting, processing, and reporting household data. This will ensure consistent practices are adopted in the absence of key personnel.	Medium	August 2013

3.15
Audit Title: Caretaking Services on Estates
Assurance Level: Satisfactory

The Caretaking Service upholds the Council's Estate Service Standards by undertaking a variety of tasks on the Borough's council housing estates. These include:

- Routine cleaning of all communal areas
- Carrying out thorough inspections of shared areas
- Providing an emergency out of hours service.

The service employs approximately 40 staff (caretakers and supervisors), has a fleet of vehicles and uses various equipment and cleaning supplies.

Caretakers also have a secondary role of being the 'eyes and ears' of the Council and can represent the public face of the Council on the estates where they carry out their work.

The service is currently undergoing a BID review and has recently relocated from the Housing Office in Yiewsley to the Civic Centre.

Not covered in the audit were:

- Out of borough caretaking service
- Resident caretakers
- Charging arrangements for leaseholders.

The audit objective was to ensure that management of the Caretaking Services on Estates is efficient, effective, and economical.

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

- Policies and procedures
- Purchasing of Supplies and Services
- Vehicle and Fuel Use
- Staffing
- Stores Management
- Performance Management.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
An annual stock check should be carried out by an independent officer. The check should be evidenced by signing and dating. Without an evidenced check, misappropriation of stock may not be identified.	Medium	October 2013
The Caretaking Service should carry out a general review of its ways of working and ensure it makes use of electronic files where possible. Where paper documents are still required, they should be scanned and then disposed of to prevent storage of unnecessary amounts of	Medium	March 2014

paper.

3.16
Audit Title: Applications Processing Team
Assurance level: Satisfactory

Following a BID Transformation Review, the Applications Processing Team was formed and became the first point for the receipt of a range of applications submitted to the Council.

The team receives, logs and processes a wide variety of applications, such as licences, registrations, permits and permissions, for the Residents Services Directorate on behalf of the service formally responsible for the regulation of the activity.

Applications must be made on the form provided by the Council or can be made on-line, and must include specified information which will vary depending on the application type.

The team also provides information and assistance to businesses and applicants in relation to applications processed via web services, reception and telephone.

The overall objective of the audit was to ensure that there are adequate arrangements in place for the correct and timely processing of applications by the Applications Processing Team.

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

- Roles and responsibilities
- Applications processing
- Fee charging and collection

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
Sample quality checking of applications processed by the Applications Processing Team should be undertaken periodically by the Team Leader, who should maintain a record of the applications checked as evidence. If the quality of work is not checked, incorrect processing of applications may not be identified and remedial action taken.	Medium	November 2013
Regular reconciliation should be made to verify that for applications attracting a fee and processed by the	Medium	May 2013

Applications Processing Team, expected income equates to income banked. In this way any income shortfalls would be realised promptly.

Initiating refunds and internal checking should be appropriately evidenced to confirm accuracy and legitimacy of refunds, otherwise erroneous payment could be made.	Medium	Immediate
All paper applications / customer information received should be adequately secured until it is no longer required and then they should be subject to confidential waste disposal. Without this Data Protection requirements may not be complied with.	Medium	May 2013

3.17
Audit Title: HR Operations Processing
Assurance level: Satisfactory

Payroll accounts for a large percentage of the council's expenditure. It is therefore vital that changes and amendments to payroll give adequate assurance to management that payments through the payroll are appropriate. Human Resources (HR) are responsible for implementing changes to employees' post, payroll and personal details on the Resourcelink system when instructions are received from delegated authorised officers. They are also responsible for ensuring that the changes are accurate and timely.

Council's payroll expenditure for the financial year 2011/12 totalled £251,032,491.27. This included the schools' payroll, which the Council no longer processes. From April 2012 to December 2012, expenditure was £82,753,267:99.

The objective of the audit is to ensure that payroll amendments are valid, appropriately authorised, accurate, and timely.

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

- Documented procedures were in place and accessible to staff.
- Roles and responsibilities were defined and there is appropriate segregation of duties in place.
- Checks were in place to ensure that employees' details are correctly and accurately amended.
- Priority was given to making changes relating to starters and leavers.

Improvements are needed to address risks in the following areas:

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

Employee Change of Details Form should be amended   Medium   July 2013
to state the following:

- the form can be signed, scanned and sent to HR Operations; or
- if the name of the authorising officer is going to be typed in, the authorising officer should be c.c'd in, when the email attaching the change form is sent from the line manager to HR.

Alternatively, an equivalent control could be introduced.

This will ensure managers (who only complete the form and are not approvers) are protected from claims of impropriety if there is a problem with the change. In addition, a fraudulent change will be detected.

3.18
Audit Title: Home Care – External Provision
Assurance level: Satisfactory

The External Home Care Provision is a service provided by the Council which enables elderly and vulnerable people to live in their own homes for as long as possible. The service includes helping people with their personal care, such as washing and dressing, and aiding them to take medication. It also includes other forms of home support such as light housework, preparing meals and shopping.

Private Home Care providers are contracted by the London Borough of Hillingdon (LBH) to provide home care to Service Users. This involves sending appropriately trained Carers to the Service User's home in order to carry out set tasks. Carers are required to complete tasks within an agreed timeframe and accurately record what they have done. Providers are required to use some form of electronic monitoring to comply with their contract. However not all providers currently have such systems and not all systems are properly linked into the LBH Call Monitoring System (ECMS).

Service Users undergo a financial assessment and, depending on the results, may be required to pay for all or some of their individual care package. The details of service users are recorded on the IAS Protocol system and the financial data is recorded on ContrOCC.

The Contracts and Inspection Team, now part of Corporate Finance's Commissioning service, have been undergoing a BID process recently. There are several changes being made relating to contracts management and electronic call monitoring.

