



HILLINGDON
LONDON



Audit Committee

Date: TUESDAY, 31 OCTOBER
2017

Time: 9.00 AM

Venue: LEADER'S OFFICE - CIVIC
CENTRE

**Meeting
Details:** Members of the Public and
Press are welcome to attend
this meeting

Councillors on the Committee

Councillor Scott Seaman-Digby (Vice-
Chairman)
Councillor George Cooper
Councillor Tony Eginton
Councillor Susan O'Brien

Also Present

Councillor Ray Puddifoot MBE (Leader of
the Council)
Councillor Jonathan Bianco (Cabinet
Member for Finance, Property and
Business Services)

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Putting our residents first

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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 approve (but not direct) the Internal Audit Strategy to ensure that it meets the Council's overall strategic direction.
2. Review, approve and monitor (but not direct) Internal Audit's planned programme of work, paying particular attention to whether there is sufficient and appropriate coverage.
3. Through quarterly Internal Audit summary reports of work done, monitor progress against the Internal Audit Plan and assess whether adequate skills and resources are available to provide an effective Internal Audit function. Monitor the main Internal Audit recommendations and consider whether management responses to the recommendations raised are appropriate, with due regard to risk, materiality and coverage.
4. Make recommendations to the Leader of the Council or Cabinet Member for Finance, Property and Business Services on any changes to the Council's Internal Audit Strategy and Internal Audit Plans.
5. Review the Annual Internal Audit Report and Opinion Statement and the level of assurance this provides over the Council's corporate governance arrangements, risk management framework and system of internal controls.
6. Consider reports dealing with the activity, management and performance of Internal Audit.
7. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to request work from Internal Audit.

External Audit

8. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
9. Monitor management action in response to issues raised by External Audit.
10. Receive and consider specific reports as agreed with the External Auditor.
11. 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.
12. Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
13. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.
14. Monitor arrangements for ensuring effective liaison between Internal Audit and External Audit, in consultation with the Corporate Director of Finance.

Governance Framework

15. 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.
16. Review any issue referred to it by the Chief Executive, Deputy Chief Executive, Corporate Director, any Council body or external assurance providers including Inspection agencies.
17. Monitor and review, but not direct, the authority's risk management arrangements, including regularly reviewing the Corporate Risk Register and seeking assurances that appropriate action is being taken on managing risks.
18. Review and monitor Council strategy and policies on anti-fraud and anti-corruption including the 'Raising Concerns at Work' policy, making any recommendations on changes to the relevant Corporate Director in consultation with the Leader of the Council.
19. Oversee the production of the authority's Annual Governance Statement and recommend its adoption.
20. Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on suggested actions to improve alignment with best practice.
21. Where requested by the Leader of the Council or 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

22. 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 external auditor that need to be brought to the attention of the Council.
23. Consider the External Auditor's report to those charged with governance on issues arising from the external audit of the accounts.

Review and reporting

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

Agenda

- 1 Apologies for absence
- 2 Declarations of interest in matters before the meeting
- 3 To agree the minutes of the meeting held on 27 September 2017 1 - 6
- 4 To confirm that items marked Part II will be considered in Private

PART II - MEMBERS' ONLY - NOT FOR PUBLICATION

- 5 Interviews for the Independent Chairman of the Audit Committee (recommend to Council) 7 - 24

This item is included in Part 2 as it contains information relating to an individual and information that could reveal the identity of an individual and the public interest in withholding the information outweighs the public interest in disclosing it. (exempt information under paragraphs 1&2 of part 1 of Schedule 12A to Local Government (Access to information) Act 1985 as amended.

