



HILLINGDON
LONDON



Audit Committee

Councillors on the Committee

John Morley (Chairman)
George Cooper
Tony Eginton
Elizabeth Kemp
Mary O'Connor

Date: TUESDAY, 22 SEPTEMBER
2009

Time: 5.00 PM

Venue: COMMITTEE ROOM 3 -
CIVIC CENTRE, HIGH
STREET, UXBRIDGE UB8
1UW

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

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Agenda

- 1 Apologies for absence and to report the presence of any substitute members
- 2 Declarations of Interest in matters coming before this meeting
- 3 Minutes of the previous meeting - 29 June 2009 (**Pages 1-8**)
- 4 Exclusion of Press and Public
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.
- 5 Internal Audit Progress Report (**Pages 9-32**)
- 6 Auditor's Report on Statement of Accounts
TO FOLLOW
- 7 Auditor's Report on Pension Fund Accounts
TO FOLLOW
- 8 Final Use of Resources Report (**Pages 35-72**)
- 9 Revised Treasury Management Practices (**Pages 73-116**)
- 10 Conversion to International Reporting Standards (**Pages 117-122**)
- 11 Head of Audit Update Report on School Audits
ORAL REPORT
- 12 Audit Committee Work Programme (**Pages 123-125**)
- 13 Audit Committee - Workshop
ORAL REPORT
- PART II**
- 14 Internal Audit Progress Report (**Page 127**)

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Agenda Item 3

Audit Committee

29 June 2009

Minutes



HILLINGDON
LONDON

6.	<p>Independent Member: John Morley (Chairman)</p> <p>Members Present: Councillors George Cooper, Tony Eginton, Liz Kemp and Mary O'Connor.</p> <p>Apologies: None</p> <p>Officers Present: Harry Lawson (Corporate Accounting Manager), Nancy Le Roux (Senior Finance Manager – Corporate Finance), Christopher Neale (Director of Finance & Resources), Helen Taylor (Head of Internal Audit and Corporate Governance), Paul Whaymand (Head of Accountancy Services), Iain Watters (Financial Management Trainee), Steve Wilkins (Risk & Insurance Manager) and Khalid Ahmed (Democratic Services Manager).</p> <p>Others Present: Paul Hutt (Deloitte) and Gus Miah (Deloitte)</p> <p>At the start of the meeting the Chairman welcomed Councillor Tony Eginton to his first meeting of the Committee.</p> <p>Declarations of Interest:</p> <p>John Morley and Councillor Liz Kemp declared Personal Interests in Agenda Item 7 – Approval of the 2008/09 Statement of Accounts and Pension Fund Annual Report as they were Members of the Board of Hillingdon Homes.</p> <p>Councillor George Cooper declared a Personal Interest in Agenda Item 11 – Proposed Audit Committee Work Programme as he was a Governor of St Mary's School, and in Agenda Item 7 as he was a Member of the Pensions Committee.</p> <p>Councillor Tony Eginton declared a Personal Interest In Agenda Item 11 – Proposed Audit Committee Work Programme as he was a Governor of Abbotsfield School for Boys, Hillside Junior School and Minet Nursery and Infant School.</p> <p>Councillor Mary O'Connor declared a Personal Interest in Agenda Item 11 – Proposed Audit Committee Work Programme as she was a Governor of Botwell School and Moorcroft School.</p>
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7.	<p>Minutes of the meetings held on 5 May 2009</p> <p>Agreed as an accurate record subject to an amendment to the inclusion of Councillor Mary O'Connor in the list of apologies and to amend Minute No. 5, on page 6 so that "GCSX, N3 and LPSN" be clarified to read "Government Connect Secure Extranet, N3 and London Public Sector Network".</p>	
8.	<p>Exclusion of the press and public:</p> <p>It was agreed that Item 13 be considered in private.</p>	
9.	<p>Deloitte Interim Audit Report</p> <p>Paul Hutt from Deloitte provided Members with an update on the audit which was to take place starting on 6 July 2009. The Council's Statement of Accounts would be looked at in great detail.</p> <p>The interim work had found no specific significant issues.</p> <p>Resolved -</p> <ol style="list-style-type: none"> 1. That the information reported be noted and those officers involved in the work be thanked for their efforts. 	<p>Action By:</p>
10.	<p>Interim Use of Resources Report</p> <p>This report detailed Deloitte's interim assessment of the Council's performance under the new Use of Resources assessment which formed part of the Comprehensive Area Assessment.</p> <p>Members were informed that over the last year the Use of Resources assessment had changed and had become more difficult and was now based on outcomes. Under the previous assessment a number of Councils were achieving scores of 3 and 4 for their Use of Resources. All the scores had been rebased essentially moving 4 to 3 and 3 to 2.</p> <p>Details of the interim report findings assessed the Council with an overall score of a strong 2, which was lower than last year's score of 3. Individual section scores could be reassessed if further evidence was supplied.</p> <p>Reference was made to the key lines of enquiry (KLOE) and the key evidence gaps which had been found. These were:</p> <ul style="list-style-type: none"> • All material income streams have targeted collections rates which were monitored regularly, with mitigating action taken to improve rates of collection which were below target; • Evidence of efficient Council performance in comparison 	

paper which detailed adjustments which were required to the Accounts.

Issues raised and comments made included:

- Intangible assets – the depreciation life was for 5 years. These assets did not number that many and were software licences for IT equipment. Officers would provide Members with details on why the procedure for intangible assets was different to tangible assets.
- PFI Contract – The Council had entered into a PFI contract for the construction and facilities management of Barnhill Community High School and there was around 15 years left on the contract
- Local Authority Housing HRA – Reduction in contribution of housing capital receipts to Government pool caused by “Rights to Buy” dropping because of the economic climate. There had been a movement in the value of the fixed assets
- Long Term Contracts – Reference was made to the contract the Council had with Virgin Media for a broadband connection for the Hillingdon Grid for learning which was not included in this section. Officers would investigate this.
- Officer Emoluments – The Chairman referred to a possible discrepancy with last year but was informed that these numbers were the same as the audited figures
- Members and Chief Officers – The Auditors were asked to check the information on Member and officers declarations to ensure the information in the Statement of Accounts was correct
- Valuation of Fixed Assets Carried at Current Value – This had been caused due to changes regarding Fixed Asset revaluations and impairments. Previously they were posted to the Fixed Asset Reserve Account with nil impact on the Income and Expenditure Account. Revaluation gains were now posted to a Revaluation Reserve and can be reversed at a future date if the asset was later impaired due to movement in market prices. Members were informed that the evaluation of Council dwellings was undertaken every five years and the next one would be 2010
- Debtors – There had been a fall in the outstanding debtors figure from £61.7m to £41.7m which was due to substantial write-offs of historic National Non Domestic Rate debt
- Investment Income – Concern was expressed at the £28,100,000 figure for “Other” as this did not present a true and fair view and it was agreed that an explanation note be added at the bottom of the page of the accounts

Nancy Le Roux

Nancy Le Roux

	<ul style="list-style-type: none"> • Significant Governance Issues – It was noted that a number of control issues had been identified following a review of the effectiveness of the system of internal control • Notes to Housing Revenue Account – Rent Arrears. Officers to include comparative figures from last year. <p>Members reviewed the Pension Fund Annual Report. They noted this was the first year they had received the report as a separate document, and considered that they did not have sufficient oversight of the pension scheme to approve the Pension Fund Annual report.</p> <p>Resolved</p> <ol style="list-style-type: none"> 1. That approval be given to the 2008/09 Statement of Accounts for the financial year ended 31 March 2009, with the amendments suggested, and the Chairman be asked to sign and date the Statement of Accounts to formally complete the Council's approval of the accounts. 2. That the Annual Report for the Pension Fund for the financial year ended 31 March 2009 be noted 3. That officers be thanked for all the effort and hard work which had gone into producing the Statement of Accounts. 	Action By:
12.	<p>Head of Audit Annual Assurance Statement</p> <p>Based on the work undertaken during the year Internal Audit could provide satisfactory assurance that the systems of internal control within the Council were operating adequately and effectively.</p> <p>Concern was expressed at the number of audits that had been dropped due to a lack of resources and Members were informed that the investigations had taken up more time than was budgeted for. Reference was made to the loss of an Audit Manager in May 2008 and the difficulties in recruiting to the vacancy, which had impacted on the service.</p> <p>Discussion took place on the finalised audits and in particular those audits that had been given limited assurance: Email security, payroll expenses procedures and a number of school audits. Concern was expressed at the number of high risk areas within schools and the Head of Internal Audit and Corporate Governance reported that regular meetings were taking place between officers to improve the situation and this</p>	

	<p>would be reflected in the results of audits in the current Internal Audit Plan.</p> <p>Resolved-</p> <ol style="list-style-type: none"> 1. That the information contained in the report be noted and Head of Internal Audit and Corporate Governance be asked to submit a report to the next meeting of this Committee, focussing on school audits. 	<p>Action By:</p> <p>Helen Taylor</p>
<p>13.</p>	<p>Annual Review of the Effectiveness of the Systems of Internal Audit</p> <p>The Accounts and Audit Regulations 2003 (as amended 2006) required a review of the systems of Internal Audit. The Head of Internal Audit and Corporate Governance had undertaken this self assessment and this had been reviewed by the Head of Audit at Southend On Sea Borough Council.</p> <p>The view was that Internal Audit was substantially compliant, however reference was made to the requirement for this Committee to carry out a review of its own effectiveness and that this should be undertaken at the earliest opportunity.</p> <p>Resolved-</p> <ol style="list-style-type: none"> 1. That the information contained in the report be noted. 	
<p>14.</p>	<p>Review of Internal Audit Terms of Reference</p> <p>Members were informed that the Code of Practice for Internal Audit in Local Government required a periodic review of the terms of reference of Internal Audit.</p> <p>Officers apologised to Members for the errors in the paragraph numbering. Reference was made to paragraph 7 under responsibilities, and officers were asked to check whether Internal Audit had the responsibility to prepare the strategic and annual plan for approval by the Chief Finance Officer, taking into account the risks of service departments a detailed in the terms of reference.</p> <p>In addition Head of Internal Audit and Corporate Governance would look at paragraph 8.1 under Resources and who determined Internal Audit resources as it was suggested that the Section 151 Officer acting on behalf of this Committee should determine Internal Audit resources.</p> <p>Discussion took place with regard to Internal Audit's engaging with management during audits and Members asked that this</p>	

	<p>information) and the public interest in withholding the information outweighed the public interest in disclosing it (exempt information under paragraph 3 of Part 1 of Schedule 12 A to the Local Government (Access to Information) Act 1985 as amended.</p> <p>Members considered the reporting arrangements in place for the most significant risks identified by officers and were asked to note the most recent quarterly report submitted to the Corporate Risk Management Group, Corporate Management Team and Executive Brief.</p> <p>Resolved –</p> <ol style="list-style-type: none"> 1. That the information reported be noted and officers be asked to produce a report to the next meeting on the reporting structure for Risk Management and also consideration be given to submitting reports to Policy Overview Committees. 	<p>Steve Wilkins</p>
	<p>Meeting closed at: 7.15pm Next meeting: 22 September 2009 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.

ITEM 5

Internal Audit Progress Report

Contact Officer: Helen Taylor
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REASON FOR ITEM

This report provides the Audit Committee with a summary of Internal Audit (IA) activity for the period to 31 August 2009. This fulfils the requirements of CIPFA's Code of Practice for Internal Audit in Local Government to bring to Members' attention periodic reports on progress against planned activity and any implications arising from Internal Audit findings and opinions

The report also satisfies the requirements of the Audit Commission and the Comprehensive Performance Assessment to keep Members adequately informed of the work undertaken by Internal Audit and of any problems or issues arising from audits

OPTIONS AVAILABLE TO THE COMMITTEE

To note in-year progress against the Internal Audit Plan for 2009-10 and the updated position of those audits that were scheduled in 2007-8 and 2008-9.

INFORMATION

1. INFORMATION

1.1. In addition to the Annual Report, the Head of Internal Audit produces interim reports to Officers and Members throughout the year. These are approximately quarterly, summarise progress to date and bring to the attention of members any issues of note. Information has also been included to show the range of consultancy and other issues Internal Audit have been involved in this year but which do not directly result in an audit report.

2. Progress Against Plan and Follow up Status

2.1. There is no cause for concern at this time with the levels of assurance being reported to the committee.

2.2. Unless otherwise stated, all reports have an action plan agreed with internal audit.

2.3. Summaries of the outcomes of the audits completed in the period are provided below. Management comments are included where no or limited assurance has been given. These audits will be followed up in due course.

2.4. The progress status of all audits carried out in 2007-8 and 2008-9 is included in Appendixes 1 and 2.

Business Continuity & Civil Emergency (2008-9)

Assurance level: Limited

The following areas were reviewed and found to be operating satisfactorily:

- A comprehensive, London Borough of Hillingdon Civil Protection Procedure covering Business Continuity Management (BCM) & Civil Emergency (CE) is due to be submitted to CMT for approval. It is expected to comply with British Standard 25999 - Business Continuity Management Code of Practice.
- Currently, there is an emergency Incident Management Team (IMT) responsible for running responses to major incidents, an active Local Resilience Forum and periodic seminars and training of local business owners to raise awareness of BCM and CE.
- Responsibilities of all LBH emergency officers are documented and accessible to members of staff in hard copy and electronically, and there is an e-learning course entitled Civil Protection.
- A temporary, emergency procedure for managing and reporting incidents including lessons learned from incidents is in place, and comprehensive reports are produced on past incidents.
- There is an approved annual budget for the Civil Protection Service.

The areas of concern resulting from the audit were:

- LBH e-learning course on Civil Protection is not made compulsory in induction process of all new members of staff.
- A formal process for monitoring implementation of recommendations made for lessons learned is not in place.
- There is no detailed BCM & CE plan for each service area.
- The BCM & CE Procedure is out of date.
- A secondary ICT site is required.
- The ICT back up and disaster recovery plan is unsatisfactory.

Management Comment - The recommendations raised in the audit report are part of the 2009/10 Civil Protection Service action plan and good progress has been made since the report was published, in particular around recommendation 2 - service business continuity plans. Business continuity planning work has been given a high priority to support the strategic planning for pandemic influenza and co-ordination of the council's response to the current swine flu pandemic. Swine flu work continues to be a main effort for the service and this is likely to continue for the next 3 months. It is estimated that all the audit recommendations will be fully actioned by January 2010

Adult Education (2008-9)

Assurance level: Limited

The following areas were reviewed and found to be operating satisfactorily:

- Enrolment procedures were generally satisfactory. All learners are required to complete and sign an official Enrolment Form when applying for courses and learner, course and enrolment details are recorded on the Plus Business (PB) system.
- Course fees and Council funded concessionary fees are approved annually by the Cabinet and are published and available to learners via the Council website and a course brochure together with details of the eligibility criteria and refunds policy.
- Learners are deleted from course registers on a timely basis where appropriate.
- Appropriate documentation is checked to confirm entitlement to concessionary fees payments and that the Learning Skills Council's eligibility requirements have been met.
- Refunds are checked and appropriately authorised

The main areas of concern resulting from the audit were:

- Course fees due where the course viability policy has been applied are not always correctly calculated by the PB system.
- Refunds are not completely and accurately recorded on the PB system.
- Refunds recorded on the PB system are not reconciled to the general ledger.
- There is no segregation of duties in place in relation to the collection, recording and banking of income.
- There is no reconciliation of the income recorded on the PB system and the general ledger.

Management Comment - The Adult Education management team have developed solutions to the issues raised, which will dramatically reduce the level of audit risk and streamline staff practices in the process. This will be achieved by enhanced use of the Plus Business system and greater use of electronic data transfer ensuring that opportunities for errors are minimised and systems are independently reconciled to ensure that any remaining errors are identified.

The centralisation of some data processes will ensure greater consistency across the service and further eliminate the risk of errors occurring

Oyster Cards (08-09)

Assurance Level: Limited

For those cards where a history of journeys travelled existed, there was no evidence to suggest that Oyster Cards were being abused.

However, we did have the following concerns about the Transport for London (TFL) system and how it was being used:

- The monitoring carried out by Oyster Card administrators was not always sufficient and therefore the system could be open to abuse.
- Checks with TFL revealed that only cards that had been registered, and topped up at least once online, have their history accessible online.
- Most departments find it easier to top up at a named train station or registered shop as the TFL site is very unreliable and if the card is topped up online, the money will not transfer on to it until the card is swiped at a station.
- If there has not been a top up online, the journey history cannot be viewed on the website and checked against the log books.
- As cards cannot be registered to the Council corporately, only the officer who registered the card can obtain the history which causes problems if that officer leaves the Council.

Management Comment – CMT have agreed that the procedures suggested by Internal Audit will be adopted throughout the council.

Environmental Services Application (M3) (2009-10)

Assurance level: Limited

The following areas were found to be operating satisfactorily:

- The system has a number of fields with built- in validation in order to ensure correct and inaccurate data is entered;
- User manuals and guides were in place;
- All operational issues are recorded in the M3 Issues Log and presented to Northgate periodically;
- The M3 system data is backed up on a daily basis.

The areas of concern resulting from the audit were:

- There is no documented registration and deregistration procedure in place for setting up and removing user accounts from the system;
- The role of the User Administrator and a deputy has not been assigned;
- Password security settings and the system's audit logs are unsatisfactory;
- There is no Disaster Recovery plan for the system.

Management Comment - We will be working closely with colleagues in ICT to ensure that these recommendations are fully implemented.

Teachers Payroll -Starters, Changes and Leavers - (2009-10)

Assurance level: Limited

We were pleased to note there was clear separation of duties from the receipt of information from schools to entry into the Payroll System (Resource link).

The areas of concern resulting from the audit were:

- There is a lack of documented procedures within the Payroll department;
- Schools send starters, changes and leavers forms via e-mail to Education Personnel.
- There is no designated e-mail list held by EP to ensure that the email comes from a person who is authorised to process the information;
- There are inadequate checks for duplicate bank details.

