

## Minutes

### Audit Committee

Tuesday 15 March 2016

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



HILLINGDON  
LONDON

	<p><b>Members Present:</b> Councillors Richard Lewis (Vice-Chairman - In the Chair) Peter Davis, Tony Eginton and Susan O'Brien.</p> <p><b>Apology for Absence:</b> Rajiv Vyas (Chairman).</p> <p><b>Officers Present:</b> Kevin Byrne (Head of Policy and Partnerships), Garry Coote (Corporate Fraud Investigation Manager), Sarah Hydrie (Assistant Internal Audit Manager), Sian Kunert (Chief Accountant), Muir Laurie (Head of Business Assurance), Paul Whaymand (Corporate Director of Finance), Martyn White (Senior Internal Audit Manager) and Khalid Ahmed (Democratic Services Manager).</p> <p><b>Others Present:</b> Paul King and Alan Witty (External Audit - Ernst &amp; Young).</p> <p>Prior to the meeting, the Committee held a private meeting with the External Auditors.</p>
32.	<p><b>DECLARATION OF INTEREST</b></p> <p>Councillor Tony Eginton declared a Non-Pecuniary Interest in Agenda Item 6 - EY 2015/16 Annual Audit Plan and Pension Fund Audit Plan because he was a retired member of the Local Government Pension Scheme. He remained in the room during discussion on the item.</p> <p>Councillor Richard Lewis declared a Non-Pecuniary Interest in Agenda Item 6 - EY 2015/16 Annual Audit Plan and Pension Fund Audit Plan because he was a deferred member of the Local Government Pension Scheme. He remained in the room during discussion on the item.</p>
33.	<p><b>EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>It was agreed that all the items on the Agenda be considered in public with the exception of Agenda Item 13 - Business Assurance - Corporate Risk Register for Quarter 3 2015/16.</p>
34.	<p><b>MINUTES OF THE MEETING HELD ON 15 DECEMBER 2015</b></p> <p>Agreed as an accurate record.</p>
35.	<p><b>DELIVERING THE ANNUAL GOVERNANCE STATEMENT</b>      <b>Action By:</b></p>

	<p><b>(AGS) 2015-16</b></p> <p>The Committee was provided with an update on the process to be adopted and the approach to be taken in compiling the AGS 2015-16.</p> <p>Members were reminded that under the Accounts and Audit Regulations 2011, the Council was required to review and report annually on the effectiveness of its systems of internal control.</p> <p>Reference was made to the Member training programme and specifically the planned training for Audit Committee Members on Corporate Governance. Officers reported that training was provided at each meeting on specific areas and other training would be provided.</p> <p>The significant governance issues from 2014-15 which had not been resolved were detailed in the report.</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li><b>1. That the sources of management information, together with the assurance used to provide the AGS and procedure followed be noted.</b></li> </ol>	
<p><b>36.</b></p>	<p><b>ERNST YOUNG (EY) 2015/16 ANNUAL AUDIT PLAN AND PENSION FUND AUDIT PLAN</b></p> <p>Consideration was given to a report from the Council's external auditors, Ernst Young, which set out the initial plans for the 2015/16 audit. Included in this is the audit of the Pension Fund which forms part of the Council's published Financial Statement of Accounts.</p> <p><b>London Borough of Hillingdon Audit Plan</b></p> <p>The Committee was informed that the Audit Plan covered the work which the external auditors planned to perform to provide Members with EY's opinion on whether the financial statements of the London Borough of Hillingdon gave a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended. In addition it provided EY's conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.</p> <p>Detail was provided on Financial Statement Risks and Value for Money Risks. The conclusion of the Value for Money Risks was that there were no significant risks identified.</p> <p>Members were informed that the expected level of materiality, calculated on the basis of 2% of gross expenditure was</p>	

