

## Minutes

### Audit Committee

Wednesday 11 April 2018

Meeting held at Committee Room 5  
Civic Centre, High Street, Uxbridge



	<p><b>Cabinet Member Present:</b> John Chesshire (Independent Chairman), Councillors Scott Seaman-Digby (Vice-Chairman), George Cooper, Tony Eginton and Susan O'Brien</p> <p><b>Officers Present:</b> Sarah Hydrie (Business Assurance Manager), James Lake (Lead Corporate Accountant), Muir Laurie (Head of Business Assurance), Paul Whaymand (Corporate Director of Finance), Martyn White (Senior Internal Audit Manager), Zac O'Neil (Counter Fraud Manager) and Anisha Teji (Democratic Services Officer)</p> <p><b>Others Present:</b> Adrian Balmer and James Craigmyle (External Audit - Ernst &amp; Young)</p>
1.	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>There were no apologies for absence.</p>
2.	<p><b>DECLARATIONS OF INTEREST</b></p> <p>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. They remained for the discussion of all items.</p> <p>Councillors Scott Seaman-Digby and Susan O'Brien, both declared non-pecuniary interests arising from the fact that they were deferred members of the Local Government Pension Scheme. They also remained for the discussion of all items.</p>
3.	<p><b>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</b></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 – Draft Counter Fraud Strategic Plan 2018/19 and Agenda Item 16 – Business Assurance – Corporate Risk Register for Quarter 3 2017/18.</p>
4.	<p><b>MINUTES OF THE MEETING HELD ON 13 DECEMBER 2017</b></p> <p><b>RESOLVED - That the minutes from 13 December 2017 be approved as an accurate record.</b></p>

5.	<p><b>ERNST &amp; YOUNG 2017/18 ANNUAL AUDIT PLAN &amp; 2017/18 PENSION FUND AUDIT PLAN</b></p> <p>The Committee was provided with documents which set out the initial plans for the 2017/18 audit by the Council's external auditors, Ernst &amp; Young. 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 the end of July 2018. Ernst &amp; Young took the Committee through the report and provided a summary of the key issues.</p> <p>Members were informed that the Key Financial Statement Risks on the Audit Plan were:</p> <ul style="list-style-type: none"> <li>• Risk of fraud in revenue and/or expenditure recognition; and</li> <li>• Risk of management override.</li> </ul> <p>Other areas of audit focus not classified as significant risk, but still material when considering risks of misstatement included:</p> <ul style="list-style-type: none"> <li>• Valuation of land and buildings; and</li> <li>• Pension Liability Valuation.</li> </ul> <p>For the Pension Fund Audit Plan, there was only one Key Financial Statement Risk identified in relation to risk of management override. Other areas of audit focus not classified as significant risk, but still material when considering risk of misstatement included:</p> <ul style="list-style-type: none"> <li>• Valuation of complex investments;</li> <li>• Investment Manager Transition; and</li> <li>• Earlier Deadline of Production of Financial Statements.</li> </ul> <p><b>RESOLVED –</b></p> <p><b>1. That the 2017/18 Annual Audit Plan and the 2017/18 Pension Fund Audit Plan be noted.</b></p>
6.	<p><b>ERNST &amp; YOUNG - ANNUAL GRANT AUDIT LETTER</b></p> <p>The Committee considered the External Audit Annual Grant Audit Letter, which provided a summary of the key findings on the grant work undertaken by Ernst &amp; Young for the year ended 31 March 2017. The report summarised the results of the work on the Council's 2016/17 claims and returns.</p> <p>The report highlighted that the housing benefits subsidy claim had been checked and certified with a total value of £148,023,462, and the submissions deadline had been met. The housing benefits subsidy claims fees for 2016/17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016. No other significant issues were reported which needed to be brought to the Committee's attention.</p> <p>Following Member questions regarding the incorrect assessment of earned income, Ernst &amp; Young explained the methodology used to carry out the assessments. It was</p>