Management Comment – The Payroll Team is aware of the issues raised in this report and actions to address them have been included in the revised usage policies which will be launched in the next month.

Most recommendations from this report were actioned during the course of the audit and the remainder will be completed by the end of October

Mobile Phones (09-10)

Assurance Level: Satisfactory (M8)

We did not identify any unreasonable use of corporate mobile phones, but there is a lack of guidance and controls regarding the use of mobile phones. The main concerns are that:-

- An official request form is not always completed and authorised by the manager to confirm that the employee fulfils the laid down criteria.
- Guidance and conditions of usage are limited and do not fully cover such issues as personal calls, using PIN codes to secure the mobile phones and the consequences of any non-compliance. This also means that employees are not required to sign to confirm that they have read and understood the conditions of using work mobile phones.

ICT Department Restructuring (Unification) Project

Assurance level: Satisfactory

We were pleased to note that the project is broadly adhering to the Council-wide project management control framework.

The areas of non-compliance which would further improve the restructuring project control environment and facilitate the delivery of the project to plan were:

- The project risk log had not been presented to the Corporate Management Team for review and the risk log does not include target dates for action to be taken to mitigate each risk.

- There were no documented procedures for escalating issues to senior management and on change management.
- There was no formal periodic review scheduled prompting review of achievement of key objectives and expected benefits of the project.

ICT Remote Access

Assurance level: Satisfactory

We were pleased to note that the Council has implemented a number of control procedures regarding the Council's remote access arrangements. These include:

- A Remote Working Arrangements document;
- A central database is maintained of staff who can connect remotely;
- A two stage identification and authentication process for users who connect remotely;
- Data sent using remote access is encrypted to the 256 bit AES standard;

The areas where the control framework for the Council's remote access procedures could be improved are:

- The ICT Procedural Document needs to be updated to include; key contacts in ICT, recent 3rd party remote access requirements and the effects of the current ICT Unification project.
- There is no process in place for regularly monitoring remote access activity through the analysis of the appropriate server logs.
- The Council does not have intrusion detection software installed on its network.

Scrutiny and Member Services (08-09)

Assurance level: Satisfactory

We were pleased to note:

- All Committee and Cabinet Meetings follow the guidelines within the Hillingdon Constitution and all quorums were being met.
- Check lists are in place to ensure committee and cabinet papers are reviewed and authorised by respective officers before being distributed to members prior to the meetings.
- Public Enquiries are dealt with efficiently and can be monitored on a data base within Democratic Services.
- All additional Members' requests were followed up
- All Committee and Cabinet Meetings follow the guidelines within the Hillingdon Constitution and all quorums were being met.

The areas of concern resulting from the audit were: -

- Committee and Council distribution lists are not up to date;
- Security of Part 2 Committee Papers;
- Minutes are not documented in a standard format and are not consistently approved at subsequent committee meetings

Corporate Governance (2008-09)

Assurance level: Satisfactory

There was good evidence available to show that the six core principles within the latest CIPFA/SOLACE guidance were being complied with and there were no material breaches of the Code.

Hillingdon's local Code of Corporate Governance was issued in 2004. However, our review of evidence was against the CIPFA/SOLACE guidance. An updated Code is being progressed by the Council to ensure that it is consistent with revised guidance and the Council will formally adopt it later this year.

The only areas where improvements could be made are:-

- Ensuring that the updated local Code of Corporate Governance is made available to the public to inform them how the Council intends to achieve openness, integrity and accountability. The Code should also be more widely publicised to staff.
- Excelsis is being used as the Council's performance management system by all Groups, but the level of detail needs to be monitored to ensure it is adequate and progress updated regularly.
- There is a Protocol for Member and Officer Relationships that is due for review, but there is no protocol between the Leader of the Council and the Chief Executive.
- Financial Regulations were last updated in 2004 and therefore they need to be reviewed.

Section 106 Planning Gain Audit Review 2008-9

Assurance level: Satisfactory

The following areas were reviewed and found to be operating satisfactorily:

- The Council has a Planning Obligations Supplementary Planning Document (SPD) in place, which sets out the Council's policies and priorities in respect of planning obligations. The SPD was adopted in July 2008.
- Planning staff have access to relevant Central Government circulars on s.106 planning.
- Planning Permission is approved from the appropriate Committee on a timely basis.
- Quarterly reports are produced by Finance and Planning for review by the Senior Management Team (SMT) and then by the Council's Cabinet.
- Operation of s.106 planning is transparent.
- Legal draft and review all s.106 agreements and the signed and sealed agreements are securely kept within Legal.
- Finance complies with the legal requirement of keeping some of the contributions in interest yielding accounts.

Below are the areas where findings produced actions:

- Procedures and process maps need updating.
- Access to the electronic s.106 registers is not satisfactory, secured and the information is not reviewed to ensure it is complete and accurate.
- Management information on s.106 contributions expected and the amount outstanding due to default are not known and needs to be improved.

GENERAL LEDGER 2008-09

Assurance level: Satisfactory

The following areas were reviewed and found to be operating satisfactorily:

- There are procedures in place that ensure the financial information system meets relevant statutory accounting requirements, recommended accounting practices and requirements for financial returns.
- The final accounts are prepared and presented in a format consistent with the Statement of Recommended Practice (SORP) and the Best Value accounting Code of Practice (BVACOP).
- Transactions are posted onto the Oracle Financials System using cost centres and appropriate account code based on descriptions that accurately reflect the nature of transaction. The chart of accounts is based on CIPFA's standard classification.
- There was evidence that the Suspense and Holding accounts were reviewed regularly and subsequently reallocated.
- The Whole of Government Accounts procedures were adequate and in accordance with the relevant guidance issued by the community of Local Government.

The areas of concern resulting from the audit were:

- Financial Rules and Regulations were not reviewed regularly;
- Reports on invalid codes on the CareFirst interface rejection reports are not resolved promptly;
- The Application Desktop Integrator (ADI) journal did not go through strict approval process;

Title of Audit: Payroll (2008-09)

Assurance Level: Satisfactory

It is pleasing to report that:

- The independent review carried out and reported in July 2008, by an external consultant, identified a number of areas which required Re-Engineering Processes and changes in Working Practices.
- The re-structure proposed from that review is being implemented from which improved controls and efficiency savings are anticipated.

- The contractor, employed to resolve the reconciliation issues during 2008/09, has completed the task, and the responsibility has now been transferred to a dedicated team in corporate accounting.

The areas of concern resulting from this audit were:

- Lack of separation of duties in setting up School Posts and linking employees to those posts.
- Date of birth and National Insurance numbers missing for non-permanent employees.
- Identification of posts requiring Criminal Records Bureau (CRB) checks not complete and some CRB certificates are out of date.
- Authorised signatory list incomplete and not properly approved.
- Payroll do not receive periodic confirmation or authorisation for ongoing contractual and non-contractual payments

Assets Register (2008-9)

Assurance level: Full

Generally, we found that expected controls were embedded in systems and procedures to ensure the accuracy and integrity of the Assets Register.

There were no areas of concern and the only recommendations made were to improve good practice

HOUSING BENEFITS 2008/09

Assurance level: Full

The following areas were reviewed and found to be operating satisfactorily:

- Procedure manuals are comprehensive and incorporate all the relevant Department of Works and Pensions (DWP) regulations and guidance.
- There are adequate controls surrounding the Housing Benefit assessment procedures.
- All Private Tenant payment runs from the I – World Revenue and Benefit system are checked, reconciled and agreed weekly to Oracle Financials by the Quality Control Team. Payments for Rent Rebate and Council Tax Benefit are reconciled daily.
- Controls exist to ensure that overpayments are identified, that prompt recovery action is taken and that write-offs are authorised where necessary.
- We confirmed that the Housing Benefits Officers received adequate training and are regularly sent current DWP circulars and bulletins to update their training & knowledge.
- A number of reports are produced from the I – World Revenues and Benefits system which are reconciled on a regular basis to the Oracle Financials System, Housing Rents and Council Tax.

The only areas of concern resulting from the audit were:

- The overpayment summaries are not signed and dated, and there is no evidence of a supervisory approval.
- Weekly reconciliations of rent rebates to Housing Rent Accounts are not signed and dated by the officer preparing the reconciliation and there is no evidence of a supervisory check.

Supporting People Grant 2008-09 (audited 2009-10)

Assurance level: Full

The following areas were reviewed and found to be operating satisfactorily:

- Written procedures, policies and strategies exist that are comprehensive, accessible to members of staff and are reviewed regularly.
- Financial controls exist and entries on the Financial Statement are fairly stated.
- There is a satisfactory control in place to monitor entrance and exit of service users into Hillingdon Homes.
- Publicity, advertisement and information dissemination of the SP Programme is satisfactory.
- Reconciliations relating to both grants inflows and payments are adequately and satisfactorily carried out.

The only area of concern resulting from the audit was that the database software that was recommended during last year's audit is yet to be purchased.

Diabetes Management in schools

At the early stage of this audit it became clear that there was only one school and one child where the procedures were currently necessary. We satisfied ourselves that the appropriate parts of the process had been applied but did not feel that a full audit and report were necessary for a sample size of one.

Schools

From May to July 2009 audits were undertaken in six schools. However due to school holidays only one has had a final report agreed with the school.

The audit was undertaken at the request of the Director of Education because of concerns about financial management at the school. Although this was a no assurance report we are satisfied that all necessary action will be taken to address the issues. Following the audit we had a very constructive meeting with the Acting Head and senior members of the Governing Body of Northwood. The school has subsequently federated with Queensmead. This should enhance governance and management of the school. Further detail is provided in part 2 of this report. We will carry out a follow up in quarter three.

Follow up audits

During the period we followed up previous audits for evidence of completion of action plans. The results are summarised in the table below and a commentary has been provided where the action is incomplete. Overall implementation rates are improving with almost 80% implemented at follow up and almost 75% of High recommendations having been implemented at follow up.

The follow up table does not provide details of schools follow ups because these have been included in a separate report. Including the schools implementation rates of 60% high, 69% medium and 60% low reduces the overall rates to 67%, 74% and 75% respectively. However, we expect that the continuing focus on helping the schools to achieve the Financial Management in schools standard will improve this situation.

Details of audits followed up but where issues are outstanding are as follows:

Access to Housing – The outstanding recommendation was delayed because it was reliant on another project, which also suffered a delay. A new date of June 2009 was set for implementation.

Private Sector Leasing – good progress was made in implementing recommendations. The outstanding recommendations involve legal negotiations and are expected to be resolved soon.

Fleet Management – The outstanding recommendations were all at some stage of implementation and were expected to have been completed shortly after the follow up visit.

Sundry Debtors – the outstanding recommendation is expected to be implemented by September 2009.

Pensions Assets – The outstanding recommendation is being progressed with Legal Services and is expected to be complete by March 2010.

SEN – The outstanding recommendations were in the process of being implemented and should be completed soon.

Council Tax – The outstanding recommendation is expected to be implemented in October 2009.

Commercial Properties – Recommendations awaited the implementation of an upgrade to the system, which was to take place in July 2009.

Planning Applications – Progress had been made and the outstanding recommendations were expected to be completed by September 2009.

Parking Services – The outstanding recommendation is expected to be completed in September 2009.

Carefirst – The outstanding recommendation refers to changes that should be implemented when the new Protocol system is fully implemented and is reliant on the full live operation of that system.

Supporting People – The outstanding recommendations has been included in the most recent audit and will be followed up with that audit in future.

Direct Payments to Disabled Children – There was a change of management in this service. The new manager has carried out a complete review and expects to have completed all actions by November 2009.

Network Security – The outstanding actions are part of the on-going measures to improve security in the council. These are expected to be fully implemented by April 2010

AUDIT TITLE	HIGH	MEDIUM	LOW	IMPLEMENTED HIGH	IMPLEMENTED MEDIUM	IMPLEMENTED LOW	NOT IMPLEMENTED
Access To Housing		2			1		1
Treasury Management	1	3	1	1	3	1	0
Health and Safety	2	5	1	2	5	1	0
Private Sector Leasing	1	7	6		6	5	3
Fleet Management Follow Up	8			1			7
Trade Waste Follow Up	3		2	3		2	0
Sundry Debtors		4	1		3	1	1
Middlesex Suite Follow Up		1			1		0
Pensions Assets 08/09		2	1		1	0	2
Investigation 010	2	3	2	2	3	2	0
SEN		3	3		2	1	3
Council Tax Follow Up		3	2	0	2	2	1
Commercial Properties Follow Up		5			1		4
Pension administration	1	5	1	1	5	1	0
Planning Application		2					2
Parking Services		4			3		1
Carefirst Payment(Creditors)	0	2	2	0	1	2	1
Investigation 013	4	2	1	4	2	1	0
Winston Churchill Hall Follow Up	1			1			0
Howletts Lane Follow Up	4	1	1	4	1	1	0
Supporting People Grant 07/08	2	4	1	2	3	1	1
Direct Payments to Disabled Children	5	3		1	1		6
Harefield Library Follow Up		2			2		0
Kingshill Library Follow Up		1	1		1	1	0
Assessment & Mgt PPSD F-Up		2	1		2	1	0
Assessment & Mgt OPS F-Up		3	1		3	1	0
Grassy Meadow	1	2		1	2		0
Library Book Purchasing & Management		2			2		0
Benefit Fraud Process & Procedures		3	3		3	3	0
Children's resource Centre	5	1	1	5	1	1	0
Charville Lane	4	1		4	1		
Arrangements for Delegations		1	1		1	1	0
Freedom of Information/Data Protection	2	2		2	2		0
Technology Development/Acquisition Mgt		1			1		0
Network Security		5	2		3	2	2

AUDIT TITLE	HIGH	MEDIU M	LOW	IM- PLE- MENTED HIGH	IM- PLE- MENTED MEDIUM	IM- PLE- MENTED LOW	NOT IM- PLE- MENTED
	46	87	35	34	68	31	35
% Implemented by Risk				74%	78%	89%	
Overall % Implemented							79%
Overall % Not Implemented							21%
							100%

3. Advice Guidance and Consultancy

We have provided a range of advice and guidance on issues such as procedures for mobile phones, actions in disciplinary cases and security of debit card information provided by the public.

4. Anti Fraud Work

We have provided additional coursed for mangers on anti-fraud and have progressed the actions necessary to roll out the e-learning package for other staff.

Work has been ongoing on National Fraud Initiative Data and we have conducted a number of data matches internally, some of which are covered in part 2 of this report.

SUGGESTED COMMITTEE ACTIVITY

To be written by the O&S Team

BACKGROUND PAPERS

Delete heading if there are no background documents

Internal Audit Plan 2008-9 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
					H	M	L
Council wide Issues							
Corporate Governance	Finalised	03/06/09	Satisfactory		-	2	3
Anti Fraud Measures							
Investigation 10	complete	23/01/09	Not applicable	Aug 09	-	-	-
Investigation 13	Finalised	06/01/08	Limited		4	2	1
Investigation 14	Finalised	14/07/09	Not applicable		4	-	-
Car Mileage checks	Finalised	16/02/09	Satisfactory		1	2	2
Property Databases	Finalised	07/01/09	Satisfactory		1	4	4
Use of shared Oyster cards	Finalised	31/8/09	Limited		5	2	0
Deputy Chief Executives							
Scrutiny & Member Services	Finalised	05/06/09	Satisfactory		2	2	1
FINANCE & RESOURCES							
National Non-Domestic Rates	Finalised	27/05/09	Satisfactory		-	6	5
Council Tax	Finalised	07/11/08	Satisfactory	May 09	-	1	-
Payroll	Finalised	06/08/09	Satisfactory		-	10	3
Creditors - Misc	Finalised	27/01/09	Satisfactory		-	6	3
Creditors - Carefirst	Finalised	31/12/08	Satisfactory	Aug 09	-	-	1
Sundry Debtors	Finalised	23/03/09	Satisfactory	Jul 09	-	1	-
Asset Register	Finalised	01/07/09	Full		-	-	2
General Ledger	Finalised	17/06/09	Satisfactory		-	2	1
Payroll Expenses Procedures	Finalised	23/12/08	Limited		8	4	2
Pensions Admin	Finalised	07/01/09	Satisfactory	May 09	-	2	1
Pensions Assets	Finalised	06/04/09	Satisfactory	Aug 09	-	-	-

Internal Audit Plan 2008-9 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
					H	M	L
Commercial Properties	Finalised	11/09/08	Satisfactory	Jun 09	-	4	-
ENVIRONMENT & CONSUMER PROTECTION							
Parking Services	draft						
Domestic Refuse Collection & disposal	Finalised	30/07/08	Satisfactory		3	1	2
Street Cleaning Works	in progress						
Exor System	Finalised	03/10/08	Satisfactory		-	2	-
Business Continuity & Emergency Planning	Finalised	08/06/09	Limited		6	3	1
PLANNING & COMMUNITY SERVICES							
S106 Planning Gain	Finalised	15/06/09	Satisfactory		1	2	2
Library Book Purchasing and Management	Finalised	19/08/08	Satisfactory		-	2	-
Adult Education	Finalised	16/07/09	Limited		5	6	10
ADULT SOCIAL CARE, HEALTH & HOUSING							
Housing & CT Benefit	Finalised	05/06/09	Full		-	2	-
Access to Housing	Finalised	31/10/08	Satisfactory	Apr 09	-	1	-
Private Sector Leasing	Completed	02/06/09	<i>This was a follow up</i>				
Benefit Fraud Processes & Procedures	Finalised	08/01/09	Satisfactory		-	3	6
Carefirst Debtors	Finalised	14/05/09	Satisfactory		3	3	4
EDUCATION & CHILDRENS' SERVICES							
Special Needs Team	Finalised	05/09/08	Satisfactory	Aug 09	-	1	2