	<p>£13.6m and that EY planned to report on all uncorrected audit misstatements greater than £677,000.</p> <p>Reference was made to EY's fees, which were a 25% reduction from last year's audit.</p> <p><b>Hillingdon Pension Fund Audit Plan</b></p> <p>Detail was provided on Financial Statement Risks, together with an opinion detailed on the statement.</p> <p>The materiality was calculated on the basis of 1% of the net assets of the fund, which for 2016 was estimated as £8m. In respect of this, EY reported that they would expect to report on all unadjusted misstatements greater than £400,000.</p> <p>Also included in the report was a Local Government Audit Committee briefing paper which covered issues which impacted on local government and the audits which were undertaken by EY.</p> <p><b>RESOLVED –</b></p> <p><b>1. That the EY 2015/16 Annual Audit Plan and Pension Fund Audit Plan reports be noted.</b></p>	
<p><b>37.</b></p>	<p><b>BALANCES AND RESERVES STATEMENT 2016/17</b></p> <p>The Balances and Reserves Statement provided detail on the Council's approach to the management and measurement of unallocated balances.</p> <p>The Committee was informed that the recommended range for unallocated balances had increased to £15m to £31m in 2016/17, with the overall upper limit for balances £14m higher at £45m. This was to take account of the planning drawdown from reserves included in the Medium Term Financial Forecast from 2016/17.</p> <p>Reference was made to the key risks which determined the need to hold balances and reserves, particularly around supplier risk in relation to social care contracts.</p> <p><b>RESOLVED –</b></p> <p><b>1. That the contents of the report be noted.</b></p>	

<p>38.</p>	<p><b>REVISIONS TO THE TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2016/17 TO 2020/21</b></p> <p>Members were reminded that the draft Annual Treasury Management Strategy Statement and Investment Strategy for 2016/17 to 2020/21 had been considered at its meeting in December 2015. Members had asked that a further report be brought back to the Committee detailing the changes which had been made from the draft to the final version of the Statement.</p> <p>Reference was made to the number of minor changes which had been made to the final document to reflect updates to the Council's Capital Programme.</p> <p><b>RESOLVED -</b></p> <p><b>1. That the contents of the report be noted.</b></p>	
<p>39.</p>	<p><b>CORPORATE FRAUD INVESTIGATION TEAM PROGRESS REPORT - APRIL 2015 -FEBRUARY 2016</b></p> <p>The Committee was provided with a report which provided details of the work undertaken by the Corporate Fraud Investigation Team (CFIT) from April to February 2015.</p> <p>Members were informed that Corporate Fraud Investigation Team activities since April 2015 included the following:</p> <ul style="list-style-type: none"> <li>•Social Housing fraud</li> <li>•Council Tax/Business Rates inspections</li> <li>•Single Person Discount (SPD)</li> <li>•Temporary Accommodation and Housing Needs Reception</li> <li>•Right to Buy investigations</li> <li>•Proceeds of Crime investigations</li> <li>•Housing Waiting List</li> <li>•Enhanced Recruitment Verification</li> <li>•Blue Badge</li> <li>•Procurement fraud</li> <li>•Mobile working</li> <li>•Council Tax Reduction Scheme (CTR)</li> </ul> <p>The Corporate Fraud Investigation Manager reported that in relation to Social Housing Fraud, since April 2015, the Team had recovered 74 properties which were now available to be re-let to residents in genuine housing need.</p> <p>Reference was made to the work carried out in relation to</p>	<p><b>Action By:</b></p>