The objective of the audit is to ensure that management of the External Home Care Provision is efficient, effective, and economical.

We were pleased to report risks are appropriately addressed in these areas:
- Inspection of Contractors

- Financial Controls
- Data Protection

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
For non-ECMS clients, samples of time sheets should be requested from the providers and checked against the time for which the provider invoiced; otherwise actual work done may not be checked.	Medium	January 2014
ECMS reports currently being developed should include monthly performance reports with analysis to highlight any adverse trends. Providers should also receive the reports they require. If this is not done the usefulness of ECMS will be diminished and at risk service users may not be identified	Medium	January 2014

3.19
Audit Title: Public Safety Contracts
Assurance level: Satisfactory
The overall responsibility for Public Safety Service contracts lies with the Deputy Director, Public Safety and the Environment.

The contracts were arranged through the Council's Procurement Team and appear on the Contracts Register. Currently seven contracts are recorded under the responsibility of the Public Safety Service with the contract / budget manager for the majority of the current contracts being the Manager – Waste Division.

The contract areas are specialist waste removal and disposal, kerbside recycling, hardcore and rubble removal, metal bin supply and repair, and graffiti removal.

For the remaining contracts, the contract / budget manager is the Public Protection Services Manager. The contract areas relate to imported food service and sampling and analysis.

The objective of the audit is to ensure that contracting and contract management arrangements in the Public Safety Service are effective.

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

- Pre-contract stage compliance with Standing Orders
- Contract monitoring including health & safety

- Roles & responsibilities
- Financial responsibility – expenditure and budgetary control.

Improvements are needed to address risks in the following areas:

Control improvements required	Risk	Agreed Target Date
The original sealed contract should be promptly passed to Legal Services for safekeeping following formal sealing. Without this, the prime documentation could be lost making it difficult for the Council to defend legal action taken against it over the contract. (This is to be addressed by the Head of Procurement).	Medium	June 2013
Waste Services should obtain confirmation from the Procurement Team and Legal Services whether the current professional indemnity insurance currently held by the graffiti removal service contractor is acceptable. If not, the contractor should be instructed to increase the insurance cover; otherwise the sum insured may not cover eventualities which could result in financial loss to the Council. If any insurance requirements are to vary in the future, then this should be reflected in the Conditions of Contract document and Standing Orders. (This is to be addressed by the Head of Procurement).	Medium	June 2013
A decision is required as to who should periodically check that contractor insurances are being maintained during the course of a contract, otherwise if insurances are not maintained there could be an inability to make a claim resulting in possible financial loss to the Council. (This is to be addressed by the Head of Procurement).	Medium	June 2013
The contractor should be advised to have a contingency in place in the event of camera failure for the production of "before" and "after" photographs of graffiti removal work as any dispute over the work undertaken could be difficult to resolve.	Medium	May 2013
The contractor should be required to provide photographs with camera imprinted date and time recording as any dispute over the work undertaken could be difficult to resolve. Photographs supplied may not be bona fide and not relate to work within the Borough.	Medium	June 2013
Performance indicators and service standards should be clearly defined and regularly reported to Waste Services Management, who should undertake periodical verification of the accuracy of performance standards reported, otherwise contractor performance may be harder to assess.	Medium	July 2013

3.20
Audit Title: Brokerage Social Service
Assurance level: Full

The brokerage team was formed in 2010 and provides an in – house brokerage service for all Adult Social Service groups. It facilitates the effective purchasing of care arrangements, both residential or homecare, which are based on needs-led assessments and the resulting detailed care packages. Approximately 7,730 care packages are arranged annually.

It aims to identify the best service match between individual needs and the delivery of value for money. The budget for the service in 2012/13 was £44.42m. The brokerage team also negotiate/renegotiate fees for placements that are required outside the agreed framework and specialist placements.

The objective of the audit was to review the processes in place which ensure brokerage services are efficient, effective and economical.

We were pleased to report risks are appropriately addressed in these areas:
- roles and responsibilities are clearly defined.
- service user's assessment and support plans were being documented and approved.
- value for money was being achieved through use of West London Alliance framework and negotiating lowest possible rates.
- appropriate performance monitoring was carried out on a monthly, quarterly and annual basis. Management information was produced for the brokerage team, Senior Management Team and Cabinet. Information was also sent to West London Alliance to continue to help them to monitor rates, volumes and providers.

3.21. A review of Council Tax Student Exemptions & Discounts processes revealed no major control weaknesses, although there were improvement suggestions for consideration that concerned achieving greater consistency in practices when processing discounts.

3.22. Probity checks were conducted on health and social care professionals who were required to register with the Health and Care Professions Council. All staff required to register with HCPC in the sample of 53 taken had successfully done so.

3.23. There was an audit review of revised procedures after a monthly payments batch was processed twice. Although risks are reduced by introducing the new procedures, a further audit review will look at ways to reduce risk further.

3.24
Schools' Audit
The table below summarises the school audits finalised in the period, completing the programme for the year.

Audit Plan 2012/13	Assurance Level
Schools – Secondary	
Abbotsfield	Satisfactory
Schools - Primary	
Field End Junior	*
Hayes	Satisfactory
Hillingdon	*
Hillside	Satisfactory
William Byrd	Satisfactory
Schools – Special	
Chantry	Satisfactory
Schools – Infant	
Harefield	Satisfactory

* satisfactory opinion, but awaiting headteachers'
written responses.

4. Follow up Audits

4.1. We continue to monitor management progress by a programme of follow up reviews of the action points from previous audits, with an emphasis on ensuring high and medium risk level recommendations are fully implement in the agreed timescales.

4.2. In some instances a planned follow up review is delayed if it is known that specific recommendations have planned implementation dates that have needed to be revised.