Internal Audit Plan 2008-9 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
					H	M	L
Schools Audits							
Deanesfield	Finalised	13/11/08	Satisfactory		8	2	0
Harmondsworth	Finalised	15/12/08	Satisfactory		7	0	0
Minet Infant	Finalised	12/12/08	Satisfactory		10	0	0
Whitehall Infant	Finalised	23/07/08	Satisfactory	As part of FMSiS	3	2	0
Whiteheath Infant	Finalised	10/09/08	Satisfactory	As part of FMSiS	1	1	0
Coteford Junior	Finalised	08/12/08	Satisfactory	As part of FMSiS	5	1	0
Frithwood	Finalised	05/11/08	Satisfactory	As part of FMSiS	4	0	0
Grange Park Infant	Finalised	05/11/08	Satisfactory	As part of FMSiS	2	1	0
Grange Park Junior	Finalised	21/07/08	Limited	As part of FMSiS	10	0	0
Hermitage	Finalised	12/11/08	Limited	As part of FMSiS	2	0	0
Newnham Junior	Finalised	09/12/08	Satisfactory	As part of FMSiS	4	1	0
Oak Farm Junior	Finalised	10/07/08	Satisfactory	As part of FMSiS	2	1	2
Ruislip Gardens	Finalised	03/11/08	Limited	As part of FMSiS	5	1	0
Sacred Heart RC	Finalised	18/07/08	Satisfactory	As part of FMSiS	3	0	0
St Matthew's CE	Finalised	02/12/08	Satisfactory	As part of FMSiS	2	1	0
St Swithun Wells RC	Finalised	10/03/09	Satisfactory		8	0	0
Yeading Infant	Finalised	23/07/08	Limited	As part of FMSiS	1	0	0
Yeading Junior	Finalised	22/07/08	Limited	As part of FMSiS	1	0	0
Bourne	Finalised	25/02/09	Satisfactory		4	0	0
Hillside Infant	Finalised	25/03/09	Limited		11	3	0
Holy Trinity	Finalised	02/03/09	Satisfactory		8	3	0
Newnham Infant	Finalised	10/07/08	Satisfactory	As part of FMSiS	4	0	0
St Bernadette's RC	Finalised	18/03/09	Limited		18	1	0
St Mary's RC	Finalised	10/03/09	Satisfactory		4	1	0

Internal Audit Plan 2008-9 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
					H	M	L
Whitehall Junior	Finalised	11/07/08	Satisfactory	As part of FMSiS	6	2	0
Breakspear Infant	Finalised	25/02/09	Satisfactory		3	0	0
Ryefield	Finalised	27/03/09	Satisfactory		5	1	0
Hedgewood	Finalised	11/07/08	Limited	As part of FMSiS	5	1	0
Moorcroft	Finalised	31/03/09	Satisfactory		6	1	0
Willows	Finalised	29/04/09	Limited		8	0	0
McMillan Nursery	Finalised	12/12/08	Satisfactory		5	0	0
IT Audits							
Third Party Service Management (Northgate)	Finalised	19/01/09	Satisfactory		0	4	1
Web Security	Draft issued						
Application Security (SCUBA system)	Finalised	04/03/09	Limited			5	2
IT physical and environmental security	Finalised	25/03/09	Satisfactory			2	5
Helpdesk Application	Finalised	05/03/09	Satisfactory		0	1	3
Housing & CT (Northgate) application review	Finalised	25/03/09	Satisfactory			4	1
Ocella application review	Draft issued						
IT Data Security and Transfer (from Contingency)	Finalised	26/03/09	Limited			4	3
Email Security and Management	Finalised	27/05/09	Limited			4	3
Oracle Financials Upgrade	Finalised	03/03/09	Satisfactory			3	1
Protocol System - post implementation review	In progress						

Internal Audit Plan 2008-9 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
					H	M	L
Contingency							
Parking Enforcement Contract Retender	Finalised	02/10/08	Satisfactory	Aug 09	-	-	-
Supporting People Grant	Finalised	14/08/08	Satisfactory	June 09	0	1	0

✓ for
Finalised/Satisfactory/Full

⇒ for in progress

⇩ for Limited

Key

	Currently being followed up
	Not due

Audit Title	Status	Assurance Level	Number of outstanding recommendations			Comments
			High	Med	Low	
PLAN 2007-8						
DEPUTY CHIEF EXECUTIVES						
Learning and Development funding	✓	✓	4	3	0	Finalised Jan 09
PLANNING & COMMUNITY SERVICES						
<i>Leisure Services</i>						
Winston Churchill Hall	✓	✓	0	0	0	Followed up Aug 09
<i>Libraries</i>						
Harefield	✓	✓	0	0	0	
Kingshill	✓	✓	0	0	0	Followed up Dec 08
Building Control	✓	✓	2	0	1	
ADULT SOCIAL CARE, HEALTH & HOUSING						
Private Sector Leasing	✓	✓	1	1	1	Followed up Jun 09
Hillingdon Homes						
<i>Older People's Services</i>						
Assessment & Care Management OPS	✓	✓	0	0	0	Followed up Aug 09

✓ for
Finalised/Satisfactory/Full
⇒ for in progress
⇓ for Limited

Key

	Currently being followed up
	Not due

PLAN 2007-8		Number of outstanding recommendations				Comments
Audit Title	Status	Assurance Level	High	Med	Low	
Establishment visits (Day Centres)						
Grassy Meadow	✓	✓	0	0	0	Followed up Sep 09
Adult services						
Assessment & Care Management PPSD	✓	✓	0	0	0	Followed up Sep 09
Establishment Visits (Day Centres)						
Homecare - All clients	✓	✓	3	4	3	Finalised 7/10/08
EDUCATION & CHILDREN'S SERVICES						
Children's services						
Direct payment for disabled children	✓	⇓	4	2	0	Followed up Aug 09
Respite Care Services - Howletts Lane	✓	✓	0	0	0	Followed up Aug 09
Charville Lane	✓	✓	0	0	0	Followed up Dec 08
Children's resource centre	✓	✓	0	0	0	Followed up Jun 09

✓ for
Finalised/Satisfactory/Full
⇒ for in progress
⇩ for Limited

Key

	Currently being followed up
	Not due

PLAN 2007-8	Audit Title	Status	Assurance Level	Number of outstanding recommendations			Comments
				High	Med	Low	
	Education						
	Schools - Secondary						
	Queensmead	✓	✓	0	0	0	
	Barnhill Community School	✓	✓	0	0	0	
	Schools - Primary						
	Lady Bankes Junior*	✓	✓	4	0	0	
	Lady Bankes Infant (added in year)	✓	✓	0	0	0	
	BWI (Bishop Winnington Ingram)	✓	✓	0	0	0	
	Dr Triplets CE*	✓	✓	4	0	0	
	St Andrew's CE*	✓	✓	1	0	0	
	Cherry Lane Primary*	✓	✓	2	0	0	
	Field End Infant*	✓	✓	0	0	0	
	Harefield Infant*	✓	✓	0	1	0	Merged with junior. Will be re-audited
	Longmead	✓	✓	0	0	0	
	Minet Junior	✓	✓	4	0	0	
	Rabbsfarm*	✓	✓	0	0	0	
	Warrender	✓	✓	0	0	0	

✓ for
Finalised/Satisfactory/Full
⇒ for in progress
⇓ for Limited

Key

	Currently being followed up
	Not due

Audit Title	Status	Assurance Level	Number of outstanding recommendations			Comments
			High	Med	Low	
PLAN 2007-8						
Brookside	✓	✓	10	0	1	As above
Wood End Park Primary*	✓	✓	4	0	0	As above
West Drayton*	✓	✓	8	0	0	As above
Oak Farm Infant*	✓	✓	0	0	0	
<hr/>						
ST Catherine's Infant & Nursery	✓	✓	5	0	0	As above
Guru Nanak Primary	✓	✓	2	0	0	As above
Schools - Special	✓					
Meadow High School	✓	✓	0	0	0	
Schools - Other						
School meal arrangements Haydon school	✓	✓	3	0	0	
Music Service	✓	✓	1	2	0	Followed up Dec 08
FINANCE & RESOURCES						
Finance						
Pensions Assets	✓	✓	0	1	0	Followed up Aug 09 – Revised target date Mar 10
Support Services and Procurement						

✓ for
Finalised/Satisfactory/Full

⇒ for in progress

⇩ for Limited

Key

	Currently being followed up
	Not due

Audit Title	Status	Assurance Level	Number of outstanding recommendations			Comments
			High	Med	Low	
PLAN 2007-8						
Pensions Admin	✓	✓	0	0	0	Followed up Jun 09
Arrangements for Delegations	✓	✓	0	0	0	Followed up Aug 09
Property						
Middlesex Suite (Including Licensee Arrangements)	✓	✓	0	0	0	Followed up Jul 09
Legal						
Freedom of Information/ Data Protection	✓	✓	0	0	0	Followed up Aug 09
ICT						
Technology Development/Acquisition Management	✓		0	0	0	Followed up Aug 2009
Asset Management/ Software and Hardware Management	✓	⇩	0	3	3	
Security Reviews						
Network Security	✓	✓	0	2	0	Followed up March 09
Business Application Systems						
BACS Payments Application	✓	✓	0	4	1	Followed up Jan 09
Website Content Management System	✓	⇩	1	2	1	

✓ for Finalised/Satisfactory/Full
 ⇒ for in progress
 ↓ for Limited

Key

	Currently being followed up
	Not due

PLAN 2007-8		Number of outstanding recommendations			Comments	
Audit Title	Status	Assurance Level	High	Med		Low
<i>IT Developments/ Acquisitions</i>						
Business Continuity Management	✓	✓	0	4	0	
<i>Audits not completed in 2006-7</i>						
Procurement/AP	✓	✓	0	4	2	
ENVIRONMENT & CONSUMER PROTECTION						
Exor System (IT) - review of concept	✓	✓	0	2	0	Followed up with Oct 08 audit
Contingency						
Securicor collection	✓		4	0	0	Followed up Feb 2009

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FINAL USE OF RESOURCES REPORT

Contact Officer: Nancy Le Roux
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REASON FOR REPORT

This final report by Paul Hutt, Senior Audit Manager Deloitte, details Deloitte's final assessment of the Council's performance under the new Use of Resources assessment, which forms part of the Comprehensive Area Assessment (CAA). The findings were reported to the Audit Commission on 12 August to be reviewed and to reach a final assessment. The Audit Commission are due to report in October 2009 and it should be noted that the final scores may change. This report follows on from the Interim report brought to Audit Committee in June.

RECOMMENDATIONS

The Committee is asked to note the report.

BACKGROUND

As explained in detail in the June report, during 2008 the revised Use of Resources assessment, under the new CAA regime was introduced. The assessment is structured into three main themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people.

The overall aim is to assess how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. In designing the new assessment, one of the aims of the Audit Commission was to make the assessment a harder test in order to rebase all the scores, essentially moving 4 to 3 and 3 to 2.

FINAL REPORT FINDINGS

The final scores for the 3 areas are as follows:

Overall Area	KLOE	Interim KLOE score	Final KLOE score	Final Theme score
Managing Finances	1.1 Planning for financial health	3	3	3
	1.2 Understanding costs and achieving efficiencies	2	2	
	1.3 Financial Reporting	2	3	
Governing the business	2.1 Commissioning and procurement	2	2	2
	2.2 Use of information	2	2	
	2.3 Good governance	2	2	
	2.4 Risk management and	2	2	

	control			
Managing resources	3.1 Natural resources	2	2	2
	3.2 Strategic asset management	3	3	

The findings assess the Council as having achieved a strong level 2 performance overall, with a clear visible path to achieve a level 3 in the future. The only change from the interim scores is the score for 1.3 which relied on the outcome of the audit of the accounts and has now been increased to 3, improving the Managing Finances theme score to 3.

REPORT RECOMMENDATIONS

The report provides very clear and detailed guidance on the areas where the Council is performing well and on which areas require further improvement. It makes recommendations against most of the individual key lines of enquiry and the council's response to those recommendations is detailed in Appendix 2 of the attached report. The council has agreed with the majority of the recommendations and is in the process of developing a range of actions to address the findings to improve the assessment for 2009/10.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

BACKGROUND PAPERS

Audit Commission: Use of Resources 2008/09 – Overall Approach and key lines of enquiry – May 2008

Final Use of Resources Report

**London Borough of
Hillingdon**

September 2009

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1 Executive Summary

1.1 Scope

An annual requirement of local authority appointed auditors is to perform an assessment of an authority's use of resources. An interim assessment was carried out during May 2009 in order to provide indicative scores to the Audit Commission by their interim deadline of 31 May 2009. This was followed by a final assessment which was carried out during July and August 2009 in order to provide final scores to the Audit Commission by their final deadline of 12 August. The findings in this report provide the scores reported to the Audit Commission for both the interim and final submissions. Within the report, we have outlined a summary of our findings in reaching the scores reported, including areas where the Council is performing well and areas where there is a need for improvement in controls and/or documentation to support these procedural activities.

Our findings in this report have been reviewed by the Audit Commission as part of their national review process in August 2009 and we await comments from this. As a result of this final stage assessment by the Audit Commission, scores may change from those outlined within this final report. Confirmed final scores will be released in October 2009.

1.2 Final findings

The assessment is made under three overall areas, or themes. Within these there are a number of key lines of enquiry ("KLOEs"). Each KLOE is assessed by considering what auditors would expect to see at authorities which are performing adequately or performing well.

We have assessed the London Borough of Hillingdon ("LBH") with the following scores at the interim and final stages of our review:

Overall area	KLOE	Interim KLOE score	Final KLOE score	Final Theme score
Managing finances	1.1 Planning for financial health	3	3	3
	1.2 Understanding costs and achieving efficiencies	2	2	
	1.3 Financial reporting	2	3	
Governing the business	2.1 Commissioning and procurement	2	2	2
	2.2 Use of information	2	2	
	2.3 Good governance	2	2	
	2.4 Risk Management and control	2	2	
Managing resources	3.1 Natural resources	2	2	2
	3.2 Strategic asset management	3	3	

Details of the scoring process appear at Appendix 1. We consider the Council to have achieved a strong level 2 performance overall, with a clear path visible to achieve a level 3 in the future. This is considered to be a very positive outcome, and the Council is congratulated on its performance.

1.3 Key areas for improvement

Throughout this report we have included details of the following recommendations where we believe that evidence of outcomes achieved in 2008/09 may not exist, but consideration of these points may enhance the assessment for 2009/10.

The key recommendations which should be considered for the 2008/09 final assessment are listed below and in Appendix 2 with management responses.

KLOE 1.1 Managing spending	LBH should ensure collection targets are set for all applicable material income streams. Performance against these targets should be regularly monitored so that further actions can be implemented to improve rates of collection which are below target.
KLOE 1.2 Decision making	We recommend that the Council considers further analysis and use of benchmarking information to identify areas where there is further scope for efficiency savings to be achieved. A key focus of this would be adult social care.
KLOE 1.3 Publishing reports	The Council should continue to develop its approach to identifying and reporting key information to its stakeholders in relation to its environmental performance given the high profile of this agenda.
KLOE 2.1 Clear vision of expected outcomes	The Council should continue to develop an overarching commissioning plan that links identified needs to Council priorities and specific actions.
KLOE 2.1 Extensive involvement in commissioning	We consider that the Council should develop a more coherent approach to obtaining user involvement when developing its service and strategic priorities.
KLOE 2.1 Improvement through service redesign	We recommend that the Council continues to identify and evaluate opportunities to use technology in innovative ways to enhance the experience of the service user

KLOE 2.1
Understanding the supply market

We suggest that the Council continues to explore opportunities to work with a wider range of suppliers, including the third sector

KLOE 2.2
Relevant and reliable data

LBH could further develop its approach to data quality across the Council, for example, that there is a full risk assessment of which indicators and systems are reviewed, with subsequent action plans that are monitored and reviewed.

KLOE 2.2
Relevant and reliable data

We recommend that LBH works with its partners to develop and implement a Partnership Data Quality Protocol, as a means of ensuring consistent expectations and standards around data quality.

KLOE 2.2
Supporting the decision making process

LBH should consult with its partners to determine the most appropriate format, content and standard of performance information that is required.

KLOE 2.2
Data security

We recommend that LBH follow up the findings from the internal audit review of data security as a matter of high priority.

KLOE 2.2
Monitoring performance

We recommend that LBH undertake wide spread benchmarking of performance and develop action plans in areas where it is underperforming.

KLOE 2.3
Partnership governance

The Council should present its assessment and demonstration that Hillingdon Partners and other significant partnership arrangements are achieving value for money in what they do.

KLOE 2.4
Risk management

Members training around risk management may be through other routes than formal training sessions, and the Council should seek to present evidence of different forms of training, for example, logs of participation in the use of online resources. A record should also be maintained of the outcomes of training undertaken.

KLOE 2.4
Counter fraud and corruption

A register should be maintained of all training that has been completed, and where necessary, training requirements should be updated and signed off annually. In addition, the Anti Fraud and Corruption training should contain a strong message to prevent cases of alerting individuals being investigated.

KLOE 3.1
Understanding and quantifying the use of natural resources

The Council should ensure that it has appropriate processes in place to be able to monitor and measure the effectiveness of the overall strategy for the use of natural resources, and where required, be able to revise the strategy to ensure that the appropriate elements of the carbon footprint are being addressed.

KLOE 3.1
Understanding and quantifying the use of natural resources

As the Climate Change Strategy becomes more embedded across the Council, clearer links with other strategies and plans should be established, including finance, risk and human resources.

KLOE 3.1
Managing performance to reduce impact on the environment and managing environmental risks

The Council should continue the work it has already commenced by further embedding and developing its plans to achieve, manage and communicate its environmental strategy.

2 Introduction

The Use of Resources ('UoR') assessment forms part of the Comprehensive Area Assessment ('CAA') from 2009.

The UoR assessment considers how well organisations are managing and using their resources to deliver value for money and better, sustainable outcomes for local people. It is structured into three main themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people.