Minutes



AUDIT COMMITTEE

27 September 2017

Meeting held at Committee Room 6 -
Civic Centre, High Street, Uxbridge UB8 1UW

	<p>Committee Members Present: Councillors Scott Seaman-Digby (Vice-Chairman - In the Chair), Peter Davis, Jazz Dhillon and Susan O'Brien</p> <p>LBH Officers Present: Sarah Hydrie (Business Assurance Manager), Sian Kunert (Chief Accountant), Muir Laurie (Head of Business Assurance), Paul Whaymand (Corporate Director of Finance), Martyn White (Senior Internal Audit & Counter Fraud Manager) and Anisha Teji (Democratic Services Officer)</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 Paul Whaymand, the Corporate Director of Finance.</p>
15.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>Councillor George Cooper (Councillor Peter Davis substituting) and Councillor Tony Eginton (Councillor Jazz Dhillon substituting).</p>
16.	<p>DECLARATIONS OF INTEREST (<i>Agenda Item 2</i>)</p> <p>Councillors Scott Seaman-Digby and Susan O'Brien, both declared Non-Pecuniary Interests in Agenda Item 5 - Approval of the 2016/17 Statement of Accounts and External Audit Report on the Audit for the year ended 31 March 2017 because they were deferred members of the Local Government Pension Scheme. They both remained in the room during discussion on the item.</p>
17.	<p>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 (<i>Agenda Item 3</i>)</p> <p>It was agreed that all the items on the Agenda be considered in public with the exception of Agenda Item 10 - Business Assurance - Corporate Risk Register for Quarter 1 2017/18 and Agenda Item 11 - Business Assurance - Annual Risk Management Report.</p>
18.	<p>MINUTES OF THE MEETING HELD ON 29 JUNE 2017 (<i>Agenda Item 4</i>)</p> <p>Agreed as an accurate record.</p>

19.	<p>APPROVAL OF THE 2016/17 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2017 (<i>Agenda Item 5</i>)</p> <p>The Committee was provided with a report which summarised the findings of Ernst Young (EY), the External Auditor, on the audit of the 2016/17 Statement of Accounts, including the Pension Fund Accounts. The report summarised the Council's main financial statements.</p> <p>The Committee was informed that based on the work undertaken to date, EY anticipated issuing an unqualified opinion on the Council's financial statements, subject to the completion of outstanding work.</p> <p>The Committee was provided with details of Key Audit risks that were identified prior to audit and reported to Audit Committee on 16 March 2017.</p> <p>It was reported that EY had substantially completed their audit of London Borough of Hillingdon's financial statement for the year ended 31 March 2017 and had performed the procedures outlined in the Audit plan.</p> <p>EY discussed the findings of their audit work at Committee including areas of focus such as Revenue and Expenditure Recognition, Management Override, SERCOP Re-Statement and Reliance on experts.</p> <p>The statement of accounts was inclusive of the Pension Fund accounts, however, the Pension Fund accounts were audited separately due to the specialist nature. Subject to completion of the outstanding areas, the auditor had indicated that this part of the Financial Statements would receive an unqualified opinion.</p> <p>RESOLVED -</p> <p>1. That the Audit Committee approved the audited Statement of Accounts for 2016/17.</p>
20.	<p>BUSINESS ASSURANCE - EXTERNAL QUALITY ASSURANCE REVIEW AND OPINION (<i>Agenda Item 6</i>)</p> <p>The Committee was provided with a report which provided details of the effectiveness of Internal Audit which had been assessed against the UK Public Sector Internal Audit Standards (PSIAS). The London Borough of Lambeth carried out the External Quality Assessment of the Council's Internal Audit service.</p> <p>It was reported that all areas assessed were determined as 'Fully Conforms' except for one area under Reporting Lines which was determined as 'Generally conforms'.</p> <p>Members congratulated officers for their work and requested that the positive results be shared with residents in the Hillingdon People magazine.</p> <p>RESOLVED -</p> <p>1. That the findings from the External Quality Assessment be noted.</p>
21.	<p>BUSINESS ASSURANCE - COUNTER FRAUD PROGRESS REPORT FOR 2017/18 QUARTER 2 (INCLUDING THE QUARTER 3 TO QUARTER 4 COUNTER FRAUD</p>

PLAN) (Agenda Item 7)

The Committee was provided with a report which gave details on the work being undertaken by the Business Assurance Counter Fraud Team (BACFT; formerly known as the Corporate Fraud Investigations Team).