4.3. As also explained in 3.3 above Appendices 2 to 4 detail progress made to implement audits in respective previous years. Appendix 5 is an analysis of progress made in implementing recommendations for those follow up reviews carried out in this period.

5. Fraud Work

National Fraud Initiative

5.1. All data match reports were accessible on the NFI's secure website and all have been referred to the relevant departmental contacts for review. Internal audit staff are investigating payroll matches and responding to queries from other councils' investigators.

Fraud Investigations

5.2. Investigations into irregularities and fraud from the current year and those outstanding from the previous year were all concluded, with reports being issued upon conclusion of the investigation where appropriate.

5.3. Five confidential investigations were concluded in the period, plus one remaining from last year. The outcomes are contained in Part II of this report. One investigation has been opened up in the new year and the results of which will be reported to a later meeting of this committee.

Internal Audit Plan 2012/13 Progress							
Audit Title	**Status**	**Date Finalised**	**Assurance Level**	**Follow Up Date (next scheduled f/up)**	**Number of outstanding recommendations**		
					H	**M**	**L**
CROSS CUTTING CORPORATE ISSUES							
Anti Fraud and Investigation							
National Fraud Initiative (NFI)	Ongoing						
Fraud Awareness	Ongoing						
Fraud/Irregularity Investigations	Ongoing						
Planned proactive:							
Professional Fees	Finalised	23/4/12	n/a	May 2013	0	0	0
Employee Expenses	Finalised	12/11/12	n/a		1	1	0
Use of Purchase Cards	Finalised	20/9/12	n/a	Dec 2012	0	1	0
Single Tender Actions	Fieldwork						
Compliance with Quotes & Tenders - covered as part of applicable individual audits	Completed	n/a	n/a		0	0	0
Council Tax Student Exemptions (NFI)	Completed	1/6/13	n/a		0	0	0
Succession Tenancies	Drafting						
Bribery Act Framework – specific service	Finalised	01/10/12	n/a	June 2013 (next November 2013)	0	3	1
Data Matches	Ongoing						
Other Cross-Cutting							
Annual Governance Statement – compliance checks	Completed		n/a				
Advice and Information (ad hoc)	Ongoing						
Consultancy Advice - specific projects	Ongoing						
Employee Expenses - Automated Payments	Completed		n/a		0	0	0
~~Insurance - Risk Mitigation~~ (included with Trees – Compensation Claims)	Deleted						
Voluntary Organisations Support	Completed		Satisfactory				
Supplier Viability	Drafting						

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Internal Audit Plan 2012/13 Progress							
Audit Title	**Status**	**Date Finalised**	**Assurance Level**	**Follow Up Date (next scheduled f/up)**	**Number of outstanding recommendations**		
					H	**M**	**L**
Establishment Audits - to be determined	Deleted						
Misc Audit Tasks							
Follow ups	Ongoing						
Brought forward Audits	Ongoing						
CENTRAL SERVICES							
Democratic Services							
Registration Services	Finalised	21/01/13	Satisfactory		0	2	3
Finance							
~~NNDR~~	Deferred						
Value Added Tax	Drafting						
~~Treasury Management~~	Deferred						
Human Resources							
Personnel Records	Draft issued						
HR Operations Processing	Finalised	31/5/13	Satisfactory		0	1	0
Sickness Absence	Draft issued						
~~Schools' HR~~	Deleted						
Overtime and Standby Payments	Drafting						
Professional Association Checks	Finalised	26/2/13	n/a		0	0	0
Policy, Performance & Partnerships							
~~Performance Management~~	Deferred						
PLANNING, ENVIRONMENT, EDUCATION & COMMUNITY SERVICES							
Corporate Property & Construction							
~~School Building - Project Mgt Phase 2~~	Deferred						
Education							
Childrens' Centres (included with schools)	Completed	28/3/13	Satisfactory	n/a			

Internal Audit Plan 2012/13 Progress							
Audit Title	**Status**	**Date Finalised**	**Assurance Level**	**Follow Up Date (next scheduled f/up)**	**Number of outstanding recommendations**		
					H	**M**	**L**
Music Service	Finalised	29/4/13	Limited		3	1	0
~~Rural Activities Garden Centre~~	Deferred						
School Admissions Service	Drafting						
Schools - Primary							
Belmore Primary	Finalised	21/11/12	Limited	n/a now an academy			
Charville Primary	Finalised	11/2/13	Satisfactory	n/a now an academy			
Colham Manor Primary	Finalised	23/11/12	Full		0	3	1
~~Cranford Park Primary~~	Deleted						
Field End Junior	Draft issued						
Harlyn Primary	Finalised	23/1/13	Satisfactory		2	9	0
Hayes Park Primary	Finalised	20/3/13	Satisfactory		0	4	0
Hillingdon Primary	Draft issued						
Hillside Junior	Finalised	11/2/13	Satisfactory	May 2013 (next September 2013)	0	1	0
Pinkwell Primary	Finalised	28/3/13	Satisfactory	May 2013 (next September 2013)	1	1	0
William Byrd Primary	Finalised	17/4/13	Satisfactory		0	5	1
~~Wood End Primary~~	Deleted						
Schools - Special							
Chantry	Finalised	11/2/13	Satisfactory		1	5	0
Schools - Secondary							
Abbotsfield	Finalised	4/3/13	Satisfactory		1	6	0
Harlington Community	Finalised	22/1/13	Limited	March 2013	0	0	0
Ruislip High School	Finalised	8/2/13	Satisfactory	February 2013 (next July 2013)	3	4	0
ICT, Highways & Business Services							