The approach, as with the previous UoR assessment, is based upon reviewing Key Lines of Enquiry ('KLOE'). However, the new KLOE are more broadly based than the old ones, and embrace wider resources issues such as the use of natural resources. The KLOE focus more than ever on value for money achievements, outputs and outcomes rather than processes, and assessments will be based on a rounded judgement. This will make achieving higher scores under the new regime more demanding than the previous UoR assessment. The KLOE are detailed below:

Area 1	Managing Finances	
Key Question	How effectively does the organisation manage its finances to deliver value for money?	
KLOE	1.1	Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?
	1.2	Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?
	1.3	Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?
Area 2	Governing the Business	
Key Question	How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?	
KLOE	2.1	Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?
	2.2	Does the organisation produce relevant and reliable data and information to support decision making and manage performance?
	2.3	Does the organisation promote and demonstrate the principles and values of good governance?
	2.4	Does the organisation manage its risks and maintain a sound system of internal control?
Area 3	Managing Resources	
Key Question	How well does the organisation manage its natural resources, physical assets, and people to meet the current and future needs and to deliver value for money?	
KLOE	3.1	Is the organisation making effective use of natural resources?
	3.2	Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?
	3.3	Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?

The scores from our final assessment were reported to the Audit Commission on 12 August 2009.

This final deadline was brought forward significantly from the prior year. This resulted in the Council's UoR team having markedly less time to produce self assessment information, as well as less time to perform the assessment.

We held a UoR workshop for key officers of the Council in February 2009. This was to share training and information that had been given to Deloitte with the Council, in order to ensure that the Council understood what auditors had been instructed to look for when performing the assessment. It is important to note that this new UoR assessment is still evolving, and some of the realities of performing the assessment for the first time may need to be reflected in future UoR workshops, however it is felt that the workshop was useful and lead to the Council producing high quality self assessments. Given the very short turnaround time for these self assessments from the Council being informed of the interim submission deadline in early March 2009 to the submission of the self assessments for review in late April 2009, the quality of them is all the more notable.

3 Managing finances

In assessing Managing Finances the key question addressed is how effectively the organisation manages its finances to deliver value for money. This question is answered through three KLOEs, which are further broken down into more focused areas, detailed in sections 3.1 to 3.3 below.

Managing finances is a particular area where significant evidence for the UoR assessment did not exist at the interim stage. Specific key areas of KLOE 1.3 in particular focus on preparation of accounts and publishing reports, which for the 2008/09 year was assessed fully with evidence obtained through the year end audit process.

3.1 KLOE 1.1: Planning for financial health

3.1.1 Overall summary

This KLOE asks for an assessment on whether “the organisation plans its finances effectively to deliver its strategic priorities and secure sound financial health”.

Our final assessment score for this KLOE is ‘3’.

Requirement	Interim Score	Final Score
Integrated financial planning	3	3
Medium to long term financial planning	3	3
Engaging with stakeholders	3	3
Managing spending	2	2
Financial leadership and governance	3	3

We found that LBH has financial planning processes that are integrated with its strategic priorities. The Council has been able to set a balanced budget, as well as achieve significant efficiency savings targets over the past 4 years. Furthermore, the Council is continuing to be proactive in addressing short term risks within its overall medium term financial planning processes. There is strong leadership and governance around financial management, which has resulted in stronger financial performance of the Council.

3.1.2 Key features

Integrated financial planning: There is a clear track record of delivering a balanced budget, with evidence of integration between revenue, capital and treasury management strategic priorities. There is good evidence of leadership from members, as well as services developing their budgets from the bottom up using this strategic direction. A demonstration of this joined up process is seen in the comprehensive service reviews that were undertaken in 2008/09 involving the service delivery teams and finance. These service reviews have added further potential savings to the £45m efficiency savings achieved over the last four years. In response to increasingly challenging economic circumstances, LBH has further developed this approach through the introduction of a Business Transformation Board (BTB), which will focus on business transformation.

The 2008/09 budget was the first to be constructed on a 'zero based' principle, and included £11m of savings. There is evidence through this budget planning process that key priorities of LBH are identified, and resources are subsequently diverted to them. An example of this is where savings in back office functions have been diverted to actual front line service provision.

There are examples whereby budgets have been devolved to local areas. For example, the Chrysalis scheme enables a pool of money to be used for needs identified by local people and bid for through local Councillors. This enables what are seen to be more local issues rather than strategic priorities to be addressed.

Communication of key issues around financial planning appears to be well developed, for example, staff are kept abreast of progress through intranet blogs and team briefings, as well as the Leader's Roadshow.

While acknowledging that Hillingdon has £20m invested with Icelandic banks, it has responded to the banking crisis by reviewing and updating its Treasury Management policies in line with latest guidance. The deposits made in Icelandic banks were made before the banks' credit ratings were cut and were within the Treasury Management Policy prevailing at the time.

Medium to long term planning: LBH has implemented and embedded a medium term financial forecast that identifies key drivers of costs over a four year planning horizon. The Council's key priorities are incorporated into this forecast. The Sustainable Communities Strategy provides clear direction for the medium term financial forecast ("MTFF").

The Council incorporates a 'contingency' element into its MTFF and annual budget as a mechanism through which to manage unforeseen risks. During 2008/09 it was able to use this contingency to manage its budget after the identification of £2m of cost pressures including those relating to energy and fuel costs.

Members are involved in the financial planning process, both through setting the strategic direction of the Council, as well as the Member for Finance and Business Services meeting regularly with the Director of Finance.

LBH has been able to use its approach to medium term financial planning to influence both its approach to partnership working, and the actions of its partners. An example included the ability of the Partnership Group to increase its partnership reward grant to 85%, which has increased throughout the year.

Engaging with stakeholders:

Partner organisations are engaged with through the Partnership Board and LAA meetings, information from which is fed back through service areas, into budgets and the MTFF and Hillingdon Partners Sustainable Community Strategy. Primary outputs of engaging with stakeholders are considered to be the residents' feedback results, utilisation of ward schemes enabling local people to request funding for issues local to them and performance of Hillingdon Partners against LAA targets

LBH has developed a range of means to obtain the views of its residents including targeted consultation and working with hard to reach communities within the borough. The Sustainable Community Strategy provides the strategic direction through which the Council delivers its goals and priorities.

The Council has strengthened its approach to consultation with its residents by developing initiatives that enable spending decisions to be taken at a lower level, for example, the Chrysalis programme.

The Council has demonstrated improvement in residents' perceptions of services being delivered through enhanced responses from its residents' surveys.

Managing spending: LBH has a recent track record of delivering efficiencies, building up reserves, whilst maintaining service delivery and improving residents' satisfaction levels. The Council has faced budgetary and financial pressures that emerged in 2008/09, including increased energy costs and a reduction in income, and has taken actions to address these areas.

LBH produces a monthly Financial Digest, which includes key performance statistics including collection rates for Council tax. However, some material incomes streams still need to have targets developed for them, and for these, there is little evidence that collection rates have improved. As personal financial circumstances become more challenging, there is potential that collection of these income streams may deteriorate in the future.

<p>Recommendation – LBH should ensure collection targets are set for all applicable material income streams. Performance against these targets should be regularly monitored so that further actions can be implemented to improve rates of collection which are below target.</p>

Financial governance and leadership: The Cabinet and Corporate Management Team (CMT) have worked together to develop an integrated approach to financial planning within the Council. During 2008/09, the Council has taken difficult decisions to address financial challenges that have occurred during the developing global recession. Portfolio Members have regular meetings with their service areas during the budget setting process, and manage financial performance throughout the year through specific financial reports made to committees.

The audit committee receives and considers both internal and external reports relating to financial management and governance. It monitors progress made against recommendations, and there is evidence of senior managers being challenged on areas where further progress could be made.

LBH has developed a web based Financial Management Toolkit for its staff, as an initial reference guide for all managers. Over the past year, all tier 1 and 2 managers have attended a 2 day course on basic accounting techniques to improve overall business and financial management skills. The Council is looking to devolve this further throughout the organisation.

3.2 KLOE 1.2: Understanding costs and achieving efficiencies

3.2.1 Overall summary

The KLOE focuses upon whether “the organisation has a sound understanding of its costs and performance and achieves efficiencies in its activities”.

Our final assessment score for this KLOE is ‘2’.

Requirement	Interim Score	Final Score
Understanding costs	2	2
Decision making	2	2
Making efficiencies	3	3

The Council uses a wide range of comprehensive information in its decision making framework. LBH has access to a wide range of benchmarking and comparative information but is using this information in an inconsistent way across the Council. Whilst the Council has a good recent track record of achieving efficiencies across the Council, we feel there is further scope to analyse areas of further gains through gaining a fuller understanding of why comparative costs in some areas are higher than other similar Councils.

3.2.2 Key features

Understanding costs: LBH has a clear recent track record of setting and achieving challenging targets for efficiency gains throughout the Council. In order to achieve these savings, considerable work has been undertaken through the service review programme across the Council.

Despite the significant achievements made to date, benchmark information indicates that there are further efficiencies which can be made by the Council. When compared to nearest neighbours, the Council’s costs lie above average in all areas, and in the upper quartile for children’s and adult social care, although Ofsted benchmarking reports for children’s services, which are considered to be the most relevant for LBH, demonstrate value for money in this area and provide confirmation that children’s services are rated as ‘good performance’, although more work needs to be done in improving ‘attainment’ in exam results. At this stage, the Council cannot demonstrate level 3 performance.

Decision making: LBH does have access to, and uses, good quality information about costs of its services to inform its decision making processes. Services are subject to detailed costing of activities, and where appropriate, this is linked to benchmarking information. Costing information that is considered includes whole life, transaction and unit cost information, as well as consideration of environmental impact through impact assessments. Budgets are managed monthly, and further costing information is used where corrective action is required.

Business cases are required for all key decisions, in line with the MTF framework, and covers both revenue and capital expenditure decisions. The revenue model used by LBH is based on the *Mietool*, which does include benchmarking against private sector KPIs.

However, this tool is a recent addition to the decision making framework of the Council, and therefore requires further development to fully demonstrate its effectiveness.

Whilst the Council has a good track record of achieving efficiency gains, we feel there is further potential to achieving efficiencies in some areas. The Council is a member of the CIPFA Benchmarking Club, but does not widely use benchmarking information as a source of identifying areas where efficiency savings can be made. An example of this in adult social care, where although considerable savings have been achieved, LBH remains within the top quartile of comparative costs. Furthermore, there was evidence during our review that unit costs were increasing in some areas.

Recommendation – we recommend that the Council considers further analysis and use of benchmarking information to identify areas where there is further scope for efficiency savings to be achieved. A key focus of this would be adult social care.

Making efficiencies: As has been discussed above, LBH has a strong recent track record of achieving its efficiency targets. Through comprehensive service reviews, the Council has achieved £45m of efficiency savings over the past 4 years. Efficiency gains are managed through out the year, with cost and performance being reported on a monthly basis.

The Audit Commission Value for Money (VFM) profiles indicate that unit costs are higher than average in LBH, and in some areas, such as adult social care, the Council is one of the most expensive. However, LBH has indicated that this is due to specific local factors, including the ‘Heathrow effect’, as well as having a higher than average number of asylum seekers.

The Council is developing an understanding of underlying drivers of costs, although this is progressing slowly. The Council is a member of the West London Alliance, which is working to procure services across the boroughs within the Alliance. This is one example where unit costs are being analysed on a regular basis, but where further progress is needed to address the underlying costs and bring charges in line with its partners. It is clear that further progress can be achieved in this area. Further work has been undertaken in aligning service delivery bases, for example, some PCT staff have moved into the Civic centre to rationalise joint working. However this is in early stages of development and therefore sustained and improved outcomes can not yet be demonstrated.

3.3 KLOE 1.3: Financial reporting

3.3.1 Overall summary

The aim of this KLOE is to determine whether the “organisation’s financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people”.

Our final assessment score for this KLOE is ‘3’.

Requirement	Interim Score	Final Score
Financial monitoring and forecasting	3	3
Fit for Purpose financial reports	3	3
Preparation of accounts	2	3
Publishing reports	2	2

The Council has developed and implemented a clear and comprehensive monthly budgetary monitoring framework that encompasses budget managers, senior service managers and members. Variances are analysed and outturn forecasting is undertaken on a monthly basis.

3.3.2 Key features

Financial monitoring and forecasting: LBH has achieved a turnaround in its financial position in the past 4 years, including significant achievements in building its reserves to £12m and achieving £45m of efficiency savings across the Council. Month end reports are produced and discussed for all service areas within a strictly timetabled 3 weeks of the month end, and this is summarised into information for the Cabinet. Cabinet reports are published on the Council’s website.

The forecasting arrangements in place have enabled the Council to address key risks that have emerged within the Council as a result of the global recession that has arisen during 2008/09. At year end, the forecast outturn was in line with the revised budget. In year forecasting and updating short term risks within the MTFE framework has ensured that these issues have been addressed within the 2009/10 budgets.

Monthly budget reports are clear and comprehensive, identifying variances against profiles and prior month performance. Variances are also extrapolated to assist in calculating forecast outturn position. Further sensitivity and risk analysis is performed within monthly reports, reflecting that undertaken through the budget process. Reports can, where appropriate, also include key information from partners.

Fit for Purpose financial reports: A review of financial reporting tools within LBH was undertaken in 2008/09, the outcomes from which include a new suite of standard corporate reports. Information can be tailored to the level of analysis required. Corporate standards to meet both management and Best Value chart of accounts have been reviewed during 2008/09, which will be supported by further review of account codes and the system of internal recharges in 2009/10. Additionally, the Financial Digest has also been reviewed and further developed in 2008/09. This is discussed at monthly meetings of the Heads of Finance meetings.

Narrative descriptions and explanations are provided within reports, and are linked to key decisions made throughout the year by LBH, for example, where remedial action is required to address service performance issues.

Preparation of accounts:

The working papers delivered have been assessed by Deloitte as being to a good standard, comprehensively addressing the information requests, and being consistent with the draft accounts.

The overall quality of the draft accounts approved on 29 June 2009 is considered to be good. A complete set of notes and disclosures accompanied the main statements. All errors identified to date have been non-material balance sheet reclassifications. The accounts have been supported by thorough working papers, and further information requests have been dealt with very efficiently. While the audit of the accounts is still ongoing, there are no significant issues to be reported to the audit committee at this stage.

A detailed closedown plan was compiled and followed during the process. The compilation of accounts in record time enabling numerous detailed reviews prior to submission to audit committee for approval demonstrates that the closedown and reporting arrangements were adequately resources.

Attendance at the audit committee meeting during which accounts were approved provided evidence of the member's exercising their responsibility for financial reporting, with a good level of challenge being provided.

Publishing reports: Financial reports (both internal and external), accounts and annual audit and inspection letters are published on LBH's website, enabling a wider audience to obtain access to these documents. The website was identified as being a key means of accessing information in the Council's most recent resident survey, and the Council is further developing the nature and extent of information available in this way.

However, the main means through which local residents access key information is through the newsletter *Hillingdon People*. This includes financial information, forthcoming issues and matters, and performance and impact evaluation. Further information is available in a variety of formats and means, for example, visiting the Civic Centre.

The resident newsletter is supported by a separate staff newsletter *Team Hillingdon*, allowing key messages and issues to be shared with staff. This newsletter appears to be well received based upon results of the most recent staff survey.

LBH has recently consulted on its draft Climate Change Strategy 2009/12, and responses are being incorporated into the final strategy. The Council has recognised that it needs to review the nature and type of information it reports in relation to its environmental performance, and is looking to develop this.

<p>Recommendation –The Council should continue to develop its approach to identifying and reporting key information to its stakeholders in relation to its environmental performance given the high profile of this agenda.</p>
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4 Governing the business

In assessing Governing the Business the key question addressed is how well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people. This question is answered through four KLOEs, which are further broken down into more focused areas, detailed in sections 4.1 to 4.4 below.

4.1 KLOE 2.1: Commissioning and procurement

4.1.1 Overall summary

This KLOE considers whether “the organisation commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money.

Our final assessment score for this KLOE is ‘2’.

Requirement	Interim Score	Final Score
Clear vision of expected outcomes	2	2
Extensive involvement in commissioning	2	2
Improvement through service redesign	2	2
Understanding the supply market	2	2
Evaluation of procurement options	2	2
Reviewing service competitiveness and achieving value for money	2	2

LBH does have a clear picture of service user needs, for example, from introducing user panels in all service areas. However, this approach is not yet consistently implemented across the Council, and further work could be undertaken to improve this, and inform commissioning decisions. The Council does not yet have an overarching Commissioning Plan which clearly links strategic priorities with specific actions, and this should be addressed as a matter of priority.

4.1.2 Key features

Clear vision of expected outcomes: LBH does have a clear picture of the needs of its local communities, for example through the JSNA and detailed information across each service area. There are clear links between the information that is currently available and the forecast information, for example, around demographic trends, and these sources have been used to inform the Sustainable Communities Strategy. The Council is looking to enhance and rationalise information available having brought the PCT’s Public Health Team into the Civic Centre. The Council has not, however, provided evidence of an overarching commissioning plan linking to identified needs and Council priorities. The Council has recognised the need to develop an overall Commissioning Strategy, although this remains in early stages of development.

Recommendation –The Council should continue to develop an overarching commissioning plan that links identified needs to Council priorities and specific actions.

Extensive involvement in commissioning: User panels have been established across all service delivery areas, and the outcomes from these are used to amend commissioning decisions. Specific examples of where user views have been incorporated into decision making include carers in Hillingdon, and development of users of an Independent Living pilot scheme. However, further work is required to ensure that this extent of consultation is applied across the Council to inform commissioning and service delivery decisions.

The Council has an inconsistent approach to involving users in the determination of strategic priorities. There is evidence that this has been considered in adult social care and that good engagement occurs within children’s services.

Recommendation – we consider that the Council should develop a more coherent approach to obtaining user involvement when developing its service and strategic priorities.

Improvement through service redesign: There is evidence that the Council is making progress in enhancing the customer experience through the use of technology, although this is in early stages and should be further developed. The launch of *Hillingdon Social Care Direct* in adult social care has created a single point of contact for service users, ensuring a timely response to queries. A significant review of Facilities Management has also been undertaken, which has resulted in the function being outsourced. However, there is inconsistency across the Council, with technology being more developed in adult social care, and further work is required to further exploit these opportunities throughout the Council.