	<p>also confirmed that Internal Audit regularly liaised with Ernst &amp; Young through monthly meetings to coordinate the process.</p> <p><b>RESOLVED – That the findings contained in the Annual Grant Audit Letter be noted.</b></p>
7.	<p><b>BALANCES AND RESERVES STATEMENT 2018/19</b></p> <p>The Corporate Director of Finance referred the Committee to the report on Balances and Reserves Statement for 2018/19. The budget reported to Cabinet and Council in February 2018 contained an extract from the Balances and Reserves Statement 2018/19 which summarised the recommended range for unallocated balances. The attached Balances and Reserves Statement provided further detail on the Council's approach to the management and measurement of these.</p> <p>The Corporate Director of Finance informed the Committee that this report had been put before the Audit Committee for a number of years. However, the contents of the report fell outside of the Committee's terms of reference.</p> <p>Members discussed the relevance of the report. Although the Committee found the report interesting, bearing in mind its terms of reference, it agreed with officers that the matter fell outside of its remit. Members therefore concluded that the report would no longer need to be presented to the Committee unless there was an exceptional item for discussion.</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li><b>1) That the contents of the report be noted; and</b></li> <li><b>2) that the report no longer be presented to the Audit Committee as a matter of course.</b></li> </ol>
8.	<p><b>ANNUAL REPORT OF THE AUDIT COMMITTEE 2017/18</b></p> <p>The Head of Business Assurance presented the report which provided a summary of the work of the Audit Committee during 2017/18 and how it had undertaken its responsibilities for reviewing key areas within its remit.</p> <p>These areas included:</p> <ul style="list-style-type: none"> <li>• Internal Control;</li> <li>• Risk Management;</li> <li>• Corporate Governance;</li> <li>• Internal Audit;</li> <li>• External Audit;</li> <li>• Counter Fraud; and</li> <li>• Financial reporting process of the Statement of Accounts.</li> </ul> <p>It was noted that Internal Audit had undertaken a review of the Committee's effectiveness. The review provided reasonable assurance that the Committee had been operating effectively. The final report was issued on 18 November 2016 and</p>

	<p>was presented to Audit Committee at its meeting on 15 December 2016.</p> <p>A suggestion was made to paragraph 3.2 to amend the current sentence, “These initiatives will help enable the Audit Committee to perform its duties even more effectively moving forward” to “These initiatives will continue to enable the Audit Committee to perform its duties even more effectively moving forward.”</p> <p>Members expressed concerns about the deletion of the power of the Audit Committee to require senior managers to attend meetings. The External Auditors noted that this was unusual for the Audit Committee of a local authority not to have this power. However, it was noted that during 2017/18 there had been no occasions where the Audit Committee believed that this lack of power had hindered its effectiveness. It was clarified that the Committee had authority to request that senior officers attend meetings. It was delegated to the Head of Business Assurance and Chairman to make these minor revisions to the report.</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li><b>1. That the report be noted; and</b></li> <li><b>2. that any amendments be made before the report is presented to Council in July 2018.</b></li> </ol>
<b>9.</b>	<p><b>ANNUAL GOVERNANCE STATEMENT 2017/18 - INTERIM REPORT</b></p> <p>The Committee was provided with an update on the progress to date in the preparation of the Annual Governance Statement (AGS) for 2017/18. The Committee was informed that the timetable had now changed from June to September. An early draft of the AGS would be prepared from early to mid May 18. The AGS 2017/18 would be submitted to the Audit Committee for comment.</p> <p><b>RESOLVED – That the update on the AGS 2017/18 be noted.</b></p>
<b>10.</b>	<p><b>BUSINESS ASSURANCE - INTERNAL AUDIT PROGRESS REPORT FOR 2017/18 QUARTER 4 (INCLUDING THE 2018/19 QUARTER 1 IA PLAN)</b></p> <p>The Senior Internal Audit Manager presented the report which provided summary information on all Internal Audit work covered in relation to the 2017/18 Quarter 4, together with assurance levels in this respect.</p> <p>The Committee was informed that for 2017/18 Quarter 4, 13 assurances reviews (including four follow ups) had concluded, six consultancy reviews had been finalised and four grant claims had been certified.</p> <p>Key points were highlighted to the Committee. Key assurance reviews finalised this quarter (Disabled Facilities Grant, Trading Standards, Child Protection Conference and Facilities Management) each obtained a limited assurance opinion over the management of the key risks. The reviews of Education for Children Looked After, IR35 and Contact Centre were provided a reasonable assurance opinion whilst the Internal Audit review of school placement planning was provided a substantial assurance opinion. Dedicated follow up reviews found that 31% (9) of the 29 recommendations followed up this quarter were deemed implemented, and of the</p>

	<p>remaining recommendations, 55% (16) were partly implemented and 14 % (4) were deemed not implemented.</p> <p>The Committee was informed that where due dates were missed, these were challenged. There was a focus on trends and common themes. Areas awarded reasonable assurance were discussed with management.</p> <p>It was noted that recruitment was being managed well, including promotion from within the service. Staffing areas keen to develop include having an in house IT auditor. Discussion was held regarding the Q1 2018/19 Operational IA plan which included plugging the gaps in declarations of interest with this review focusing on officers rather than Members.</p> <p>Members noted the staffing position in the service with three vacancies, and recognised the outstanding job that had been done, despite the current staffing position. The Committee congratulated officers on the successful final quarter.</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li><b>1. That the Internal Audit progress report for 2017/18 Quarter 4 be noted and approval be given to the Quarter 1 Internal Audit Plan for 2018/19.</b></li> <li><b>2. That the Committee noted that the coverage, performance and results of Business Assurance Internal Audit activity within this quarter.</b></li> </ol>
11.	<p><b>BUSINESS ASSURANCE - DRAFT ANNUAL INTERNAL AUDIT PLAN 2018/19</b></p> <p>The Committee was provided with the Draft Annual Internal Audit Plan 2018/19 which set out the Internal Audit's approach and activity type for the forthcoming year. The plan sought to provide key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes were being effectively managed; allow the Council to demonstrate that it was complying with the relevant legislation and applicable professional standards; demonstrate the Council's commitment to good governance and compliance with the UK Public Sector IA Standards (PSIAS); and set out that Business Assurance Internal Audit resources were being properly utilised.</p> <p>The Committee was informed that in 2018/19, the Business Assurance service at Hillingdon would continue to apply a fully risk-based approach to its Internal Audit coverage. This would mean that Business Assurance would give greater assurance to the Council because its Internal Audit coverage was closer aligned to the key risks to the achievement of the Council's objectives.</p> <p>Members were informed that if there was an option to increase one business area, it would firstly be in relation to follow up work to ensure that identified risks were being treated and, secondly, consultancy and advice work as there was a lot of request for work.</p> <p><b>RESOLVED – That the Audit Committee noted the Draft Internal Audit plan for 2018/19.</b></p>