	Status	Date Finalised	Assurance Level	Follow Up Date (next scheduled f/up)	Number of outstanding recommendations		
Internal Audit Plan 2012/13 Progress							
Audit Title					H	M	L
CRC Efficiency Scheme	Completed data check	31/7/12	n/a	n/a	0	0	0
IT Security & Data Handling	Completed	26/6/12	Limited	October 2012	0	0	0
~~Highways - Rhino Machines~~	Deleted						
~~Harlington Road Depot - Fuel~~	Deleted						
~~Energy Usage~~	Deleted						
Facilities Mgt - Mechanical & Electrical	Finalised	20/3/13	Limited	In progress (recommendations likely implemented)	6(4)	7(6)	5
Planning, Sport & Green Spaces							
~~Mayoral Community Infrastructure Levy~~	Deferred						
Trees - Compensation Claims	Fieldwork						
Golf Courses	Finalised	21/11/12	Limited	February 2013 (next July 2013)	2	1	0
Blue Badge Scheme	Finalised	23/4/13	Satisfactory	May 2013 (next August 2013)	0	3	0
Public Safety							
Investigations Team	Fieldwork						
Public Safety Contracts	Finalised	11/6/13	Satisfactory				
Commercial Waste Collection	Finalised	23/11/12	Satisfactory	In progress	1	5	3
Waste Disposal - All Waste	Finalised	17/5/13	Satisfactory		0	3	0
Libraries	Drafting						
Licensing Services	Finalised	31/3/13	Satisfactory		2	3	1
Application Processing Team	Finalised	23/5/13	Satisfactory		0	5	5
Transportation & Planning Policy							
Chrysalis	Draft issued						
SOCIAL CARE, HEALTH & HOUSING							
Access & Assessment							

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Internal Audit Plan 2012/13 Progress							
Audit Title	**Status**	**Date Finalised**	**Assurance Level**	**Follow Up Date (next scheduled f/up)**	**Number of outstanding recommendations**		
					H	**M**	**L**
~~Self Directed Support~~	Deferred						
~~Assessment & Care Mgt - Adults~~	Deleted						
Mental Health Service	Fieldwork						
Children & Families							
~~Children's Placements~~ (covered in Referral & Assessments – Children)	Deleted						
Looked After Children 21-25 Education	Drafting						
Residential Services - Children	Draft issued						
Referral & Assessments - Children	Drafting						
Youth Offending Service	Finalised	24/5/13	Satisfactory		0	2	1
Personalised Services							
Homecare - External Provision	Finalised	10/6/13	Satisfactory		0	2	0
Adult Care Scheme	Finalised	23/1/13	Full		0	3	1
~~Disabilities Service - Adults~~	Deleted						
~~Homecare In-House Provision~~	Deferred						
Commissioning, Contracts & Supply							
~~Contracts & Inspection Service - SCHH~~ (Covered in Home Care-External Provision)							
Brokerage - Social Services	Finalised	28/3/13	Full		0	0	0
Commissioning Third Sector Providers	Finalised	28/1/13	Satisfactory	March 2013 (next July 2013)	0	2	0
Other							
Support to Carers	Draft issued						
Housing Needs							
Private Sector Housing	Drafting						
HMO Licensing	Finalised	14/12/12	Satisfactory	February & June 2013	0	0	0
Housing Benefit Subsidy accuracy	Completed	13/12/12	n/a				
Empty Property Management	Finalised	17/12/12	Satisfactory	March 2013	0	1	0

Internal Audit Plan 2012/13 Progress							
Audit Title	**Status**	**Date Finalised**	**Assurance Level**	**Follow Up Date (next scheduled f/up)**	**Number of outstanding recommendations**		
					H	**M**	**L**
				(next July 2013)			
Council House Aids & Adaptations	Fieldwork						
Housing Maintenance							
~~Housing Services Major Works~~	Deferred						
~~Housing Gas & Other Servicing Contracts~~	Deferred						
Housing Stock Data	Finalised	26/3/13	Satisfactory		1	1	1
Housing Management							
TeleCareLine	Finalised	8/2/13	Satisfactory		1	2	0
Caravan Site	Finalised	29/01/13	Full	May 2013 (next October 2013)	1	0	0
Caretaking Services on Estates	Finalised	14/5/13	Satisfactory		0	2	2
ICT auditors - various - contractor							
Disaster Recovery	Finalised	23/1/13	Satisfactory	April 2013	0	0	0
ICT Strategy	Finalised	29/10/12	Satisfactory		0	3	0
~~Desktop Refesh Programme~~ replaced by: Service Desk Review	Finalised	26/4/13	Satisfactory		0	2	2
Web & Network Security	Finalised	18/3/13	Satisfactory		0	4	2
Electronic Document Management – Setting up, storage, automatic deletion of records	Finalised	24/12/12	Satisfactory	Recommendations implemented prior to finalising report	0	0	0
~~Onyx upgrade~~	Deferred						
Contingency							
Hillingdon Grid for Learning	Finalised	29/10/12	Satisfactory	April 2013	0	0	0
Building Maintenance - Statutory Requirements	Finalised	23/4/13	Limited		2	5	2
Right to Buy Valuations	Finalised	1/10/12	Full	n/a	0	0	0
SEN Transport Costs	Draft Issued						
Investigations							

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Internal Audit Plan 2012/13 Progress					Number of outstanding recommendations		
Audit Title	**Status**	**Date Finalised**	**Assurance Level**	**Follow Up Date (next scheduled f/up)**	**H**	**M**	**L**
Investigation 061	Closed	n/a	n/a	n/a			
Investigation 062	Closed	n/a	n/a	n/a			
Investigation 063	Closed	n/a	n/a	n/a			
Investigation 064	Closed	n/a	n/a	n/a			
Investigation 065	Closed	n/a	n/a	n/a			
Investigation 066	Closed	n/a	n/a	n/a			
Investigation 067	Closed	28/3/13	n/a	March 2013 (next September 2013)	4	0	0
Investigation 068	Closed	n/a	n/a				
Investigation 069	Closed	1/2/13	n/a	n/a			