Procurement activity is managed through the *London Tenders Portal* enabling tender throughput to increase by over 50% in 2008/09.

Recommendation – we recommend that the Council continues to identify and evaluate opportunities to use technology in innovative ways to enhance the experience of the service user.

Understanding the supply market: LBH is making progress in engaging with the supply market and thereby developing its knowledge of the market. Activities have included workshops and open days, and development of the *Hillingdon Business Directory*.

The Council is developing its links across the third sector, especially in mental health, and has specifically broken large contracts into smaller value/ volume contracts to ensure that the third sector is well placed to tender for them.

Whilst the Council is making progress in engaging with the third sector, this approach is not consistent across the organisation, and further work could be undertaken to ensure that this remains a key objective within its commissioning framework.

Recommendation – we suggest that the Council continues to explore opportunities to work with a wider range of suppliers, including the third sector.

Evaluation of procurement options: The Council is proactively addressing this area, as it identified that the savings that were being generated were not in line with other service support areas. As a result of review, the Central Procurement Team has been restructured and aligned to the six directorates, and Directorate Procurement Delivery Plans are currently being developed. A Director of Procurement has been appointed, and is looking to further develop the procurement framework and supporting arrangements, with an aim to bring practices in line with the private sector.

LBH looks for efficient and effective ways to procure services, for example, through the West London Alliance, the Council is looking at ways of procuring adult social care across the boroughs within the alliance.

A level 3 score has not been given for this area in this assessment as there is currently a lack of demonstrable outcomes resulting from restructuring of the central procurement team.

Reviewing service competitiveness and achieving value for money: The achievement of value for money is more clearly identified in some service areas than others across the Council. However, we do recognise that the restructure of the procurement department is recent, and outcomes can, and have, not yet been demonstrated.

LBH is able to demonstrate specific cases where efficiency savings have been achieved, for example, participation in an OGC *education* for desktop IT equipment.

4.2 KLOE 2.2: Use of information

4.2.1 Overall summary

The KLOE essentially seeks to determine whether “the organisation produces relevant and reliable information to support decision making and managed performance”.

Our final assessment score for this KLOE is ‘2’.

Requirement	Interim Score	Final Score
Relevant and reliable data	1	2
Supporting the decision making process	2	2
Data security	2	2
Monitoring performance	2	2

Due to material errors that were identified within the spot checks that were undertaken on the six identified performance indicators, one element of this KLOE has been awarded the lowest score. However, we are able to review progress in this area in time for the final assessment. Within other areas of the KLOE, we found that arrangements were adequate. The Council has in place a transition plan to the Government secure network, although further work is required to ensure consistent data security across the Council.

4.2.2 Key features

Relevant and reliable data: Within this section of the KLOE, we are required to consider the outcomes of Spot Checks. Due to the assessment that was given in 2008 of ‘performing well’, we selected six indicators to review, including two required Housing Benefit indicators. We found material errors in the checks on the Housing Benefit Indicators, whereby incorrect start dates were used, resulting in claim days being overstated. However, since this was identified, LBH has put in place training for staff. We identified that new controls implemented in May 2009 appear to be operating effectively, based on the results of our testing. As such, we have raised our interim score assessment from a 1 to a 2 in this area. This issue has not impacted on the overall KLOE score as based on the evidence we have, we consider it an issue confined to Housing Benefit Indicators, rather than a pervasive issue.

Data quality is a key area on which the Council can focus in order to improve its assessment in this area. The involvement of internal audit in respect of data quality is limited, although the Corporate Performance Team undertakes spot checks (although these are largely focused on new systems).

Recommendation –LBH could further develop its approach to data quality across the Council, for example, that there is a full risk assessment of which indicators and systems are reviewed, with subsequent action plans that are monitored and reviewed.

A Data Quality Strategy is in place, and provides an overall foundation for all managers to address data quality. Monthly reports are prepared, and performance issues are discussed within service delivery areas.

Although there is an overall Partnership Performance Protocol in place, this currently does not include a partnership data quality protocol between LBH and the partners it works with.

Recommendation – we recommend that LBH works with its partners to develop and implement a Partnership Data Quality Protocol, as a means of ensuring consistent expectations and standards around data quality.

Supporting the decision making process: Quarterly performance information is reported to CMT, Cabinet and Policy Overview Committees. The focus of these reports is the identification and discussion of significant variances in performance around service critical issues.

LBH is looking to rationalise the data systems used across the Council, and improve the interface between systems in use. There are currently three main systems, and 40 minor systems in place, and a plan has been developed to rationalise this framework.

The Council does not yet consult with its stakeholders, both internal and external, on what are the key requirements of performance information produced, and therefore, could be omitting key areas of performance data.

Recommendation – LBH should consult with its partners to determine the most appropriate format, content and standard of performance information that is required.

Data security: Business continuity has now been incorporated into the overall Corporate Emergency Response and Recovery Plan.

Internal audit has reviewed data security, and the review indicated that only limited assurance could be given in this area. Key findings included a Data Security Policy is not in place within the Council and a Council wide data audit has not been conducted.

Recommendation – we recommend that LBH follow up the findings from the internal audit review of data security as a matter of high priority.

Monitoring performance: There is clear evidence that performance is monitored and managed on a regular basis, and is considered with supporting financial information. Reports prepared use a variety of data, which includes user feedback, for example, information received on street cleansing.

LBH has developed a suite of indicators that allow it to monitor and manage its performance against its strategic priorities. There is evidence that key indicators are being met, for example, significant achievements in its targets around efficiency gains. However, specific improvements can be made in the area of benchmarking performance and learning from a wide range of activities.

Recommendation – we recommend that LBH undertake wide spread benchmarking of performance and develop action plans in areas where it is underperforming.

4.3 KLOE 2.3: Good governance

4.3.1 Overall summary

This KLOE is seeking to verify whether “the organisation promotes and demonstrates the principles and values of good governance”.

Our final assessment score for this KLOE is ‘2’.

Requirement	Interim Score	Final Score
Principles of good governance	2	2
Ethical framework and culture	3	3
Partnership governance	2	2
Purpose and vision	3	3

There is clear evidence of a consistent vision and strategic priorities within key documents. The Audit Commission has assessed LBH as having good arrangements in place around Ethical Governance, and recommendations raised in their report have been acted upon.

4.3.2 Key features

Principles of good governance: The Constitution clearly outlines roles and responsibilities; a Scheme of Delegation; and Codes of Conduct for members and officers, all of which are reviewed annually.

Members are supported in their roles, for example, a Member Development allows members access to a wide range of training from both internal and external sources. There is scope for some members to take further advantage of the training offered, for example, through use of the *Personal Development Toolkit*.

A high proportion of Members responding to a Member Survey for 2008/09 stated that they had not used the personal development plan available to them. Other responses indicate limited uptake of other development opportunities provided to Members. While there is demonstration of commitment to Member training through a specified allocated budget for this purpose, its effectiveness has not been fully demonstrated. We understand that an internal review is due to be undertaken in September 2009.

Ethical framework and culture: The role of the Standards Committee has developed since its inception, and further more so as a response to the Audit Commission’s Ethical Governance review. Further training on ethics has been provided to all members. The Committee has an independent Chair. Members are required to declare interests. The ethical agenda is disseminated and expected of staff as well as members.

Complaints are closely monitored and managed, as well as compliance with codes and procedures. The policies are communicated to staff, including the *Whistleblowing Policy*.

Arrangements are in place to enable review and monitoring of claims made by Members and Officers for expenses. A recent internal audit review has indicated no issues over Member expenses, but some procedural recommendations have been made around officer expenses.

Partnership governance: The Council has implemented a Partnership Governance Framework, which includes a partnership database (utilising CIPFA guidance), and this is updated bi-annually. The maintenance of the Framework is undertaken by the Partnership Office. The arrangements appear to be more established for the most significant partnerships, for example, those with the PCT including the *Supporting People Programme*.

There is evidence that significant achievements are being made in some areas of partnership working, for example, the Hillingdon Partners has achieved 85% reward grant. However, more wide reaching and consistent evaluation of value for money from partnerships should be considered.

<p>Recommendation – the Council should present its assessment and demonstration that Hillingdon Partners and other significant partnership arrangements are achieving value for money in what they do.</p>

Purpose and vision: LBH's vision is clearly outlined in the 2007/10 strategic plan, and this is supported by the Sustainable Community Strategy which the Hillingdon Partners are responsible for delivering through the 2008/11 Local Area Agreement (LAA).

The Audit Commission's review of Ethical Governance highlighted a strong relationship between the Leader and Chief Executive and Chair of the Standards Committee.

4.4 KLOE 2.4: Risk management and internal control

4.4.1 Overall summary

The focus of this KLOE is around how does the “organisation managed its risks and maintain a sound system of internal control”.

Our final assessment score for this KLOE is ‘2’.

Requirement	Interim Score	Final Score
Risk management	2	2
Counter fraud and corruption	2	2
Systems of internal control	3	3

There is a key focus on risk management and anti fraud and corruption within the Council. Key strategies are in place, and are being supported by comprehensive training for staff and members. Internal audit has a separate anti-fraud and corruption plan, and works with the Housing benefit fraud team. The Audit Committee provides robust challenge and has an independent chair with a financial management background.

4.4.2 Key features

Risk management: The Risk Management Strategy outlines the risk management process, emphasising it is the duty and responsibility of all employees and members, with some groups having particular responsibilities.

The Risk Register is reviewed and updated at both group and corporate levels, and at each Senior Management Team meeting. The register is reviewed at quarterly Corporate Risk Management Group meetings. The risk register includes risk associated with key partnerships. Additionally, significant projects have their own risk register, and are reported to the Project Board.

Training in risk management was delivered to Members and managers in early 2008, and updated for Members in March 2009, however not all Members attended formal training courses in this area. Training may be through other mechanisms than solely formal training sessions, and it is recommended that details are recorded of other exposure to risk management training. Where learning material is available online, it is recommended that a log is kept of who has accessed those materials.

LBH is making further progress on integrating risk management into its business planning processes, including ensuring that it is recorded on the single performance management system.

Recommendation – Members training around risk management may be through other routes than formal training sessions, and the Council should seek to present evidence of different forms of training, for example, logs of participation in the use of online resources. A record should also be maintained of the outcomes of training undertaken.

Counter fraud and corruption: LBH has a Counter Fraud and Corruption Strategy, approved by members and communicated to staff. It is supported by a range of policies, including Codes of Conducts and Standing Orders. The Strategy is overseen by the Head of Audit and Corporate Governance to ensure that it is up to date and complies with good practice guidance. Training to support the strategy has been rolled out across both staff and members, including development of *elearning* modules. The modules were developed partly as a result of not all managers attending training.

Recommendation – A register should be maintained of all training that has been completed, and where necessary, training requirements should be updated and signed off annually.

A separate Internal Audit plan for anti-fraud is in place, and results of any investigations are reported to the Audit Committee. A protocol is in place between Internal Audit and the Housing Benefit Fraud team, allowing joint investigations to be held. Arrangements are in place to share information with police. The outcomes of successful investigation are communicated

Review of whistleblowing investigations have identified occasions where the whistleblower has subsequently discussed the matter with the person in question. This is not helpful to any subsequent investigation. The existing anti-fraud training, and the new elearning module, do not contain a strong, explicit message that individuals making whistleblowing disclosures should not discuss their concerns with anyone else.

Recommendation – the Anti Fraud and Corruption training should contain a strong message to prevent cases of alerting individuals being investigated.

Systems of internal control: The Audit Committee is chaired independently by a qualified accountant, and the Committee works to Terms of Reference that are in line with CIPFA guidance. The Committee has been seen to provide robust challenge to key areas, for example, action taken after the collapse of the Icelandic banking system.

LBH has developed an Assurance Framework based upon CIPFA/ SOLACE guidance, bringing together assurance sources from across the Council. This is supported by arrangements within each directorate which require Directors to provide assurance of internal controls annually as part of the *Annual Governance Statement*.

The draft Annual Governance Statement (“AGS”) for 2008/09 has been reviewed. It includes those items considered by the Corporate Governance Working Group to merit disclosure in the AGS, and the action plan to address them. It also lists the issues noted in the prior year AGS and what has been done to address them to date.

5 Managing resources

In assessing Managing Resources the key question addressed is how well does the organisation manage its natural resources, physical assets and people to meet the current and future needs and deliver value for money. This question is answered through three KLOEs, however KLOE 3.3 is not assessed in local authorities for 2008/09. KLOE 3.1 and 3.2 are further broken down into more focused areas, detailed in sections 5.1 to 5.2 below.

5.1 KLOE 3.1: Natural resources

5.1.1 Overall summary

This KLOE requires an assessment of whether “the organisation makes effective use of natural resources”.

Our final assessment score for this KLOE is ‘2’.

Requirement	Interim Score	Final Score
Understanding and quantifying the use of natural resources	2	2
Managing performance to reduce impact on the environment and managing environmental risks	2	2

The Council has produced a Climate Change Strategy, and supporting delivery through the Carbon Management Plan. However, this is in early stages of implementation, and outcomes are still limited.

5.1.2 Key features

Understanding and quantifying the use of natural resources: LBH has recently published a *Climate Change Strategy* and outlined its delivery in a *Carbon Management Plan*. This includes ambitious targets around reducing the Council’s carbon footprint by 40% by 2015. However the policy and plans have only recently been implemented, and therefore, progress that can be evidenced is still limited. Furthermore, whilst there is some baseline data about current usage, including water and energy, the strategy is less focused on targeting specific parts of its carbon footprint.

Recommendation – the Council should ensure that it has appropriate processes in place to be able to monitor and measure the effectiveness of the strategy overall, and where required, be able to revise the strategy to ensure that the appropriate elements of the carbon footprint are being addressed.

There is currently little explicit linkage of the Climate Change Strategy to other key strategies within the Council

Recommendation – as the Climate Change Strategy becomes more embedded across the Council, clearer links with other strategies and plans should be established, including finance, risk and human resources.

LBH is working with partners across London to share good practice, including membership of the London Environment Coordinators Group.

Managing performance to reduce impact on the environment and managing environmental risks: The Climate Change Strategy that has been developed is supported by a Climate Change Working Group, and initial projects have been introduced at the Civic Centre, including managing energy usage. Additionally, the relocation of the PCT team to the Civic Centre has enabled environmental considerations to be included in the impact assessment of this transition.

LBH has started undertaking sustainability assessments, although these are at an early stage and are not yet fully embedded.

Reporting progress against its strategy and plans is impossible at this stage as the implementation is at such early stage. However, this should be considered as part of the wider performance reporting and communication frameworks within the Council.

Recommendation – the Council should continue the work it has already commenced by further embedding and developing its plans to achieve, manage and communicate its environmental strategy.

5.2 KLOE 3.2: Strategic asset management

5.2.1 Overall summary

The intention of this KLOE is to demonstrate whether “the organisation manages its assets effectively to help deliver its strategic priorities and service needs”.

Our final assessment score for this KLOE is ‘3’.

Requirement	Interim Score	Final Score
Strategic approach	3	3
Partnership and community working	3	3
Asset management	3	3

The Council has commenced two significant strategies in 2008/09: firstly, a consistent approach to asset reviews across the Council; and secondly, a corporate landlord for non-HRA assets. The Council is able to demonstrate that asset management is incorporated into its strategic priorities, and that partnership requirements and expectations are being addressed.

Significant changes in the asset management processes at the Council are relatively recent, although outcomes are already clearly being demonstrated. We have concluded that the Council is performing well in the area of strategic asset management, however the slightly lower level of demonstrable outcomes than ideal may leave this particular element open to challenge through the Audit Commission’s QA process.

5.2.2 Key features

Strategic approach:

The main strategic overview of asset management at Hillingdon comes through the Hillingdon Improvement Plan (HIP). As part of the HIP, a comprehensive review of the Council’s land and property base is underway, with a view to maximising use, and releasing surplus properties to generate capital receipts. Under this process, the Strategic Property Group has been established in order to enable a strategic approach to property management to become embedded, including the implementation of a corporate landlord model. This ties in with the Council’s aim of better integration of service planning across Hillingdon partners, and where possible, resource sharing with other agencies

The land and buildings owned and managed by LBH exceeds £1.3 billion. The Council has completed a number of significant projects, and is currently delivering the new Uxbridge, and Botwell, Sports and Leisure Centres. The Council is aware of local community needs as it makes its asset management decisions. A clear example of this is using local demographic profiles and resident feedback to incorporate facilities such as coffee shops within the library refurbishment programme.

CIPFA has cited the asset review procedure in place as being good practice, and the framework is being used in conjunction with the programme of reviews of services across the Council. This has been a major strategic programme for the Council in 2008/09.

The Council has moved to a *corporate landlord model* of asset management, based on information obtained from looking at practices across the UK and overseas. The model determines that all non-HRA dwellings are managed by a central team, with potential savings already achieved of £700k per annum.

The model is being implemented in line with the Hillingdon Improvement Plan (HIP) Estates Management workstream, enabling the programme to be addressed in a systematic manner across the Council. LBH is able to demonstrate benefits from this programme already, with improved asset utilisation and more strategically planned disposals.

Partnership and community working: The PCT has moved into offices within the Civic Centre, improving user access to services. The Council is clearly looking at options to use its assets for other partnership working, for example, considering the lease of Amberley Lodge to Age Concern rather than disposal of the asset. Consideration of potential partnership use of assets is one of the standard options in the first stage of the asset review programme.

Asset management: The HIP Estates Management workstream is comprehensively reviewing assets across the Council. It is a two stage process: firstly, develop options for assets (against standard financial and non-financial criteria); and secondly, an in-depth appraisal and recommendation is developed. Outcomes are fed into the Capital Strategy and MTFP.

Options appraisals being undertaken for all properties consider the financial rewards and benefits to the authority, as well as other factors, therefore building in a comprehensive value for money element to the review. Additionally, while at a relatively early stage in the overall process, real benefits and cost savings are already being delivered through the process.