	<p>Single Person Discount for Council Tax which had resulted in successful results, with overpayments of around £69,000, which would be recovered as additional revenue to the Council.</p> <p>The Committee was provided with details of the work which had been carried out in relation to Temporary Accommodation and the Housing Needs Reception. Officers from CFIT were training Housing Officers on the identification of possible fraudulent claims.</p> <p><b>RESOLVED –</b></p> <p><b>1. That the Committee considered and noted the Corporate Fraud Investigation Team report.</b></p>	
<p><b>40.</b></p>	<p><b>BUSINESS ASSURANCE - DRAFT INTERNAL AUDIT PLAN 2016/17</b></p> <p>The Committee was informed that the Council's Internal Audit (IA) Plan sets out the planned IA approach and activity type for the forthcoming financial year and sought to:</p> <ul style="list-style-type: none"> <li>• Provide all Business Assurance key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes were being effectively managed;</li> <li>• Allow the Council to demonstrate it is complying with the relevant legislation and applicable professional standards;</li> <li>• Demonstrate the Council's commitment to good governance and compliance with the UK Public Sector IA Standards (PSIAS); and</li> <li>• Set out that Business Assurance IA resources were being properly utilised.</li> </ul> <p>Reference was made to an annual risk assessment which Business Assurance had carried out. Members were informed that the Head of Business Assurance would be carrying out the review of Internal Audit for the London Borough of Hackney.</p> <p><b>RESOLVED –</b></p> <p><b>1. That approval be given to the draft Internal Audit Plan for 2016/17.</b></p>	
<p><b>41.</b></p>	<p><b>BUSINESS ASSURANCE - INTERNAL AUDIT PROGRESS</b></p>	

	<p><b>REPORT FOR 2015/16 QUARTER 4 (INCLUDING THE 2016/17 QUARTER 1 INTERNAL AUDIT PLAN)</b></p> <p>The Head of Business Assurance presented the report which provided summary information on all Internal Audit work covered in relation to the 2015/16 Internal Audit Plan Quarter 4, together with assurance levels in this respect.</p> <p>Members were informed that 4 out of the 7 assurance audits which had been finalised this quarter had received a limited assurance opinion which was in line with the risk based approach taken by Business Assurance. Outstanding Internal Audit recommendations were down to just 2%.</p> <p>Reference was made to the consultancy and advisory work which had been carried out, and particular mention was made of the work carried out with the Home to School Transport Team and the assistance given to the Council's Corporate Fraud and Investigation Team on the Single Persons Discount scheme.</p> <p>In relation to Key Performance Indicators (KPI), the service was currently exceeding several KPI targets, with KPI 8 Client Satisfaction Rating, receiving positive feedback.</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li><b>1. That the Internal Audit progress report for 2015/16 Quarter 4 be noted and approval be given to the Internal Audit Plan for Quarter 1 2016/17.</b></li> <li><b>2. That the coverage, performance and results of the Internal Audit activity in Quarter 4 be noted.</b></li> </ol>	
42	<p><b>AUDIT COMMITTEE FORWARD PROGRAMME 2015/16 AND 2016/17</b></p> <p>Discussion took place on the Forward Programme and officers were asked to give consideration to including the following in the Committee's Forward Programme:- Review of Council's Constitution, Anti-Fraud and Corruption Strategy and the Council's Complaints Procedure.</p> <p>To be included for September 2016, Opinion of Financial Statement, and for December 2016, Annual Audit Letter.</p> <p>Noted.</p>	
43.	<b>RISK MANAGEMENT REPORT 2015/16</b>	<b>Action By:</b>

	<p><i>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).</i></p> <p>Members were informed that the Head of Business Assurance had taken over responsibility for the facilitation of the Council's Risk Management arrangements.</p> <p>The report presented to Members the Corporate Risk Register for Quarter 3 (October to December 2015). The report provided evidence about how identified corporate risks were being managed and the actions which were being taken to mitigate against those risks.</p> <p>Discussion took place on possible risks which should be included in the Corporate Risk Register and these were noted and would be considered by the Council's Corporate Risk Management Group..</p> <p><b>RESOLVED –</b></p> <p><b>1. That the Committee reviewed the Corporate Risk Register for Quarter 3 (October to December 2015), as part of the Committee's role to independently assure the risk management arrangements in the Council.</b></p>	<p><b>Muir Laurie</b></p>
	<p><b>The meeting which commenced at 5.30pm, closed at 6.15pm</b></p> <p><b>Next meeting: 30 June 2016 at 5.00pm</b></p>	

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