Internal Audit Plan 2011-12 Follow Up Progress							
Audit Title	Status	Date Finalised	Assurance Level	Last Follow Up Date (next scheduled f/up)	Number of outstanding recommendations		
					H	M	L
CROSS CUTTING CORPORATE ISSUES							
Anti Fraud and Investigation							
Compliance with Driving Policy (Non council vehicles)	Finalised	24/5/12	n/a	In progress	2	2	0
CENTRAL SERVICES							
Finance							
Creditors	Finalised	4/10/12	Satisfactory	January 2013 (next August 2013)	1	0	0
Human Resources							
HR Payroll Changes & Trigger Dates	Finalised	2/5/12	Satisfactory	March 2013	0	0	0
Audit & Enforcement							
Planning Enforcement (back into PEECS)	Finalised	9/8/12	Satisfactory	June 2013 (next August 2013)	0	2	0
SOCIAL CARE, HEALTH & HOUSING							
Adult & Older People Services							
Self Directed Support	Finalised	14/12/12	Satisfactory	March 2013 (next August 2013)	0	1	0
Children's Social Services							
Fostering	Finalised	25/2/13	Satisfactory		1	4	2
Adoption	Finalised	24/09/12	Full	March 2013 (next September 2013)	0	1	0
Emergency Duty Team	Finalised	21/11/12	Full		0	1	0
Hillingdon Housing Services							
Housing Repairs & Maintenance - Responsive	Finalised	30/11/11	Limited	In progress	2	2	0
Housing Repairs & Maintenance – Planned, including Major Works	Finalised	5/1/12	Satisfactory	May 2013 (next September 2013)	0	1	0
PLANNING, ENVIRONMENT, EDUCATION &							

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Internal Audit Plan 2011-12 Follow Up Progress							
Audit Title	Status	Date Finalised	Assurance Level	Last Follow Up Date (next scheduled f/up)	Number of outstanding recommendations		
					H	M	L
COMMUNITY SERVICES							
Street Environment							
Street Lighting	Finalised	29/11/11	Limited	May 2013	0	0	0
Highways - Reactive Maintenance	Finalised	21/11/12	Satisfactory	June 2013	2	1	0
Corporate Construction							
School Building Programme, Phase 1 - Permanent	Finalised	6/3/13	Limited	June 2013 (next Oct 2013)	2	0	0
School Building Programme, Phase 1A - Temporary	Finalised	6/3/13	Limited	June 2013	0	0	0
Construction Contracts - Final Accounts	Finalised	8/11/12	Limited	May 2013	0	0	0
Green Spaces, Sport & Leisure							
Greenwich Leisure Ltd Contract	Finalised	13/02/12	Limited	April 2013	0	0	0
Transport Services							
Fuel at Harlington Road Depot	Finalised	24/01/12	Limited	June 2013 (next August 2013)	0	1	0
Stores at Harlington Road Depot	Finalised	8/11/12	Limited	June 2013 (next September 2013)	5	8	1
Property Services							
Utilities Contracts - Water	Finalised	30/5/12	Limited	In progress	3	0	1
Consumer Protection							
Food Health & Safety Services	Finalised	20/8/12	Limited	May 2013 (next August 2013)	0	2	3
Business Services							
Heathrow Imported Food Unit	Finalised	4/4/12	Satisfactory	May 2013 (next September 2013)	0	4	0
Passenger Services	Finalised	25/6/12	Limited	May 2013 (next September 2013)	1	0	0
Cemeteries	Finalised	12/9/11	Satisfactory	April 2013 (next October 2013)	0	1	0

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Internal Audit Plan 2011-12 Follow Up Progress							
Audit Title	Status	Date Finalised	Assurance Level	Last Follow Up Date (next scheduled f/up)	Number of outstanding recommendations		
					H	M	L
Youth Services							
Youth and Connexions Services	Finalised	7/10/11	Satisfactory	June 2013	0	0	0
Other Education							
Pupil Referral Unit	Finalised	20/07/12	Limited	May 2013 (next November 2013)	1	0	0
Early Years Centres	Finalised	21/11/12	Satisfactory	In progress	3	7	3
Schools - Primary							
Hermitage	Finalised	21/11/11	Satisfactory	March 2013	0	0	0
St Swithun Wells	Finalised	26/3/12	Full	April 2013	0	0	0
Contingency Audits							
New Year's Green Lane Weighbridge	Finalised	19/6/12	Limited	May 2013 (next September 2013)	0	1	3
CRC Energy Efficiency Scheme	Finalised	15/2/12	Limited	Dec 2012 (next November 2013)	1	0	0
Investigation 057	Finalised	19/11/12	n/a	February 2013 (next July 2013)	2	0	0
Investigation 060	Closed						

Internal Audit Plan 2010-11 Follow Up Progress							
Audit Title	**Status**	**Date Finalised**	**Assurance Level**	**Last Follow Up Date (next scheduled f/up)**	**Number of outstanding recommendations**		
					H	**M**	**L**
DCEO							
Learning & Development	Finalised	01/07/11	Satisfactory	March 2012 (next Sept 2013)	0	1	0
EDUCATION & CHILDREN'S SERVICES							
People with Physical and Sensory Disability							
Children with Disabilities - Transition	Finalised	14/09/11	Limited	February 2013 (next June 2013)	1	1	0
ENVIRONMENT & CONSUMER PROTECTION							
Property							
Facilities Management Contract	Finalised	6/10/11	Limited	May 2013 (next September 2013)	0	2	0
Arts, Culture, Libraries & Adult Education							
Culture and Arts Strategy	Finalised	11/11/10	Satisfactory	Follow up in progress	1	0	0
Sport and Leisure							
Fusion Management Contract	Finalised	06/07/11	Limited	November 2012 (next July 2013)	2	0	0
Contingency							
Investigation 030	Finalised	15/10/10	n/a	September 2012 – to add to planned audit 2013/14	1	2	0
ICT audit contract							
E-Payments	Finalised	April 11	Limited	May 2013	0	0	0