Benchmarking is being undertaken in some areas, and is focused on under-performing areas. The main areas of benchmarking used include the National Property Performance Initiative Indicators.

LBH is able to demonstrate that through its service efficiency review programme, as well as its move to a Council wide asset review programme and its corporate landlord model, that it is incorporating its asset management and capital strategy into its overall strategic priorities.

6 Statement of Responsibility

We take responsibility for this report, which is prepared on the basis of the limitations set out below.

Deloitte LLP

September 2009

Contact Persons

Partner : Gus Miah

Tel : 0121 695 5349

Manager : Paul Hutt

Tel : 01727 885703

Our audit work has been performed in accordance with the Audit Commission's Code of Audit Practice and has taken account of associated guidance issued by the Audit Commission. The respective responsibilities of the Council, its officers and members, the Audit Commission and ourselves as external auditors in connection with the audit and accounts of the Council are set out in the "Statement of Responsibilities of Auditors and Audited Bodies" issued by the Audit Commission.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national use of resources judgements methodology as they are derived solely from the Audit Commission. This report has been prepared solely for the use of the Council. No responsibility to any third party is accepted as the report has not been prepared and is not intended for any other purpose.

It is the responsibility of audited bodies to maintain adequate and effective systems and to arrange for a system of internal controls over the systems. Auditors should evaluate significant systems and the associated internal controls and, in doing so, be alert to the possibility of fraud and irregularities. Our findings are based upon an assessment of the design of controls at the time of review. We did not review the operation of controls throughout the financial year.

For your convenience, this document has been made available to you in electronic format. Multiple copies and versions of this document may therefore exist in different media - in the case of any discrepancy the final signed hard copy should be regarded as definitive. Earlier versions are drafts for discussion and review purposes only.

Appendix 1 – Use of Resources 2008/09 scoring

There will be an overall UoR score that the Audit Commission will determine by calculating the average of the appointed auditor's scores for each of the three themes in the assessment framework.

Auditors will normally reach their scores for each theme by calculating the average of the scores for each KLOE within the theme. The exceptions to this relate to themes where there is an even number of KLOEs. In these circumstances, the Audit Commission have specific certain KLOE which will have the effect of determining the direction of the rounding of theme score averages, as follows:

- For the Governing the Business theme, if the scores for the four KLOE's average 1.5, 2.5 or 3.5, then the score for KLOE 2.2 regarding use of information will determine whether the rounding is up to the next whole number, or down.
- For the Managing Resources theme, if the scores for the assessed KLOEs average 1.5, 2.5 or 3.5, the KLOEs will have the following ranking in determining the direction of rounding:
 - Workforce (KLOE 3.3)
 - Natural Resources (KLOE 3.1)
 - Strategic Asset Management (KLOE 3.2)

As single tier Councils have not been assessed under KLOE 3.3 in 2008/09, the Natural Resources KLOE in the Managing Resources theme is the dominant KLOE.

The scores awarded have the following definitions:

- Level 1 – does not meet minimum requirements, performs inadequately;
- Level 2 – meets only minimum requirements, performs adequately;
- Level 3 – exceeds minimum requirements, performs well; and
- Level 4 – significantly exceeds minimum requirements, performs excellently.

Appendix 2 – Recommendations and management responses

<p>KLOE 1.1 Managing spending</p>	<p>LBH should ensure collection targets are set for all applicable material income streams. Performance against these targets should be regularly monitored so that further actions can be implemented to improve rates of collection which are below target.</p>
<p>Management response</p>	<p>Agree with recommendation. Additional income stream targets have been identified and are now included in the monthly financial digest monitoring and reporting process.</p>
<p>KLOE 1.2 Decision making</p>	<p>We recommend that the Council considers further analysis and use of benchmarking information to identify areas where there is further scope for efficiency savings to be achieved.</p>
<p>Management response</p>	<p>Agree with recommendation. Work has commenced, looking at other tools which can be used to further analyse the Audit Commission profiles and Hillingdon’s position against our nearest neighbours. The output will be fed into the ongoing efficiency reviews within services to assist in the identification of savings.</p>
<p>KLOE 1.3 Publishing reports</p>	<p>The Council should continue to develop its approach to identifying and reporting key information to its stakeholders in relation to its environmental performance given the high profile of this agenda.</p>
<p>Management response</p>	<p>Agree with recommendation. The development of our reporting to and communication with our stakeholders is ongoing and particular emphasis will be given to environmental performance.</p>
<p>KLOE 2.1 Clear vision of expected outcomes</p>	<p>The Council should continue to develop an overarching commissioning plan that links identified needs to Council priorities and specific actions.</p>

Management response

Agree with recommendation.

Work is underway within groups (eg. Children's and Adults Services) to align the commissioning plans with Council priorities and specific actions. The next step will be to develop the links across the Council to form an overarching strategic commissioning plan.

KLOE 2.1
Extensive involvement
in commissioning

We consider that the Council should develop a more coherent approach to obtaining user involvement when developing its service and strategic priorities.

Management response

Agree with the recommendation, and are taking steps to address this.

KLOE 2.1
Improvement through
service redesign

We recommend that the Council continues to identify and evaluate opportunities to use technology in innovative ways to enhance the experience of the service user

Management response

Agree with recommendation.

Significant use of technology is already deployed to effectively manage sourcing projects (e-Tendering portal). Further work is ongoing, supported by Capital London, to utilise a cross council on-line expenditure analysis tool, which will ensure that collaboration opportunities are evaluated and acted upon.

KLOE 2.1
Understanding the
supply market

We suggest that the Council continues to explore opportunities to work with a wider range of suppliers, including the third sector

Management response

Agree with recommendation.

Work is underway to further develop the 3rd Sector supplier strategy, which will identify and increase opportunities to engage with this growing supply market.

<p>KLOE 2.2 Relevant and reliable data</p>	<p>LBH could further develop its approach to data quality across the Council, for example, that there is a full risk assessment of which indicators and systems are reviewed, with subsequent action plans that are monitored and reviewed.</p>
<p>Management response</p>	<p>Agree with recommendation. An action plan is under development which will fully address this recommendation and this is being managed by the partners Performance Management Group.</p>
<p>KLOE 2.2 Relevant and reliable data</p>	<p>We recommend that LBH works with its partners to develop and implement a Partnership Data Quality Protocol, as a means of ensuring consistent expectations and standards around data quality.</p>
<p>Management response</p>	<p>Agree with recommendation. The Performance Co-ordinators Groups of the LSP, which is chaired by the DCE, is fully addressing this and actions are being developed for the theme groups.</p>
<p>KLOE 2.2 Supporting the decision making process</p>	<p>LBH should consult with its partners to determine the most appropriate format, content and standard of performance information that is required.</p>
<p>Management response</p>	<p>Agree with recommendation. Hillingdon is fully engaged with its partners on this issue and it is being addressed through the Performance Co-ordinators Groups of the LSP.</p>
<p>KLOE 2.2 Data security</p>	<p>We recommend that LBH follow up the findings from the internal audit review of data security as a matter of high priority.</p>
<p>Management response</p>	<p>Agree with recommendation. The findings from the Internal Audit are being fully implemented.</p>

**KLOE 2.2
Monitoring
performance**

We recommend that LBH undertake wide spread benchmarking of performance and develop action plans in areas where it is underperforming.

Management response

Agree with recommendation.

Plans are being developed to undertake more detailed benchmarking to allow the Council to undertake the necessary analysis to develop improvement plans. LBH is fully engaged in London wide exercises, such as the London efficiency Challenge, which will improve the quality of the benchmarking information we can access.

**KLOE 2.3
Partnership governance**

The Council should present its assessment and demonstration that Hillingdon Partners and other significant partnership arrangements are achieving value for money in what they do.

Management response

Agree with recommendation.

We already have in place a Partnership Governance Framework and the annual review of significant partnerships will address the issues raised in this recommendation.

**KLOE 2.4
Risk management**

Members training around risk management may be through other routes than formal training sessions, and the Council should seek to present evidence of different forms of training, for example, logs of participation in the use of online resources. A record should also be maintained of the outcomes of training undertaken.

Management response

Agree with recommendation.

A members' Training register is already maintained and will be kept under review and the ability to incorporate logging of on-line training will be included.

Plans to deliver risk training to members are under development which will address this requirement.

KLOE 2.4
Counter fraud and corruption

A register should be maintained of all training that has been completed, and where necessary, training requirements should be updated and signed off annually. In addition, the Anti Fraud and Corruption training should contain a strong message to prevent cases of alerting individuals being investigated.

Management response

Agree with recommendation.

Records are maintained of all officers who have received anti fraud training. The officer induction process is being reviewed to include this training and the e-learning package promoted. The training will be amended to ensure that the message on alerting individuals being investigated is strengthened.

KLOE 3.1
Understanding and quantifying the use of natural resources

The Council should ensure that it has appropriate processes in place to be able to monitor and measure the effectiveness of the overall strategy for the use of natural resources, and where required, be able to revise the strategy to ensure that the appropriate elements of the carbon footprint are being addressed.

Management response

Agree with recommendation.

This recommendation is being fully addresses under our LA Carbon Management plan, which will also address the requirements of the Carbon Reduction Commitment.

KLOE 3.1
Understanding and quantifying the use of natural resources

As the Climate Change Strategy becomes more embedded across the Council, clearer links with other strategies and plans should be established, including finance, risk and human resources.

Management response

Agree with recommendation.

The requirement for carbon reductions from across the council is integral to our LA Carbon Management plan, which will drive the links to all other plans and strategies.

KLOE 3.1
Managing performance to reduce impact on the environment and managing environmental risks

The Council should continue the work it has already commenced by further embedding and developing its plans to achieve, manage and communicate its environmental strategy.

Management response

Agree with recommendation.

The council will build on the strong base provided by our Carbon Management plan and Climate Change strategy to review progress and embed carbon reduction activity across the authority.

REVISED TREASURY MANAGEMENT PRACTICES

Contact Officer: Nancy Le Roux
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REASON FOR THE REPORT

The CIPFA Code of Practice on Treasury Management in Public Services recommends the creation and maintenance of Treasury Management Practices (TMPs). These provide information on the responsibilities, decision making and reporting arrangements in place for the treasury management function. The TMPs are regularly updated to ensure they reflect the current processes and procedures.

Previously the TMPs have been reviewed within the Finance functions, however, in line with the increased scrutiny of Treasury Management process, and the role of Audit Committee in approving the Annual Treasury management Strategy, it is now appropriate that Audit Committee are asked to also review the TMPs.

RECOMMENDATION

That Audit Committee scrutinise and review the Treasury Management Practices, updated August 2009, attached as Appendix A.

INFORMATION

The TMP's are produced in a format prescribed by CIPFA and divided into twelve categories. Each category focuses on a specific area and includes principles and schedules giving details of how the Council addresses the issues in each category.

As a matter of course the TMP's are reviewed on a regular basis to make sure they are up to date and reflect current practices as well as ensuring compliance with the latest guidance.

Following events in October 2008 there have been publications issued by CIPFA, Audit Commission and Communities and Local Government amongst others, relating to treasury management in the public sector. These have culminated in a consultation document being issued suggesting the revision of the CIPFA Treasury Management Code.

The four proposals included in the consultation document include; improving scrutiny, the approval process, training and reporting. These recommendations have been adopted and the TMP's have been updated to reflect these as well as other alterations within the treasury procedures.

In terms of improving scrutiny, one of the key changes includes enhancement of the role of scrutiny of treasury management strategies and procedures. It suggests it will be a public body's responsibility to identify an appropriate body or individual to have responsibility for the scrutiny function. This reflects the increased prevalence of Audit Committees and Scrutiny functions across the public services.

To move towards compliance with this recommendation the TMP's have been brought to the Audit Committee for scrutiny and review.

BACKGROUND DOCUMENTS

None

**TREASURY MANAGEMENT PRACTICES (TMP)
PRINCIPLES AND SCHEDULES (Revised July 2009)**

INTRODUCTION:

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) was revised in 2001. The code requires the setting out of the responsibilities of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. This Council adopted the revised Code in March 2002.

The Code recommends the creation and maintenance of:

- A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities.
- Suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

THE TREASURY MANAGEMENT PRACTICES COMPRISE:

TMP 1	Treasury Risk Management
TMP 2	Best value and performance measurement
TMP 3	Decision making and analysis
TMP 4	Approved instruments, methods and techniques
TMP 5	Organisation, clarity and segregation of responsibilities; dealing arrangements
TMP 6	Reporting requirements, Management information arrangements
TMP 7	Budgeting, Accounting and Audit Arrangements
TMP 8	Cash and Cash Flow Management
TMP 9	Money Laundering
TMP 10	Staff training and qualifications
TMP 11	Use of external service providers
TMP 12	Corporate governance.

Schedules supporting these practices along with documents held at an operational level provide details of the systems employed to implement the Council's treasury function.

TREASURY MANAGEMENT PRACTICE 1: RISK MANAGEMENT

All treasury management activities involve both risk and the pursuit of reward or gain for the Council. The Council's policies and practices emphasise that the effective identification, management and containment of risk are the prime objectives of treasury management activities.

The Investment Manager will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. These arrangements are scheduled below:

1.1

Liquidity Risk Management: Liquidity risk is the risk that cash will not be available when it is needed, that the ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business objectives will be compromised.

Principle: The Investment Manager will ensure the Council has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

Schedule:

Cash Flows and Cash Balances	<p>The Council will aim for effective cash flow forecasting and monitoring of cash balances.</p> <p>The Treasury Officers will seek to optimise the balance held in the Council's main bank accounts at the close of each working day, in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned.</p> <p>In order to achieve the maximum return from investments, a daily cash balance of +/- £250k is the objective for the Council's bank account.</p>
Short Term Investments	<p>A balance in the region of £30m to deal with day-to-day cash flow fluctuations is maintained by investing money overnight and by using instant access accounts and money market funds.</p> <p>These accounts/funds are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.</p>
Temporary Borrowing	<p>Temporary borrowing up to 364 days through the money market is available should there be a cash flow deficit during the year.</p> <p>At no time will the outstanding total of temporary and long-term borrowing, together with any bank overdraft, exceed the Prudential Indicator for the Authorised Borrowing Limit.</p>

Bank Overdraft	The Council has an authorised overdraft limit with its bankers HSBC of £6m at an agreed rate of 1% over base rate. The facility is used as a contingency when temporary borrowing is difficult or more expensive, or for amounts of less than £250k.
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1.2

Interest Rate Risk Management: Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

Principle: The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with "TMP6 Reporting requirements and management information arrangements".

Schedule:

Minimum/ maximum proportions of fixed/variable rate debt/interest	<p>Short-term borrowing/investments may be at a fixed or variable rate, depending on the size of the loan/investment and market conditions.</p> <p>The Prudential Code requires the Council to determine each year the maximum proportion of interest payable on net borrowing which is subject to fixed and variable interest rates. This is set each year as part of the annual budget setting process.</p> <p>In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets. At the same time it will allow sufficient flexibility to benefit from potentially advantageous conditions and mitigate the effects of potentially disadvantageous situations.</p> <p>The Council will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques. This will create stability and certainty of costs and revenues, but at the same time will retain a sufficient degree of flexibility.</p>
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<p>Managing changes to interest rate levels</p>	<p>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.</p> <p>Interest rate forecasts are provided by the Council's treasury advisors and are closely monitored by the Investment Manager. Variations from original estimates and their impact on the Council's debt and investments are notified to the Senior Finance Manager – Corporate Finance as necessary.</p> <p>For its investments, the Council also considers dealing from forward periods dependant upon market conditions.</p>
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1.3

Exchange Rate Risk Management: The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

Principle: The Council will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the Council's finances. It will manage any exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

Schedule:

<p>Exchange rate risk management</p>	<p>This Council does not, on a day-to-day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity.</p> <p>At the present time statute prevents the Council borrowing in currencies other than Sterling.</p>
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1.4

Inflation Risk Management: Inflation Risk is the risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

Principle: The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation. It will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues but, at the same time, retaining a sufficient degree of flexibility to avail itself of potentially advantageous changes, subject at all times to policy and budgetary implications.

Schedule:

Inflation risk management	In the current era of relatively low and stable inflation, its impact on future income and expenditure streams is minimal. Therefore, there is little requirement for the active consideration of this risk as part of overall treasury strategy.
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1.5

Credit and Counterparty Risk Management: Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party’s diminished creditworthiness, and the resulting detrimental effect on the Council’s capital and revenue resources.

Principle: The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 “Approved instruments, methods and techniques” and listed in the schedule. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations to which it may make investments.