The Head of Business Assurance reported that this was the first report to the Committee since the team was transferred to Business Assurance team on 1 August 2017. There had been a focus to recruit a Counter Fraud Manager and there had been a high level of interest. The second focus was identifying what, why and how work was being undertaken in order to identify areas of improvement.

It was reported that despite going through a period of change, good progress had been made by the team this quarter and as at 18 September 2017, there were 85 ongoing investigations relating mainly to housing fraud. The main focus of the BACFT was housing fraud.

It was reported that the BACFT had successfully recovered 20 Council properties, had 1 case being actively pursued for prosecution and had a further 18 suspected tenancy fraud investigations going on. Although a general target for the team of 52 properties had been set, the BACFT would be reviewing this target and how resources were deployed. Reference was made to a new set of performance indicators being developed by the BACFT and more time and resource being spent on securing prosecutions.

Reference was made to the Council's Housing Waiting List and that at 18 September 2017 the waiting list had been reduced to 1,705 cases from 3,567 on 1 April 2016.

RESOLVED -

- 1. That the Counter Fraud Progress Report for 2017/18 Quarter 2 be noted and approval be given to the Quarter 3 to Quarter 4 Counter Fraud Plan.**
- 2. That the Committee noted that the coverage, performance and results of BACFT activity within this quarter.**

22. BUSINESS ASSURANCE - IA PROGRESS REPORT FOR 2017/18 QUARTER 2 (INCLUDING THE QUARTER 3 IA PLAN) (Agenda Item 8)

The Senior Internal Audit & Counter Fraud Manager presented the report which provided summary information on all Internal Audit Work covered In relation to 2017/18 Quarter 2, together with assurance levels in this respect.

The Committee was informed that since the last meeting on 29 June 2017, 5 assurance reviews had concluded, 3 consultancy reviews had been finalised and 2 grant claims had been certified. Overall, good progress was being made against the programme for Internal Audit work for Quarters 1 and 2. Key assurance reviews finalised this quarter included Houses in Multiple Occupation (HMO) Registration and Volunteering.

In addition, the report also presented the Committee with Quart 3 IA Plan which had been produced in consultation with senior managers. The Plan set out the programme of IA coverage which was due to commence in the 1 October to 31 December 2017 period.

	<p>RESOLVED –</p> <ol style="list-style-type: none"> 1. That the Internal Audit progress report for 2017/18 Quarter 2 be noted and approval be given to the Quarter 3 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.
23.	<p>AUDIT COMMITTEE FORWARD PROGRAMME 2017/18 (<i>Agenda Item 9</i>)</p> <p>Noted.</p> <p>The Audit Committee meeting planned for March 2018 would most likely be held on 21 March 2018.</p>
24.	<p>BUSINESS ASSURANCE - CORPORATE RISK REGISTER FOR QUARTER 1 20178 (<i>Agenda Item 10</i>)</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 1 (April to June 2017). 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> <ol style="list-style-type: none"> 1. That the Committee reviewed the Corporate Risk Register for Quarter 1 (April to June 2017), as part of the Committee’s role to independently assure the risk management arrangements in the Council.
25.	<p>BUSINESS ASSURANCE - ANNUAL RISK MANAGEMENT REPORT (<i>Agenda Item 11</i>)</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 Annual Risk Management Report 2016/17. The report provided evidence about the movement of individual corporate risks across the year, how they have been managed by the Council and horizon scanning for the future.</p> <p>RESOLVED -</p> <ol style="list-style-type: none"> 1. That the Committee reviewed the 2016/2017 report as part of its role to independently assure the Council’s corporate risk management arrangements.

	The meeting, which commenced at 5.04 pm, closed at 5.41 pm.
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These are the minutes of the above meeting. For more information on any of the resolutions please contact Anisha Teji on 01895 277655. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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