Internal Audit Plan 2009-10 Follow Up Progress							
Audit Title	Status	Date Finalised	Assurance Level	Last Follow Up Date (next scheduled f/up)	Number of outstanding recommendations		
					H	M	L
ENVIRONMENT & CONSUMER PROTECTION							
Highways Planned Maintenance	Finalised	26/01/10	Satisfactory	May 2013 (next January 2014)	0	2	0
CHILDREN'S SERVICES							
Asylum Accommodation	Finalised	23/04/10	Satisfactory	June 2013	0	3	0
Learning Disabilities							
Sec 75 Agreement (Funding of LD Services)	Finalised	6/10/10	Satisfactory	June 2013	0	0	0

Appendix 5

Internal Audit Plan Follow Up Progress Summary															
AUDIT TITLE	Date Original Audit Issued	Original no. of recommendations			(Original no. of recommendations)			Implemented at last follow up			Yet to implement			Next Follow Up Date
First Follow Ups		High	Medium	Low	High	Medium	Low	High	Medium	Low	High	Medium	Low	
Housing Repairs - Planned Follow Up	Jan-12	0	3	2	0	3	2	0	2	2	0	1	0	Sep-13
New Years Green Lane Weighbridge	Jun-12	5	8	7	5	8	7	5	7	4	0	1	3	Aug-13
Pupil Referral Unit Follow Up	Jul-12	3	7	3	3	7	3	2	7	3	1	0	0	Oct-13
Adoption Follow Up	Sep-12	0	1	1	0	1	1	0	0	1	0	1	0	Aug-13
Bribery Act	Oct-12	0	3	1	0	3	1	0	0	0	0	3	1	Nov-13
Stores at Harlington Road Depot	Nov-12	7	10	1	7	10	1	2	2	0	5	8	1	Sep-13
Golf Courses Audit Follow Up	Nov-12	7	5	1	7	5	1	5	4	1	2	1	0	July-13
Self Directed Support Follow Up	Dec-12	0	3	0	0	3	0	0	2	0	0	1	0	May-13
Empty Property Management (Voids) Follow Up	Dec-12	0	2	0	0	2	0	0	1	0	0	1	0	Jun-13
Caravan Site Follow Up	Jan-13	1	0	2	1	0	2	0	0	2	1	0	0	Sep-13
Commissioning 3rd Sector Providers Follow Up	Jan-13	2	2	1	2	2	1	0	2	1	2	0	0	Jun-13
Disaster Recovery Follow Up	Jan-13	0	1	1	0	1	1	0	1	1	0	0	0	n/a
Hillside Junior School	Feb-13	0	3	3	0	3	3	0	2	3	0	1	0	Sep-13
Ruislip High School	Feb-13	5	7	4	5	7	4	2	3	4	3	4	0	July-13
School Building Prog Ph 1-Permanent	Mar-13	3	1	0	3	1	0	1	1	0	2	0	0	Nov-13
School Building Prog Ph1A -Temporary	Mar-13	3	1	1	3	1	1	3	1	1	0	0	0	n/a
Pinkwell Primary School	Mar-13	1	3	2	1	3	2	0	2	2	1	1	0	Sep-13
Missing Litter Fines Follow Up	Mar-13	5	0	0	5	0	0	1	0	0	4	0	0	Aug-13
Blue Badges Follow Up	Apr-13	1	6	5	1	6	5	1	3	5	0	3	0	July-13

Internal Audit Plan Follow Up Progress Summary													
AUDIT TITLE	**Date Original Audit Issued**	**Original no. of recommendations**			**Outstanding after last follow up**			**Implemented since last follow up**			**Yet to implement**			**Next Follow Up Date**
Subsequent Follow Ups		High	Medium	Low	High	Medium	Low	High	Medium	Low	High	Medium	Low	
Corporate Construct'n-Final Acc's (2nd)	Nov-12	10	4	0	1	1	0	1	1	0	0	0	0	n/a
Section 75 Agreement LD (4th)	Oct-10	0	2	0	0	1	0	0	1	0	0	0	0	n/a
HMO Licensing (2nd)	Dec-12	0	5	0	0	1	0	0	1	0	0	0	0	n/a
Passenger Services (2nd)	Jun-12	6	6	0	4	6	0	3	6	0	1	0	0	Jun-13
Highways Reactive Follow Up (2nd)	Nov-12	2	2	1	2	1	1	0	0	0	2	1	1	Sep -13
Heathrow Imported Food Unit (2nd)	Apr-12	0	8	0	0	4	0	0	0	0	0	4	0	Aug-13
HR Payroll And Trigger Dates (2nd)	Nov-12	0	8	0	0	3	0	0	3	0	0	0	0	n/a
Cemeteries (3rd)	Sep-11	1	4	5	0	3	0	0	2	0	0	1	0	Sep-13
Greenwich Leisure Contract (2nd)	Feb-12	3	2	0	1	0	0	1	0	0	0	0	0	n/a
Hillingdon Grid For Learning (2nd)	Oct-12	1	5	4	1	1	2	1	1	2	0	0	0	n/a
E-payments (5th)	Apr-11	4	5	2	1	0	0	1	0	0	0	0	0	n/a
Street Lighting (5th)	Nov-11	1	3	0	1	0	0	1	0	0	0	0	0	n/a
Highways Planned Maintenance (6th)	Jan-10	0	4	0	0	2	0	0	0	0	0	2	0	Aug-13
Youth & Connexions Services (3rd)	Oct-11	0	7	4	0	1	0	0	1	0	0	0	0	n/a
Food Health & Safety (2nd)	Aug-12	3	9	6	0	5	5	0	3	2	0	2	3	Sep-13
Planning Enforcement (2nd)	Aug-12	3	12	0	0	3	0	0	1	0	0	2	0	Aug-13
Harlington Road Depot – Fuel (5th)	Jan-12	4	9	0	0	1	0	0	0	0	0	1	0	Aug-13
Facilities Management (5th)	Oct-11	3	5	0	0	2	0	0	0	0	0	2	0	Aug-13
Total		**84**	**166**	**57**	**54**	**101**	**43**	**30**	**60**	**34**	**24**	**41**	**9**	
% Implemented by risk this period								**56%**	**59%**	**79%**				
Overall % Implemented in this period												**63%**		
Overall % not implemented this period												**37%**		
% of original recommendations now implemented by risk category		**71%**	**75%**	**84%**										

