

Minutes

Audit Committee

Thursday, 15 December 2016

**Meeting held at Committee Room 5 - Civic Centre,
High Street, Uxbridge UB8 1UW**



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Come into effect on: Immediately (or call-in date)

Members Present:

Councillors Scott Seaman-Digby (Chairman)
George Cooper
Susan O'Brien
Tony Eginton (Labour Lead)

Apologies:

Rajiv P Vyas

Officers Present:

Kate Boulter, Democratic Services Officer
Garry Coote, Corporate Fraud Investigation Manager
Sarah Hydrie, Business Assurance Manager
Muir Laurie, Head of Business Assurance
Nancy LeRoux, Deputy Director, Strategic Finance
Chris Norris, Corporate Fraud Team Leader
Martyn White, Senior Internal Audit Manager

23. APOLOGIES FOR ABSENCE

Apologies had been received from Rajiv Vyas and Paul Whaymand.

24. DECLARATIONS OF INTEREST

RESOLVED: To note that (1) Councillors George Cooper and Tony Eginton declared non-pecuniary interests arising from the fact that they were retired members of the Local Government Pension Scheme, and would remain for the discussion of all items; and (2) Councillor Scott Seaman-Digby declared a non-pecuniary interest arising from the fact that he was a deferred member of the Local Government Pension Scheme, and would remain for the discussion of all items.

25. 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

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 2 2016/17.

26. MINUTES OF THE MEETING HELD ON 22 SEPTEMBER 2016

RESOLVED: That the minutes be agreed subject to amending Councillor George Cooper's declaration of interest to a retired member of the LGPS.

27. EXTERNAL AUDIT ANNUAL AUDIT LETTER

The Committee considered the External Audit Annual Audit Letter, which provided a summary of the expected conclusions from the audit work undertaken by Ernst & Young for the year ended 31 March 2016.

The deadline for submitting the annual accounts had been met, although it was noted that the accounts not having been ready for sign-off at the Committee's last meeting, in September 2016. Members expressed high levels of dissatisfaction that the accounts had been finalised so late and sought reassurance that it would not happen again.

The Chairman requested a standing item be added to the agenda for external audit to provide a detailed update on progress and issues at each meeting. This should include explicit details of what would be done differently in 2016/17 to ensure the accounts were delivered on time.

It was noted that Ernst & Young had suggested that the timetable be brought forward for an earlier close, and that officers had not agreed this as Ernst & Young needed to prove they could meet the current timetable before the time for audit was shortened.

RESOLVED: That (1) the External Audit Annual Audit Letter be noted;

(2) a standing item be added to the agenda for external audit to provide progress updates.

28. INTERNAL AUDIT CHARTER 2016/17

The Committee considered revisions to the Internal Audit Charter, which had been updated to provide clearer compliance with the UK Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013.

RESOLVED: The revised Internal Audit Charter was approved.

29. INTERNAL AUDIT PROGRESS REPORT 2016/17 QUARTER 3 AND OPERATIONAL INTERNAL AUDIT PLAN QUARTER 4

The Committee considered the Internal Audit 2016/17 Quarter 3 report, and the 2016/17 Quarter 4 audit plan.

The following points were made by Members during discussion:

- The audits being undertaken were wide-ranging and thorough.

- One audit (Physical Access Controls including Security Arrangements) had received no assurance. The audit had found tailgating through automatic security doors was taking place, and had identified areas of the building where public access was not controlled. The audit also found that around 500 staff leaver passes remained active, and around 200 of these had been used after the staff member's leaving date. Action was being taken to address these high security risks. The Chairman requested that the Head of Business Assurance write to the Cabinet Member for Finance, Property and Business Services to inform him of the findings in relation to the number of security passes for former LBH staff that Internal Audit had identified were still active at the time of the audit testing. Party Whips should also be advised if any of the active passes belonged to Members who had left the Council.
- Members offered their congratulations to Abdul Bari who would be leaving the Internal Audit team to take up a post at Santander.