Schedule:

Criteria to be used for creating/ managing approved counterparty lists/limits	<p>The council’s treasury advisors will provide guidance and assistance to the Director of Finance and Resources who is responsible for setting prudent criteria.</p> <p>Council will agree the criteria.</p> <p>The current criteria are contained in the Annual Investment Strategy.</p> <p>The Council’s treasury management advisors will advise on credit policy and creditworthiness related issues. The Council will maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength (for example, statements of potential government support). The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties</p>
Approved methodology for changing limits and adding/ removing counterparties	<p>The Director of Finance and Resources has delegated responsibility to add or delete counterparties and to review limits within the parameters of the criteria detailed above.</p>

Counterparty list and limits	A full individual listing of counterparties based on the criteria will be maintained. As credit ratings are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis.
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1.6

Refinancing Risk Management: The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those re-financings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

Principle: The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

Schedule:

Projected capital expenditure requirements	<p>Three-year projections are in place for capital expenditure and financing. Funding will be from capital receipts, reserves and any grants or contributions awarded, revenue resources or long term borrowing, as decided.</p> <p>As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.</p> <p>The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.</p>
Debt profiling policies and practices	<p>Any longer term borrowing will be undertaken in accordance with the Prudential Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.</p> <p>The Council will maintain through its treasury system, Logotech, reliable records of the terms and maturities of its borrowings. Where appropriate it will plan and successfully negotiate terms for re-financing.</p> <p>Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.</p>

Policy concerning limits on revenue consequences of capital financings	The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium term forecasts.
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1.7

Legal and Regulatory Risk Management: The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

Principle: The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Schedule:

References to relevant statutes and regulations	<p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council.</p> <p>These are:</p> <ul style="list-style-type: none"> ▪ CIPFA’s Treasury Management Code of Practice 2001 and subsequent amendments ▪ CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities ▪ CIPFA Prudential Code for Capital Finance in Local Authorities ▪ CIPFA Standard of Professional Practice on Treasury Management ▪ The Local Government Act 2003 ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, as amended by SI 2004 No 3055, SI 2007 No 573, SI 2008 No 414 and subsequent amendments ▪ The CLG’s statutory Guidance on Minimum Revenue Provision (MRP) ▪ The ODPM’s (now CLG’s) Guidance on Local Government Investments in England issued March 2004 and The Local Authorities (Capital Finance)(Amendment)(England) Regulations 2004 No 534 and The Local Authorities (Capital Finance)(Amendment)(England) 2007 No 573 ▪ The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883 ▪ Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 No. 321 – Accounting for Possible Investment Losses
References to relevant statutes and regulations (continued)	<ul style="list-style-type: none"> ▪ LAAP Bulletin 55 CIPFA’s Guidance on Local Authority Reserves and Balances ▪ SORP – Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice ▪ Accounts and Audit Regulations 2003, as amended/superseded by CLG’s Guidance in 2006 (Circular 03/2006 dated 18/8/06)) ▪ The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets. ▪ Council’s Constitution including: - ▪ Standing Order relating to Contracts ▪ Financial Regulations ▪ Scheme of Delegation
Procedures for evidencing the organisation’s	<p>The Council’s, Finance & Resources Group Scheme of Delegations contains evidence of the power / authority to act as required by section 151 of the Local Government Act 1972.</p>

powers/ authorities to counterparties.	<p>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.</p> <p>Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.</p>
Required information from counterparties concerning their powers/ authorities	<p>Lending shall only be made to institutions on the Council's authorised lending list.</p> <p>The Council will only undertake borrowing from approved sources such as the PWLB, organisations such as the European Investment Bank and from commercial banks.</p>
Statement on political risks and management of the same	<p>Political risk is managed by:</p> <p>Adoption of the CIPFA Treasury Management Code of Practice adherence to Corporate Governance (TMP 12 – Corporate Governance)</p> <p>Adherence to the CIPFA Ethics Statement of Professional Practice by the Investment Manager</p>

1.8

Fraud Error and Corruption and Contingency Management: This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends.

Principle: The Council will ensure that it has identified the circumstances, which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Schedule:

<p>Details of systems and procedures to be followed, including Internet services</p>	<p>Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in TMP5 “Organisation, clarity and segregation of responsibilities, and dealing arrangements”.</p> <p>Electronic Banking and Dealing Banking: The Council’s online banking service provided by HSBC is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required and the system also holds historic data. Officers having access to the bank’s online system are detailed in the Operations Manual. Officer access is reviewed as required following operational changes.</p> <p>Access to the Council’s treasury management system, Logotech is limited to those officers listed in the Operations Manual and is password protected</p> <p>Full procedure notes covering the day-to-day operation of the on-line banking system and the treasury management system are documented and included in the Operations Manual.</p> <p>Standard Settlement Instructions (SSI) list: A list is maintained of named officers who have the authority to transact loans and investments and is included in the operations manual.</p> <p>Brokers and counterparties with whom the Council deals direct are provided with a copy of the SSI list.</p> <p>A list of named officers with authority to borrow from the PWLB and invest with the Debt Management Agency Deposit Facility is also maintained with the PWLB/DMADF.</p> <p>Payment Authorisation: Payments can only be authorised by an agreed bank signatory/(ies) of the Council, the list of signatories having previously been agreed with the Council’s bank. One bank signatory is required for payments up to £1m and two signatures for any payments over £1m.</p> <p>Inflow and outflow of monies borrowed and invested will only be from the counterparty’s bank accounts.</p> <p>Separate officers will carry out (a) dealing and (b) recording of transactions and disbursements within the Oracle accounting system.</p>
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Verification	<p>Loans and investments will be maintained in registers and the Logotech treasury management system.</p> <p>Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.</p>
Substantiation	<p>The Treasury Management system balances are reconciled with Oracle financial ledger codes at the end of each month and at the financial year end.</p> <p>Working papers are retained for audit inspection.</p> <p>The bank reconciliation is carried out monthly from the bank statement to the Oracle accounting system.</p> <p>Investment and loan principal and interest transactions are verified through the daily treasury cash flow monitoring process.</p>
Internal Audit	<p>An annual review is carried out by Internal Audit of the treasury management function including probity testing. See TMP7 “Budgeting, accounting and audit arrangements”.</p>
Contingency Management	<p>All treasury systems are retained on the Council’s network.</p> <p>Daily back-ups are taken and maintained and can be used by the IT department to restore files, if necessary.</p> <p>Daily back ups are also carried out offsite by a third party.</p> <p>Temporary off-site working facility: Members of the Treasury section can access the off-site facility following an emergency and will be made aware of the procedures to follow.</p> <p>Electronic Banking System Failure: Contact can be made directly with the bank via telephone and systems are in place to ascertain bank account balances. Arrangements have been made with the local branch of the bank to allow properly authorised payment instructions to be actioned.</p> <p>The Operations Manual, which includes contingency procedures, is maintained by the Treasury Department and printed copies are retained both on and off site.</p>
Insurance Cover details	<p>The Council has Fidelity Guarantee cover. The Insurance department holds details of the provider and cover.</p>

1.9

Market Risk Management: This is the risk that, through adverse market fluctuations in the value of the principal sums the Council invests, its stated treasury management policies and objectives are compromised, against which it fails to protect itself adequately.

Principle: This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations as it is possible to do so.

Schedule:

<p>Details of limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc)</p>	<p>Certain investment instruments are subject to fluctuation in capital movements and are exposed to interest rate risk.</p> <p>In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.</p> <p>Risk control guidelines are detailed in the Annual Investment Strategy and include maximum exposure and duration limits.</p>								
<p>Accounting for unrealised gains/losses</p>	<p>The method used when accounting for unrealised gains or losses on the valuation of assets complies with SORP.</p> <p>Accounting for financial instruments will be based on the 2007 SORP.</p> <p>Under the 2007 SORP all financial assets are classified into one of three categories, which are:</p> <ul style="list-style-type: none"> ▪ Loans and Receivables ▪ Available-for-Sale financial assets ▪ Unquoted equity securities for which a reliable fair value cannot be determined. <table border="1" data-bbox="528 1476 1262 1742"> <thead> <tr> <th>Category</th> <th>Measurement Basis</th> </tr> </thead> <tbody> <tr> <td>Loans and Receivables.</td> <td>Amortised cost</td> </tr> <tr> <td>Available for sale financial assets.</td> <td>Fair value through Profit and Loss</td> </tr> <tr> <td>Financial liabilities measured at amortised cost</td> <td>Amortised Cost</td> </tr> </tbody> </table> <p>Investments taking the form of cash deposits fall in the “Loans and Receivables” category. There are no changes in existing accounting practice anticipated in relation to investments falling into this category.</p>	Category	Measurement Basis	Loans and Receivables.	Amortised cost	Available for sale financial assets.	Fair value through Profit and Loss	Financial liabilities measured at amortised cost	Amortised Cost
Category	Measurement Basis								
Loans and Receivables.	Amortised cost								
Available for sale financial assets.	Fair value through Profit and Loss								
Financial liabilities measured at amortised cost	Amortised Cost								

	<p>Investments falling into the category “available for sale” include</p> <ul style="list-style-type: none">▪ Gilts▪ Certificates of Deposit▪ Bonds issued by Multilateral Development Banks▪ Collective Investment Schemes▪ Corporate Bonds▪ Equities <p>These may be subject to changes in accounting practice and presentation.</p>
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TREASURY MANAGEMENT PRACTICE 2 - BEST VALUE AND PERFORMANCE MEASUREMENT

Principle: The Council is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out below.

Schedule:

<p>Policy concerning methods for testing best value</p>	<p>Best value will include the production of plans to review the way services are provided by challenging, comparing performance and consulting with other users and interested parties.</p> <p>Applying competition principles in order to pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.</p>
<p>Methodology to be applied for evaluating the effectiveness and impact of treasury management decisions</p>	<p>Monitoring the outcome of treasury management activity against the Prudential Indicators will be carried out as part of the treasury report and will be reported to Cabinet on a six monthly basis.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the Prudential Indicators set prior to the commencement of the financial year and any in-year amendments.</p>

	<p>The Council is a member of the IPF benchmarking club. The club enables comparison of performance with other authorities for its investment returns, financing costs and instrument balances. The Council annually provide data for comparison.</p> <p>The Council's Treasury Management advisers regularly review the existing debt portfolio and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.</p> <p>The Council's Treasury Management advisors compare the performance of the Council's in-house funds against the 7 day LIBID.</p> <p>The Council will evaluate performance in risk-adjusted terms, i.e. for investments - viewed against level of risk to capital; for debt – viewed against stability, flexibility and control over the portfolio.</p>
<p>Policy concerning methods for performance measurement</p>	<p>Performance measurement is intended to calculate the effectiveness of the treasury activity in delivering the strategic objectives and to enhance accountability. These objectives are set through the Treasury Management Strategy and the Council's Prudential Indicators</p> <p>Costs and income relating to financial instruments are scrutinised through the monthly budget monitoring process.</p> <p>Prudential Indicators are local to the Council and are not intended as a comparator between authorities.</p> <p>The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy, i.e. the Council will avoid hindsight analysis.</p> <p>Any comparison of the Council's treasury portfolio against recognised industry standards, market indices and other portfolios is intended to:</p> <ul style="list-style-type: none"> ▪ Allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed. ▪ Permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments.

	<p>In drawing any conclusions the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the position on risk.</p>
<p>Methodology to be applied for evaluating the effectiveness and impact of treasury management decisions</p>	<p>Monitoring the outcome of treasury management activity against the Prudential Indicators will be carried out as part of the treasury report and will be reported to Cabinet on a six monthly basis.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the Prudential Indicators set prior to the commencement of the financial year and any in-year amendments.</p> <p>The Council is a member of the IPF benchmarking club. The club enables comparison of performance with other authorities for its investment returns, financing costs and instrument balances. The Council annually provide data for comparison.</p> <p>The Council's Treasury Management advisers regularly review the existing debt portfolio and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.</p> <p>The Council's Treasury Management advisors compare the performance of the Council's in-house funds against the 7 day LIBID.</p> <p>The Council will evaluate performance in risk-adjusted terms, i.e. for investments - viewed against level of risk to capital; for debt – viewed against stability, flexibility and control over the portfolio.</p>
<p>Methodology to be employed for measuring the performance of the Council's treasury management activities</p>	<p>Treasury management activity is reviewed every six months against strategy and prevailing economic and market conditions through the Treasury Report to Cabinet.</p> <p>The report will include:</p> <ul style="list-style-type: none"> ▪ Total debt including average rate and maturity profile ▪ The effect of new borrowing and/or maturities on the above ▪ The effect of any debt restructuring on the debt portfolio ▪ An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate: LOBOs in their call period) ▪ Total investments including average rate, credit and maturity profile ▪ The effect of new investments/redemptions/maturities on the above

	<ul style="list-style-type: none"> ▪ The rate of return on investments against their indices for internally and externally managed funds ▪ A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy.
Benchmarking and calculation methodology	<p>Investment returns are compared to the 7 day LIBID benchmark</p> <p>The investment credit profile is also scored monthly with reference to credit ratings on a value and time weighted basis.</p> <p>Internally Managed Investment Returns will show the total interest accruing on investment balances relating to the period under review.</p> <p>Debt Management</p> <p>Average Rate on external debt</p> <p>Maturity profile of external debt</p> <p>Ratio of PWLB and market debt (beginning and end of period)</p> <p>Ratio of fixed and variable rate debt (beginning and end of period)</p>
Best value	<p>The treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated corporate and service objectives.</p> <p>When tendering for treasury-related or banking services, the Council adheres to its Procurement Standing Orders.</p>

TREASURY MANAGEMENT PRACTICE 3 - DECISION MAKING AND ANALYSIS

Principle: The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issued relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

Schedule:

Major treasury decisions	<p>As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:</p> <ul style="list-style-type: none"> ▪ Changes to Prudential Indicator(s) during the course of the financial year
	<ul style="list-style-type: none"> ▪ Options Appraisal to determine a funding decision ▪ Raising a new long-term loan / long-term source of finance ▪ Prematurely restructuring/redeeming an existing long-term loan(s) ▪ Investing longer-term (i.e. in excess of 1 year) ▪ Utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate) ▪ Leasing ▪ Change in banking arrangements ▪ Appointing/replacing a treasury advisor
Process	<p>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</p> <p>Based on the Annual Treasury Management Strategy, the Investment Manager will prepare a cash flow forecast of the financing, borrowing and surplus cash requirements of the Council, for the purpose of:</p> <ul style="list-style-type: none"> ▪ Applying the strategy on a day to day basis ▪ Monitoring the results of the strategy ▪ Recommending amendments to the strategy where applicable during the course of the year to the Council
Delegated powers for treasury management	<p>The Senior Finance Manager – Corporate Finance, has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.</p>

<p>Issues to be addressed, evaluation, authorisation</p>	<p>In exercising these powers, the Senior Finance Manager – Corporate Finance and those to whom the treasury activity have been delegated:</p> <ul style="list-style-type: none"> ▪ Will have regard to the nature and extent of any associated risks to which the Council may become exposed; ▪ Be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained; ▪ Be satisfied that the documentation is adequate to deliver the Council’s objectives, protect the Council’s interests, and to maintain an effective audit trail; ▪ Ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits;
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	<ul style="list-style-type: none"> ▪ Be satisfied that the terms of any transactions have been fully checked against the market; ▪ Follow best practice in implementing the treasury transaction. <p>In exercising Borrowing and Funding decisions, the Investment Manager will:</p> <ul style="list-style-type: none"> ▪ Evaluate economic and market factors that may influence the manner and timing of any decision to fund; ▪ Consider alternative forms of funding, including use of revenue resources, leasing and private partnerships; ▪ Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; ▪ Consider ongoing revenue liabilities created. <p>In exercising Investment decisions, the Investment Manager will:</p> <ul style="list-style-type: none"> ▪ Determine that the investment is within the Council’s strategy and pre-determined instruments and criteria; ▪ Consider the optimum period, in the light of cash flow availability and prevailing market conditions; ▪ Consider the alternative investment products and techniques available if appropriate.
Processes to be followed	The processes to be followed will be in keeping with TMP 4: “The Council’s Approved, Instruments, Methods and Techniques”.
Evidence, Records to be kept	<p>The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.</p> <p>The Council will maintain records and working papers electronically using Oracle, Logotech, Excel, Word and scanning software. Hard copies of relevant documentation will also be retained where required.</p>

TREASURY MANAGEMENT PRACTICE 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

Principle: The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed scheduled in this document, and within the limits and parameters defined in TMP1 Risk Management.

Schedule:

<p>Approved treasury management activities</p>	<p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"> ▪ Managing cash flow ▪ Capital financing ▪ Borrowing including debt restructuring and debt repayment ▪ Lending including redemption of investments ▪ Banking ▪ Leasing ▪ Managing the underlying risk associated with the Council's capital financing and surplus funds activities <p>The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques. However, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.</p>
<p>Approved capital financing methods and types/sources of borrowing</p>	<p><u>On balance sheet:</u> Public Works Loans Board (PWLB) loans Long term money market loans including LOBOs Temporary money market loans (up to 364 days). Bank overdraft Loans from bodies such as the European Investment Bank (EIB) Stock issues Finance Leases Deferred Purchase Government and EU Capital Grants Lottery monies Other Capital Grants and Contributions</p> <p><u>Internal Resources</u> Capital receipts Revenue balances Use of Reserves</p>

	<p><u>Other</u> PFI/PPP Operating leases Structured Finance</p> <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
<p>Approved investment instruments and exposure limits</p>	<p>The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity of its invested monies. The investments will be categorised as 'Specified' or 'Non Specified' based on the criteria set out by the ODPM in its Investment Guidance March 2004.</p> <p>The Council will determine through the AIS which instruments will be used in-house including and the maximum exposure for each element of specified and non-specified investments. Two criteria will be used and the lower applied when ascertaining exposure limits. The criteria include absolute values and relative percentages of the average investment portfolio. The relative percentage will be based on the rolling average investment total for the proceeding 30 days. By applying two criteria the council will maintain a diversified spread of investments.</p> <p>Where applicable, the Council's credit criteria will also apply.</p> <p>Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities</p> <p>Term deposits with banks and building societies</p> <p>Certificates of deposit</p> <p>Callable deposits</p> <p>Investments in Money Market Funds, i.e. 'AAA' liquidity funds with a 60-day Weighted Average Maturity (WAM)</p> <p>Gilts</p> <p>Bonds issued by multilateral development banks</p> <p>Bonds issued by financial institutions guaranteed by the UK government</p> <p>Sterling denominated bonds by non-UK sovereign governments</p> <p>Pooled funds, i.e. Collective Investment schemes as defined in SI 2004 No 534</p>