The Draft Annual Governance Statement 2012-13

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

SUMMARY

1. An update on preparing the Annual Governance Statement (AGS) was last reported to the Committee on 12 March 2013. Steady progress has been made to deliver the key components feeding into the draft AGS, which has included collecting cross-council assurance statements. Currently, the Council is on schedule to publish the AGS alongside the Statement of Accounts in September 2013.

2. During March and April, all Deputy Directors and Heads of Service submitted governance assurance statements. Internal Audit conducted a detailed review of all submissions and supporting evidence, concluding that the Council has an effective internal control and governance system in place. The review process has highlighted a number of governance that are outlined in section 5 of the attached draft AGS (Appendix A).

3. A full draft 2012-13 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 2011-12 AGS.

REASON FOR REPORT

4. This briefing provides the Audit Committee with a progress update and presents a draft 2012-13 AGS for comment.

RECOMMENDATION

5. Members are invited to review the production of the draft 2012-13 AGS and offer comments on its content.

6. At this stage the AGS is draft and subject to possible amendment. The Committee will be invited to adopt the AGS once it is signed and agreed by the Leader of the Council and the Chief Executive, for publication alongside the annual accounts in September 2013.

London Borough of Hillingdon

Annual Governance Statement 2012-13

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 2013 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.

1. **The London Borough of Hillingdon's Constitution**, 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.

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 an ethical framework governing the conduct of members and co-opted members, introduced by the Localism Act 2011, which came into force on 1st 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
- Senior Management Teams
- The Audit Committee, led by an independent chairman
- Standards Committee and a Code of Conduct for Members and Co-opted Members

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.

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. This is periodically updated to reflect the changes to Director's responsibilities in line with business priorities.

5   Part 5 of the Constitution sets out formal **'Codes of Conduct'** governing the behaviour and actions of all elected Council members and Council officers. An updated 'Code of Conduct for Members and Co-opted Members' was adopted on 5 July 2012 to meet the provisions of the Localism Act 2011. The code ensures that councillors conduct themselves appropriately to fulfil their duties and that any allegations of misconduct are investigated. There is a separate 'Code of Conduct for Employees', which applies to all Council officers and is part of their contract of employment. The authority regularly reviews the code and guidance to ensure these requirements reflect changes to the Council structure.

6   **A Member training programme** is devised for each municipal year. Given that there is a new ethical regime in place for Members and Co-opted Members of the Council, training on the new Code of Conduct took place in the Autumn of 2012, delivered by the Borough Solicitor and Head of Democratic Services. Complaints about a breach of the Code will be handled in accordance with the requirements of the Localism Act 2011. A Whips Protocol has been introduced as part of the new framework and complainants are now expected to use it first, with complaints only to be escalated to the Monitoring Officer and Standards Committee if they cannot be resolved through this process. The Council has also put in place a comprehensive induction and training programme for elected councillors along with specific training on risk, scrutiny, planning and licensing rules.

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.

8   **A Member '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.

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.

10   **A formal whistle-blowing policy**, which is based on the Public Interest Disclosure Act 1998, 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.

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 Heritage, 'Our Environment' and 'Sound 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).

12   **The Hillingdon Improvement Programme (HIP)** is Hillingdon's strategic 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 residents about customer care, waste and recycling services, libraries, our primary and secondary schools and how well they 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 Chief Executive and Corporate Director for Administration is the programme director. Cabinet members and directors are also responsible for specific HIP projects.

13   **The Business Improvement Delivery (BID)** programme is a key part of HIP and was been designed to fundamentally transform the way the Council operates. Through the programme, savings of £17.7 million were delivered in 2012-13 in addition to the £15.6 million and £26.2 million delivered in 2010-11 and 2011-12 respectively. The BID programme delivery and expenditure is overseen by the Leader of the Council, and the Deputy Chief Executive and Corporate Director of Residents Services.

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 and Corporate Directors. Monthly reports on key financial health indicators are produced and communicated through the finance management team.

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.

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.

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 Health and Wellbeing Strategy and 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 is updated throughout the year rather than refreshed annually.

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*.

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.

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 management of risks to delivering 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.

21 **Occupational Health and Safety Services** provide advice and support to the Corporate Safety Forum, Group Health and Safety Advisors and managers regarding health and safety issues. The Corporate Safety Forum assists in ensuring a consistent approach to health and safety management is adopted throughout the Council. It reviews health and safety performance across the Council and discusses matters of topical and strategic interest that have corporate health and safety consequences.

22 Through the **Hillingdon Information Assurance Group** (HIAG) the Council implements and review policies, procedures and training to ensure a high level of information security assurance and effective data and information management.

23 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.

24 **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 2012 these schemes were reviewed and updated to account for changes to the Council structure and roles and responsibilities of Corporate Directors.

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

26   **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 Council's 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.

