



Minutes

Audit Committee

Thursday 16 March 2017

Meeting held at Committee Room 4 - Civic Centre,
High Street, Uxbridge UB8 1UW

	<p>Members Present: Councillors Scott Seaman-Digby (Vice-Chairman - In the Chair), George Cooper, Jazz Dhillon and Susan O'Brien</p> <p>Apology for Absence: Rajiv Vyas (Independent Chairman) and Councillor Tony Eginton (Councillor Jazz Dhillon substituting).</p> <p>Officers Present: Kevin Byrne (Head of Policy and Partnerships), Sarah Hydrie (Business Assurance Manager), Nancy Le Roux (Deputy Director of Strategic Finance), 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>Others Present: Maria Grindley and Adrian Balmer (External Audit - Ernst & Young).</p> <p>Prior to the meeting, the Committee held a private meeting with the External Auditors, Ernst & Young.</p>
36.	<p>DECLARATION OF INTEREST</p> <p>Councillors Scott Seaman-Digby, Tony Eginton and Susan O'Brien, both declared Non-Pecuniary Interests in Agenda Item 5 - EY 2016/17 Pension Fund Audit Plan and Information on their Detailed Work Plan, because they were deferred members of the Local Government Pension Scheme. They both remained in the room during discussion on the item.</p>
37.	<p>EXCLUSION OF THE PRESS AND PUBLIC</p> <p>It was agreed that all the items on the Agenda be considered in public with the exception of Agenda Item 15 - Business Assurance - Corporate Risk Register for Quarter 3 2016/17.</p>
38.	<p>MINUTES OF THE MEETING HELD ON 15 DECEMBER 2016</p> <p>Agreed as an accurate record, subject to the inclusion of the Declaration of a Non Pecuniary Interest by Councillor Susan O'Brien because she was a deferred member of the Local Government Pension Scheme.</p>

<p>39.</p>	<p>EY 2016/17 ANNUAL AUDIT PLAN, 2016/17 PENSION FUND AUDIT PLAN AND INFORMATION ON DETAILED WORK PLAN</p> <p>The Committee was provided with documents which set out the initial plans for the 2016/17 audit by the Council's external auditors, EY. The plans set out the approach to the audit of the Council's Accounts and the Pension Fund Accounts and a broad timetable, to enable the whole process to be completed by early September. In addition, following a request at the last meeting, EY produced an audit work plan to cover the interim work carried out to date and a plan for completion of the main audit covering key dates where work was planned.</p> <p>Members were informed that the Key Financial Statement Risks on the Audit Plan were:</p> <ul style="list-style-type: none"> • Risk of fraud in revenue and/or expenditure recognition • Risk of management override • Financial statement presentation <p>For the Pension Fund Audit Plan, the Key Financial Statement Risks were:</p> <ul style="list-style-type: none"> • Risk of incorrect valuation of investments • Risk of Management override • Risk of error due to change in Pension Fund administrator • Accounting for changes in investment managers <p>Reference was made to the detailed work plan which set out clear milestones for EY's Audit. This was welcomed by the Committee.</p> <p>RESOLVED –</p> <p>1. That the 2016/17 Annual Audit Plan, the 2016/17 Pension Fund Audit Plan and EY's detailed work plan be noted.</p>	<p>Action By:</p>
<p>40.</p>	<p>EY - ANNUAL GRANT AUDIT LETTER</p> <p>Consideration was given to a report which provided the key findings on the grant work undertaken by EY for the year ended 31 March 2016.</p> <p>Reference was made to the work carried out on the certification of the Housing Benefit Subsidy claim which resulted in a number of errors being revealed both in under and over payment of benefits. From this work a qualification</p>	<p>Action By:</p>

	<p>letter was received.</p> <p>In addition EY were responsible for certifying two returns relating to the Teachers Pensions Contributions and Pooling of Capital Receipts and these returns were certified without qualification.</p> <p>RESOLVED –</p> <p>1. That the findings contained in the Annual Grant Audit Letter be noted.</p>	
41.	<p>BALANCES AND RESERVES STATEMENT 2017/18</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 from £15m to £31m in 2016/17, to £15m to £32m in 2017/18, with the overall upper limit for balances £14.5m higher at £46.5m. This was to take account of the planning drawdown from reserves included in the Medium Term Financial Forecast from 2017/18.</p> <p>RESOLVED –</p> <p>1. That the contents of the report be noted.</p>	
42.	<p>DELIVERING THE COUNCIL'S ANNUAL GOVERNANCE STATEMENT (AGS) 2016-17</p> <p>The Committee was provided with an update on the progress to date in the preparation of the Annual Governance Statement for 2016/17.</p> <p>Reference was made to new guidance issued by CIPFA which applied to AGSs prepared for this financial year and onwards. The guidance centred on seven core principles and key good practice.</p> <p>Members were informed that a Corporate Governance Working Group had been set up to oversee the process and to identify any emerging governance issues. The draft AGS 2016/17 would be submitted to the next meeting of the Audit Committee for comment, and for approval.</p> <p>RESOLVED –</p> <p>1. That the procedure followed and assurance used to</p>	Action By:

	produce the AGS for 2016/17 be noted.	
43.	<p>CORPORATE FRAUD INVESTIGATION TEAM PROGRESS REPORT - APRIL 2016 -FEBRUARY 2017</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 2016 to February 2017</p> <p>Members were informed that Corporate Fraud Investigation Team activities since April 2016 included the following:</p> <ul style="list-style-type: none"> • Social Housing Fraud • Council Tax/Business Rates inspections • Single Person Discount (SPD) • Residency and Verification checks • Right to Buy investigations • Proceeds of Crime investigations • Housing Waiting List • National Fraud Initiative (NFI) • Trading Standards • Blue Badge • Bad debts • Unaccompanied Asylum Seekers • Benchmarking <p>Reference was made to the good work carried out with the Corporate Director of Children's Social Care in relation to verifying the circumstances of asylum seekers financially supported by social care. Checks had identified 42 cases for investigation which brought a saving of £166,000. Officers were asked for details on what percentage of the total of unaccompanied asylum seekers was this figure.</p> <p>Discussion took place on the work being carried out in relation to benchmarking. Members were informed that work was being carried out with CIPFA as there was currently no readily available benchmarking data. The Committee agreed that it was important for the Team to develop performance targets to ensure the Council was receiving Value for Money in fraud detection.</p> <p>RESOLVED –</p> <p>1. That the Committee considered and noted the Corporate Fraud Investigation Team report, particularly the on-going work in relation to benchmarking to assess performance.</p>	Garry Coote

<p>44.</p>	<p>BUSINESS ASSURANCE - INTERNAL AUDIT PROGRESS REPORT FOR 2016/17 QUARTER 4 (INCLUDING THE 2017/18 QUARTER 1 INTERNAL AUDIT PLAN)</p> <p>The Senior Internal Audit Manager presented the report which provided summary information on all Internal Audit work covered in relation to the 2016/17 Quarter 4, together with assurance levels in this respect.</p> <p>Members were informed that for 2016/17 Quarter 4, 3 Internal Audit assurance levels had been completed to final report stage, with 12 others progressed to draft report stage and the remaining 4 reviews at the testing stage.</p> <p>The Committee was informed that several Key Performance Indicators (KPI) were being exceeded, with the exception of KPI 7 which related to delays of draft reports being issued as a final report within 15 days.</p> <p>Members noted the recent number of staffing changes in the Internal Audit Team during the quarter but were assured that the staffing levels would return to 8, by the end of May 2017.</p> <p>RESOLVED –</p> <ol style="list-style-type: none"> 1. That the Internal Audit progress report for 2016/17 Quarter 4 be noted and approval be given to the Quarter 1 Internal Audit Plan for 2017/18. 2. That the Committee noted that the coverage, performance and results of Business Assurance Internal Audit activity within this quarter. 	
<p>45.</p>	<p>BUSINESS ASSURANCE - DRAFT INTERNAL AUDIT PLAN 2017/18</p> <p>The Committee was informed that the outcomes from the work proposed in the 2017/18 Internal Audit Plan, underpinned the Head of Business Assurance's statutory annual Internal Audit opinion statement.</p> <p>This opinion concluded on the overall adequacy and effectiveness of the Council's internal control, risk management and corporate governance arrangements. It also supported the Council's Annual Governance Statement which formed part of the statutory financial statements.</p> <p>The Committee was informed that in 2017/18, the Business Assurance service at Hillingdon would continue to apply a fully</p>	<p>Action By:</p>

	<p>risk-based approach to its IA coverage. This would mean that Business Assurance would give greater assurance to the Council because its IA coverage was closer aligned to the key risks to the achievement of the Council's objectives.</p> <p>RESOLVED –</p> <p>1. That approval be given to the draft Internal Audit Plan for 2017/18.</p>	
46.	<p>BUSINESS ASSURANCE - ANTI-FRAUD AND ANTI-CORRUPTION STRATEGY 2017-20</p> <p>The Committee was informed that the report presented Members with the draft Anti Fraud and Anti Corruption (AF&AC) Strategy 2017-20. The document, defined Hillingdon's approach to managing the risk of fraud and corruption against the Council.</p> <p>The report set out how the Council encouraged best practice in Anti- Fraud & Anti-Corruption to help embed it across all of its services, projects and external partnerships. Any fraudulent or corrupt act committed against the Council effectively constituted theft of taxpayers' money and was therefore unlawful.</p> <p>RESOLVED –</p> <p>1. That approval be given in principle to the Council's Anti- Fraud & Anti-Corruption Strategy 2017-20, which had also been circulated to other key stakeholders.</p>	
47.	<p>AUDIT COMMITTEE - REVIEW OF TERMS OF REFERENCE</p> <p>The report provided the Committee with an opportunity to review the Terms of Reference of the Committee.</p> <p>Members were presented with suggested changes, based on consultations with key participating officers and Members of the Audit Committee.</p> <p>RESOLVED –</p> <p>1. That the suggested amendments to the Committee's Terms of Reference be recommended for approval to Council.</p>	Action By:
48.	<p>AUDIT COMMITTEE FORWARD PROGRAMME 2016/17 AND 2017/18</p>	

	Noted.	
49.	<p>BUSINESS ASSURANCE - CORPORATE RISK REGISTER FOR QUARTER 3 2016/17</p> <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>The report presented to Members the Corporate Risk Register for Quarter 3 (October to December 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.</p> <p>RESOLVED –</p> <p>1. That the Committee reviewed the Corporate Risk Register for Quarter 3 (October to December 2016), as part of the Committee's role to independently assure the risk management arrangements in the Council.</p>	
	<p>The meeting which commenced at 5.10pm, closed at 6.00pm</p> <p>Next meeting: 29 June 2017 at 5.00pm</p>	

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