RESOLVED: That (1) the Internal Audit 2016/17 Quarter 3 report, and the 2016/17 Quarter 4 audit plan be noted;

(2) the Head of Business Assurance write to the Cabinet Member for Finance, Property and Business Services regarding the findings of the Physical Access Controls audit.

30. CORPORATE FRAUD TEAM PROGRESS REPORT

The Committee considered a report on the work under taken by the Corporate Fraud Investigation Team (CFIT) for the period April to October 2016.

It was reported that:

- The achievements of CFIT in the period April to October 2016 included the recovery of 46 social housing properties, which could be re-let to residents in genuine housing need.
- CFIT was working with fraud teams in other boroughs to identify benchmarks against which to measure the success of fraud detection in Hillingdon. Five local boroughs had formed a Sharing Good Practice Group which would be collecting data and sharing results.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) were gathering data from local authorities to enable benchmarking to take place. Hillingdon was recognised as a leading authority in fraud detection and would be meeting with CIPFA to discuss development of the benchmarks.

The following points were made by Members during discussion:

- Members requested that future reports include performance figures for previous periods to enable comparison and to develop a long-term picture of the work of the CFIT.

- In response to a query from a Member regarding Blue Badge fraud, officers advised that Hillingdon's strategy was to focus fraud investigation resources on high payback areas such as social housing. It was recognised that Blue Badge fraud impacted on vulnerable people and consideration would be given to including it in next year's planning.

RESOLVED: That the report on the work under taken by the Corporate Fraud Investigation Team (CFIT) for the period April to October 2016 be noted.

31. NATIONAL SCHEME FOR AUDITOR APPOINTMENTS

The Committee considered a report on the national scheme for auditor appointments.

RESOLVED: The Committee supported the recommendation that the Corporate Director of Finance recommend to Council that the London Borough of Hillingdon formally opt in to the national scheme for appointing local authority external auditors.

32. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2016/17

Internal Audit had carried out a review of the effectiveness of the Committee, and the results were considered by the Committee. The report covered:

- Terms of reference
- Independence and membership
- Members' skills, training and development
- Audit Committee meetings - review of key documentation
- Audit Committee benchmarking
- Follow-up of recommendations arising from the 2014/15 Assurance Review.

The review made seven recommendations for improvement:

- (1) Review the Audit Committee terms of reference which was last done in May 2013.
- (2) Produce a formal induction programme for new Audit Committee members
- (3) Produce an ongoing training and development plan for current Audit Committee members.
- (4) Prepare an Audit Committee Annual report for consideration by Council.
- (5) Consider increasing the membership of the Audit Committee to reduce the risk of meetings being inquorate.
- (6) Ensure consideration of declarations of interest is always recorded in the minutes.

- (7) Consider implementing a defined role description for the Chair, including minimum attendance requirements.

The following points were made by Members during discussion:

- Substitute Audit Committee members should have access to the same training as full Audit Committee members.
- Consideration should be given to using accessible training methods to maximise Audit Committee member engagement, such as videoing training sessions and making them available online.
- Higher Member attendance could be achieved by holding Audit Committee member training sessions at times other than immediately before Audit Committee meetings, which sometimes conflicted with Members' employment commitments.

RESOLVED: That (1) the report on the effectiveness of the Committee be noted;

(2) the Committee's comments on how to maximise Member engagement be taken into consideration when the training programme was being developed.

33. AUDIT COMMITTEE TERMS OF REFERENCE

RESOLVED: The terms of reference would be brought to the next meeting.

34. AUDIT COMMITTEE FORWARD PROGRAMME

RESOLVED: The forward plan was noted.

35. RISK MANAGEMENT REPORT AND QUARTER 2 CORPORATE RISK REGISTER

The report presented to Members the Corporate Risk Register for Quarter 2 (July to September 2016). The report provided evidence about how identified corporate risks were being managed and the actions which were being taken to mitigate against those risks.

RESOLVED: To note that the Committee reviewed the Corporate Risk Register for Quarter 2 (July to September 2016), as part of the Committee's role to independently assure the risk management arrangements in the Council.