27   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.

28   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

29   **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.

30   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. The scheme was reviewed and revised by the Council in May 2013.

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 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 2013 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:

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

2   The role and responsibilities of the Corporate Director of Finance, 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.

3   The work of the external auditors as reported in their annual audit letter.

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 2012-13.

5   The internal control assurance statement template was updated for the 2012-13 review. The template provides more detail on the assurances required and the evidence to support them. Statements were received from all Deputy Directors and Heads of Service covering the financial year 2012-13. 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.

6   The London Borough of Hillingdon has continued to maintain effective financial management throughout the financial year, with unallocated reserves increasing to £30.3 million as at 31 March 2013.

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.

8   Implementation of performance measures ensures that each area achieves its targets in service delivery, financial control, and good governance.

9   Throughout 2012-13 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
   ● Adopting an updated Code of Conduct for Members and Co-opted Members
   ● Updating the 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. Through the Council's BID programme, current ways of working are also being rigorously challenged and tested against processes and procedures applied in the business world, which is unusual for Local Government. This has meant that Hillingdon's approach has identified issues and therefore improvements that other Local Authorities may not.

All internal control issues reported in the 2011-12 AGS have been resolved, except that:

1. Historic weaknesses were identified in the monitoring and control of some construction projects, specifically around financial reporting. As part of a BID transformation project, new processes and procedures have been put in place that include "gateway sign offs". Staff are being trained and new documentation is being rolled out. Moving forward, the new Asset Management Service will bring together all property, construction and maintenance functions and these new ways of working will be implemented consistently across the service for all teams.

Following a review of the effectiveness of the system of internal control, the following governance issues have been identified in 2012-13:

2. The monthly budget monitoring process in passenger services was found to be insufficiently robust which resulted in a budget overspend picked up in Q4. A transport panel has now been set up to vet all applications for travel assistance and a more thorough monitoring approach between the manager and finance services has been implemented.

3. Money from fixed penalty notices for anti-social behaviour could not be accounted for. An internal audit was completed and all recommendations have been implemented. This has included a new process for handling cash payments.

4. In October 2012, the Residents Services directorate took responsibility for all Housing functions. Planned audit reviews and a subsequent BID review have highlighted control issues around the lack of formalised processes and procedures, contract management activity and regard to corporate ways of working and protocols. These issues are being addressed as part of the BID Asset Management and Tenancy Sustainment Programmes.

   - Specifically in housing repairs, a lack of contract management arrangements has led to legal challenge by a supplier and their staff.

5. A review of the Council's approach to contract management found that there was insufficient rigour in the monitoring of compliance with standing orders. In order to ensure consistent compliance with standing orders and the consolidation of contracts, Corporate Procurement and Social Care Commissioning functions have been brought together and a new Category Management approach is being implemented. This has also generated financial savings.

6. As part of the ongoing changes to the organisation through the BID process, there is a need to constantly review and update policies and procedures to take account changes in roles and responsibilities, scheme of delegations, succession plans, structure charts etc.

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.

Fran Beasley   Cllr Ray Puddifoot
Chief Executive   Leader of the Council
XX September 2013   XX September 2013

WORK PROGRAMME 2013/14

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
25 June 2013	CR 4A
26 September 2013	CR 4
12 December 2013	CR 4
11 March 2014	CR 3A

AUDIT COMMITTEE

2013/14 DRAFT Work Programme

25 June 2013	Corporate Fraud Team Work Plan	Head of Internal Audit
	Consolidated Fraud Report	Head of Internal Audit
	Review of the Internal Audit Terms of Reference	Head of Internal Audit
	Annual Review on the Effectiveness of Internal Audit	Head of Internal Audit
	Draft Annual Governance Statement	Chief Executive and Corporate Director of Central Services / Head of Policy
	Head of Internal Audit Annual Assurance Statement	Head of Internal Audit
	Internal Audit Progress Report	Head of Internal Audit
	Audit Committee Annual Report to Council	Head of Internal Audit
	New Terms of Reference of the Audit Committee	Democratic Services Manager
	Audit Committee Work Programme	Democratic Services Manager

Meeting Date	Item	Officer/member
26 September 2013	Approval of the 2012/13 Statement of Accounts and External Audit Report on the Audit for the year ended 31 March 2013	Director of Finance/Deloitte
	Deloitte Annual Audit Letter	Director of Finance/Deloitte
	External Audit Report to the Audit Committee on the 2012/13 audit of the Pension Fund Financial Statements	Director of Finance/Deloitte
	Internal Audit Progress Report and plan amendments	Head of Internal Audit
	Risk Management Quarter 1 Report – PART II	Head of Policy
	Audit Committee Work Programme	Democratic Services Manager

12 December 2013	* Private Meeting with Head of Audit to take place before the meeting	
	Internal Audit Progress Report and plan amendments	Head of Internal Audit
	Treasury Management Strategy 2014/15	Director of Finance
	Internal Audit Corporate Fraud Update	Head of Internal Audit
	Deloitte Annual Grant Audit Letter	Director of Finance/Deloitte
	Audit Committee Work Programme	Democratic Services Manager

11 March 2014	* Private meeting with the Council's External Auditors to take place before the meeting	
	Internal Audit Progress Report	Head of Internal Audit
	Internal Audit Strategy	Head of Internal Audit
	Internal Audit Operational Plan	Head of Internal Audit
	Review of Internal Audit Terms of Reference,	Head of Internal Audit
	Annual Governance Statement – Interim Report	Chief Executive and / Head of Policy
	Balances and Reserves Statement	Director of Finance
	Deloitte – 2013/14 Annual Audit Plan	Director of Finance/Deloitte
	Risk Management Report Part II	Head of Policy
	Audit Committee Work Programme	Democratic Services Manager

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Agenda Item 16

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