12.	<p><b>BUSINESS ASSURANCE – UPDATED INTERNAL AUDIT CHARTER</b></p> <p>The Committee considered revisions to the Internal Audit Charter, which had been updated to be in line with the best practice and to mirror the minor changes to the UK Public Sector Internal Audit Standards (PSIAS) and Internal Audit Professional Practices Framework (IPPF). The last update of the Internal Audit Charter was approved by the Audit Committee on 15 December 2016.</p> <p>Members commented that it was helpful to see the tracked changes from the previous charter.</p> <p><b>RESOLVED – That the updated Internal Audit Charter be approved by the Audit Committee.</b></p>
13.	<p><b>BUSINESS ASSURANCE - COUNTER FRAUD PROGRESS REPORT FOR 2017/18 QUARTER 4</b></p> <p>The Committee was provided with a report which gave details on the work being undertaken by the Business Assurance Counter Fraud Team (BACFT) in relation to 2017/18 Quarter 4 and assurances in this respect. The Counter Fraud Manager provided an oral summary of the report.</p> <p>Some of the key points reported that the new Counter Fraud Manager joined the Council on 11 December 2017 and the restructure of the BACFT was now well progressed with job offers to eight successful candidates. An Immigration Official from the Home Office would also start next week. Officers would explore ways to raise the profile of this. The BACFT had started a programme of increased engagement with teams across the Council to help improve fraud awareness across the organisation.</p> <p>It was also reported that despite there being vacancies in verification teams, targets had been exceeded with less resources.</p> <p><b>RESOLVED –</b></p> <p><b>1) That the Counter Fraud Progress Report for 2017/18 be noted; and</b>  <b>2) that the Committee noted that the coverage, performance and results of BACFT activity within this quarter.</b></p>
14.	<p><b>AUDIT COMMITTEE FORWARD PROGRAMME 2017/18</b></p> <p>The work programme for the coming year was noted.</p> <p>It was agreed that Democratic Services would liaise closely with Business Assurance to arrange training/ skills matrix for the finalised Audit Committee Membership and format arrangements for how agendas are to be presented.</p> <p>It was noted that the statement of accounts and external audit report on the audit for the year ended 31 March 2018 would be in commencement by the next meeting. This would also be the case for the Operational Internal Audit Plan Quarter 3.</p>

	<b>RESOLVED – That the work programme be noted.</b>
<b>15.</b>	<p><b>BUSINESS ASSURANCE - DRAFT COUNTER FRAUD STRATEGIC PLAN 2018/19</b></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 7 of the schedule to the Act).</i></p> <p>The report presented to Members the draft Counter Fraud Strategic Plan for 2018/19, which set out the planned approach and activity type for the forthcoming year. The report defined the strategic approach that the Business Assurance Counter Fraud Team (BACFT) would take to manage the various risks of fraud against the Council, set out the BACFT's Operational Work Plan for 2018-19, demonstrated the Council's zero tolerance on fraud and showed resources were being properly utilised.</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li><b>1) That the Draft Counter Fraud Strategic Plan 2018/19 BE endorsed by the Audit Committee</b></li> <li><b>2) That the draft plan be recommended to the appropriate Council body for approval, noting the Operational Work Plan 2018/19, in line with its role to provide independent oversight of the Council's governance and risk management arrangements.</b></li> </ol>
<b>16.</b>	<p><b>BUSINESS ASSURANCE - CORPORATE RISK REGISTER FOR QUARTER 3 2017/18</b></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 2017), updated as at 3 April 2018. 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><b>RESOLVED –</b></p> <p><b>That the Committee reviewed the Corporate Risk Register for Quarter 3 (October to December 2017), as part of the Committee's role to independently assure the risk management arrangements in the Council.</b></p>

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These are the minutes of the above meeting. For more information on any of the resolutions please contact Anisha Teji, Democratic Services Officer on 01895 277655. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.