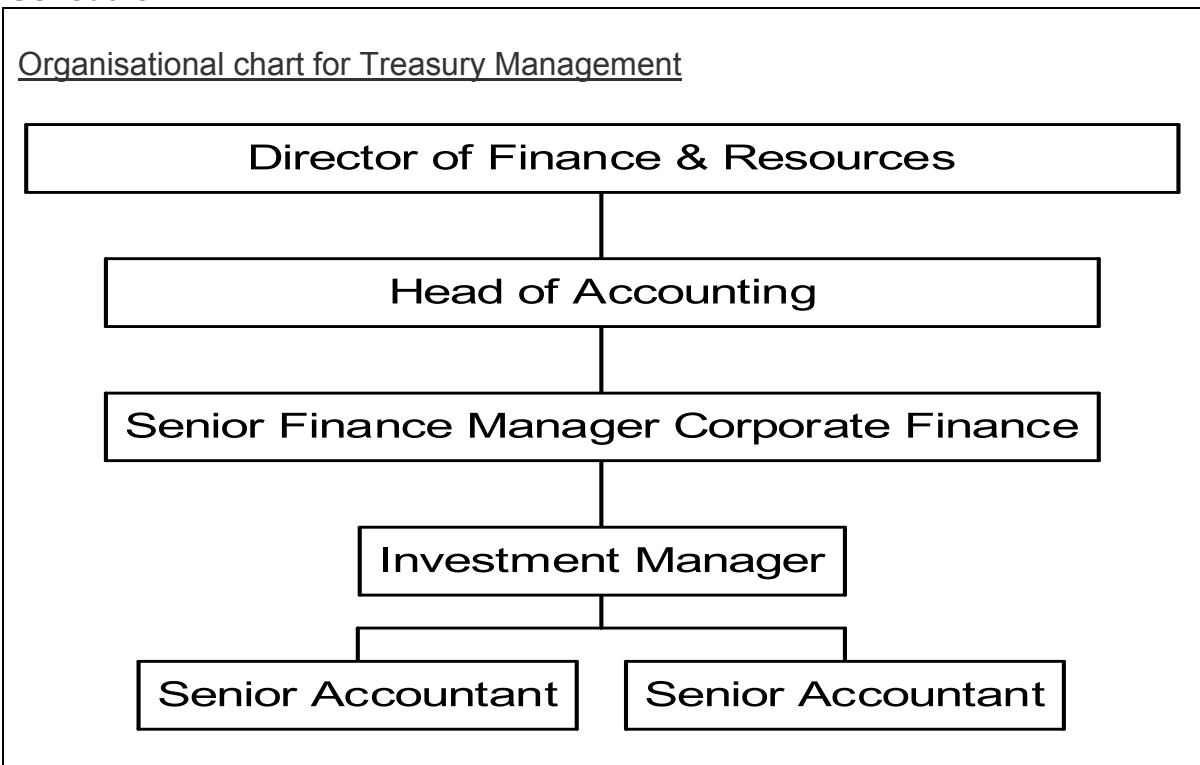
TREASURY MANAGEMENT PRACTICE 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

Principle: The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

The delegations to the responsible officers in respect of treasury management are set out in the schedule below. The responsible officers will fulfil all such responsibilities in accordance with the organisation's TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

Schedule:



Schedule:

<p>Limits to responsibilities at Executive levels</p>	<p>Full Council: Receiving and reviewing Prudential Indicators, Treasury Strategy and Investment Strategy as part of the budget setting process (following receipt by Cabinet)</p> <p>The Cabinet/Audit Committee: Receiving and reviewing reports on treasury management policies, practices and activities Approval of amendments to adopted clauses, Treasury Management Policy statement, Treasury Management Practices, Treasury Strategy Statement and Investment Strategy Receiving and reviewing external audit reports and acting on recommendations</p>
<p>Principles and practices concerning segregation of duties</p>	<p>Segregation of duties exists in that:</p> <ul style="list-style-type: none">▪ The officer(s) responsible for negotiating and closing treasury management deals are completely separate from the officer(s) with responsibility for recording the transactions in the cashbook and completing cheque and bank reconciliations.▪ The officer(s) responsible for negotiating and closing treasury management deals is separate from officer(s) authorising payments <p>Additionally, The Council receives bank statements on a daily basis. These are posted independent of the treasury function in order to maintain an adequate separation of duties.</p>

<p>Statement of duties/ responsibilities of each treasury post</p>	<p>Director of Finance and Resources</p> <ul style="list-style-type: none"> ▪ Implement the Council's treasury policy ▪ Determine Capital Financing, borrowing and investment strategy, and Prudential Indicators <p>Head of Accounting</p> <ul style="list-style-type: none"> ▪ Oversee the Treasury function ▪ Submit budgets and reports on budget variations ▪ Receive Internal Audit Reports on the Treasury Function ▪ Approving long term borrowing and investment decisions <p>Senior Finance Manager</p> <ul style="list-style-type: none"> ▪ Monitor and oversees the Treasury function ▪ Receive Internal Audit Reports on the Treasury Function ▪ Approving long term borrowing and investment decisions <p>Investment Manager</p> <ul style="list-style-type: none"> ▪ Provide budget information and variations ▪ Recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance ▪ Assist in determining Prudential Indicators and Treasury ▪ Recommending and advising on long-term borrowing and investment decisions ▪ Management Strategy including the Annual Investment Strategy ▪ Submit regular treasury management policy reports ▪ Review management information reports ▪ Review the performance of the treasury management function and promoting best value reviews ▪ Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
	<ul style="list-style-type: none"> ▪ Liaise with internal and external audit ▪ Assist in determining long-term capital financing and investment decisions. ▪ Determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments. ▪ Reviewing daily transactions and querying discrepancies ▪ Identify and recommend opportunities for improved practices.

	<p>Senior Accountants</p> <ul style="list-style-type: none"> ▪ Execution of transactions: ▪ To make short term borrowing or investments decisions adherence to agreed policies and practices on a day to day basis ▪ Maintain relationships with third parties and external service providers ▪ Monitor performance on a day to day basis ▪ Submit management information reports to the Investment Manager and Senior Management ▪ Record treasury management transactions ▪ Reconcile treasury management transactions with the financial ledger ▪ Record/ reconcile counterparty documentation ▪ Record/reconcile relevant bank transactions and charges ▪ Maintain the cash flow forecast ▪ Maintain TM Operations Manual ▪ Update and maintain the counterparty list ▪ Verify third party deal confirmations ▪ Ensure monies to be paid are released and monies due are received
Absence cover arrangements	<p>Adequate cover is maintained at all times to ensure the treasury function remains operational.</p> <p>Full procedure notes are included in the Operations manual, detailing the processes required to enable the day-to-day operation of the treasury management function.</p>

Dealing:

Authorised officers	Included within the Operational manual / dealing procedure notes
Dealing limits	<p>The maximum for any one-investment deal is subject to the lending limits detailed in the Council's Annual Investment Strategy.</p> <p>Senior Accountants/Trainee should confirm investments in excess of three months with the Investment Manager/Senior Management prior to agreement.</p>
List of approved brokers	Brokers used by the Council are named in TMP 11: External Service Providers
Policy on brokers' services	It is the Council's policy to utilise the services of four brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.
Policy on taping of conversations	The Council does not record conversations with brokers. However recording systems are in place with all brokers and as such the brokers record conversations.

Direct dealing practices	<p>Direct dealing is carried out subject to counterparty and maturity limits.</p> <p>Prior to undertaking direct dealing, the Council will ensure that each counterparty has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Instructions.</p> <p>The template for the Council's Standard Settlement Procedures is included in the Operational Manual.</p>
Deal Ticket pro forma	Deals will be recorded as per the deal card.
Settlement transmission procedures	<p>Settlements are made by CHAPS.</p> <p>All CHAPS payments relating to settlement transactions require authorisation by the one bank signatory for transactions up to £1m and two bank signatories for transactions over £1m</p> <p>CHAPS payments are transmitted using the HSBCnet online banking system.</p>
Documentation requirements	<p>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, maturity date and broker if applicable.</p> <p>Investments:</p> <ul style="list-style-type: none"> ▪ Deal card ▪ Payment voucher (unless HSBC transfer or roll over) ▪ Confirmation from the broker ▪ Confirmation from the counterparty ▪ CHAPS payment transmission document ▪ Income advice
	<p>Loans:</p> <ul style="list-style-type: none"> ▪ Deal card with signature to agree loan ▪ Confirmation from the broker (if used) ▪ Confirmation from PWLB/market counterparty ▪ CHAPS payment transmission document when repayment of loan actioned.
Unpaid Investment Recovery Procedures	Instructions on the procedures to deal with unpaid investments are held at an operational level and included within the treasury management operations manual.

TREASURY MANAGEMENT PRACTICE 6: REPORTING REQUIREMENTS, MANAGEMENT INFORMATION ARRANGEMENTS

Principle: The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

Council will receive:

A strategy report on the Prudential Indicators, proposed Treasury Management Strategy, Investment Strategy and activities for the forthcoming year

Cabinet will receive:

Monthly, mid financial year and end of financial year reports on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed. It will also include details of non-compliance with the organisation's treasury management policy statement and TMPs.

Schedule:

<p>Frequency of executive reporting requirements</p>	<p>The Head of Accounting will submit budgets and will report on budget variations as appropriate.</p> <p>The Investment Manager will submit the Prudential Indicators and the Treasury Strategy Statement (including Annual Investment Strategy) and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to Council before the start of the year.</p> <p>The Annual Treasury Report will be prepared after the financial year end and included with the month two budget monitoring report.</p>
<p>Content of Reporting: 1. Prudential Indicators</p>	<p>The Council will set the following Prudential Indicators and following the year end publish actuals in respect of:</p> <ul style="list-style-type: none"> ▪ Financing costs as a proportion of net revenue stream (estimate; actual) ▪ Capital expenditure (estimate; actual) ▪ Incremental impact of capital financing decisions (estimate) ▪ Capital Financing Requirement (estimates; actual) ▪ Authorised limit for external debt ▪ Operational boundary for external debt ▪ Actual external debt ▪ Upper limits on fixed and variable rate interest exposures

	<ul style="list-style-type: none"> ▪ Upper and lower limits to maturity structure of fixed rate borrowing ▪ Upper limit to total of principal sums invested longer than 364 days. <p>The Prudential Indicators are approved and revised by Council and are integrated into the Council’s overall financial planning and budget process.</p> <p>Reasons for any significant difference between gross and net debt and the risks associated with such a strategy will be placed before Cabinet and Council as part of their agreement of the Annual Strategy</p>
<p>2. Treasury Strategy Statement including the Annual Investment Strategy</p>	<p>The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:</p> <ul style="list-style-type: none"> ▪ Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years ▪ Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt; ▪ The investment strategy for the forthcoming year (see below*) ▪ The interest rate outlook against which the treasury activities are likely to be undertaken.
	<p>Based on the ODPM’s Guidance on Investments, the Council will produce an Annual Investment Strategy (AIS) which sets out:</p> <ul style="list-style-type: none"> ▪ The objectives, policies and strategy for managing its investments; ▪ The determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council’s economic and investment outlook and the expected level of investment balances; ▪ The limits for the use of Non-Specified Investments. <p>The AIS will be integrated into the Treasury Strategy Statement.</p>

<p>3. Annual Treasury Report</p>	<p>The Investment Manager will produce an annual report for the Cabinet on all activities of the treasury management and should be included with the month two budget outturn report.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> ▪ The prevailing economic environment ▪ A commentary on treasury operations for the year ▪ Commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council ▪ Compliance with agreed policies/practices and statutory/regulatory requirements ▪ Compliance with Prudential Indicators; ▪ Performance measures.
<p>4. Content and frequency of management information reports</p>	<p>The Investment Manager will produce for Cabinet a mid financial year update on treasury activities covering the same items as those in the annual treasury report. In addition, a monthly report will also be produced providing an overview on treasury activities.</p> <p>The Treasury Officers will produce daily, weekly and monthly treasury updates for senior management:</p> <p>The Monthly report includes details of:</p> <ul style="list-style-type: none"> ▪ Loan balances, activity and interest payable. ▪ Investment balances and interest earned ▪ Performance of investments against benchmark ▪ Information and compliance with treasury prudential indicators ▪ Details of any breaches of daily bank balances against target balances.
	<p>The weekly report includes details of:</p> <ul style="list-style-type: none"> ▪ Maturity profile of investments ▪ Weighted rate of return by investment maturity and in total ▪ Country breakdown of investments ▪ Credit rating breakdown of investments ▪ Weekly review and forthcoming weekly strategy <p>The daily report include details of:</p> <ul style="list-style-type: none"> ▪ Summary and detail of investments ▪ Compliance against deposit limits ▪ Activity regarding new and repaid investments ▪ Details of any short term borrowing ▪ Commentary to support Investment decisions

TREASURY MANAGEMENT PRACTICE 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

Principle: The Head of Accounting will prepare, and the Council will approve and, if necessary from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 “Risk management”, TMP2 “Best value and performance measurement”, and TMP4 “Approved instruments, methods and techniques”.

The Head of Accounting will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 “Reporting requirements and management information arrangements”.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council’s accounts is set out in the schedule.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed below.

Schedule:

Statutory/ regulatory requirements	Balanced Budget Requirement: The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects: <ul style="list-style-type: none"> ▪ The expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account ▪ Revenue costs which flow from capital financing decisions S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.
Proper Accounting Practice	CIPFA’s Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the local authority SORP) constitutes “proper accounting practice under the terms of S21 (2) of the Local Government Act 2003”.

Statement of Accounts	<p>The Statement of Accounts comprises:</p> <ul style="list-style-type: none"> ▪ An explanatory foreword ▪ A statement of accounting policies ▪ Statement of Responsibilities for the Statement of Accounts ▪ The Accounting Statements (see below) ▪ Additional Financial Statements (Housing Revenue Account, Collection Fund) ▪ Notes to the Accounts ▪ Statement on Internal Control ▪ Auditor's Report
Format of the Council's accounts	<p>The current form of the accounts is available on the Council website.</p>
The Accounting Statements	<p>These comprise of</p> <ul style="list-style-type: none"> ▪ Income and Expenditure Account ▪ Statement of Movement on the General Fund Balance ▪ Statement of Total Recognised Gains and Losses (STRGL) ▪ Balance Sheet ▪ Cash Flow Statement ▪ Supplementary single entity financial statements ▪ Group Accounts ▪ Pension Fund Accounts
Disclosures relating to treasury management	<p>Due regard will be given to the disclosure requirements under the Statement of Recommended Practice and Accounting Standards</p>
<p>Treasury-related Information</p> <p>Requirements of external auditors</p>	<p>The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work, which often requires further information and/or explanations from the Council's officers.</p> <p>Information in this context includes:</p> <ul style="list-style-type: none"> ▪ System generated reports ▪ Supporting working papers ▪ Internally generated documents ▪ Externally generated documents <p>Prudential Indicators: Treasury Management Strategy including Annual Investment Strategy.</p>

	<p>External borrowing:</p> <ul style="list-style-type: none"> ▪ New loans borrowed during the year: PWLB certificates / documentation in relation to market loans borrowed ▪ Loan maturities ▪ Loans restructured during the year including gains or losses on repurchase of borrowing: ▪ Amortisation of previous gains or losses on repurchase of borrowing ▪ Analysis of loans outstanding at year end including maturity analysis ▪ Analysis of borrowing between long and short-term ▪ Analysis of deferred charges ▪ Debt management and financing costs ▪ calculation of (i) interest paid (ii) accrued interest ▪ interest paid ▪ MRP calculation and analysis of movement in the CFR ▪ Bank overdraft position ▪ Brokerage/commissions/transaction related costs
	<p>Investments:</p> <ul style="list-style-type: none"> ▪ Investment transactions during the year including any transaction-related costs ▪ Cash and bank balances at year end ▪ Short-term investments at year end ▪ Long-term investments at year end by asset type, including unrealised gains or losses at year end ▪ Calculation of (i) interest received (ii) accrued interest ▪ Actual interest received ▪ Basis of valuation of investments
Internal Audit	<p>Internal Audit generally conducts a yearly review of the treasury management function and probity testing.</p> <p>The internal auditors will be given access to treasury management information/documentation as required by them.</p>
Compliance with CIPFA Treasury Management and Prudential Codes	<p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p>
Costs for treasury management	<p>The budget for treasury management forms part of the Corporate Finance budget</p>

TREASURY MANAGEMENT PRACTICE 8: CASH AND CASH FLOW MANAGEMENT

Principle: Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Director of Finance and Resources, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared and the Investment Manager will ensure that these are adequate for the purposes of monitoring compliance with TMP1 [1] liquidity risk management. The present arrangements for preparing cash flow projections and their form are set out in the schedule to this document.

Schedule:

<p>Arrangements for preparing /submitting / cash flow statements</p>	<p>Cash flow forecasts will be viewed over a 3 yearly time horizon and will be used to formulate the Council's borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances.</p> <p>The cash flow forecasts and statements are held at operational level.</p> <p>The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.</p> <p>An outline medium-term cash flow model is prepared as part of the budget process, with projections for 3 further years. It is highly summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan maturities and long-term investment maturities.</p>
	<p>A detailed annual cash flow is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated as required. It identifies the major inflows and outflows on a month-by-month basis. It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Council's various service sections. The cash flow is also supplemented by the experience from previous years.</p> <p>Daily cash flows show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments.</p> <p>The medium term and annual cash flows are recorded electronically whilst the daily cash flow is held manually.</p>

<p>Content and frequency of cash flow projections</p>	<p>The detailed annual cash flow model includes the following: Revenue income and expenditure - based on the budget. Profiled capital income and expenditure - as per the capital programme.</p> <p>Revenue activities: Inflows:</p> <ul style="list-style-type: none"> ▪ Non domestic rates receipts ▪ Council tax receipts ▪ Housing subsidy ▪ Government grants ▪ Other operating cash receipts <p>Outflows:</p> <ul style="list-style-type: none"> ▪ Salaries and payments on behalf of employees ▪ Operating cash payments ▪ Precepts and levy payments ▪ NNDR payments to national pool ▪ Payments to the capital receipts pool ▪ Pension contribution payments <p>Capital activities including financing Inflows:</p> <ul style="list-style-type: none"> ▪ Capital grants received ▪ Sale of fixed assets ▪ Other capital cash receipts <p>Outflows:</p> <ul style="list-style-type: none"> ▪ Purchase of fixed assets ▪ Purchase of long-term investments ▪ Other capital cash payments
	<p>Financing, Servicing of Finance>Returns on Investments Inflows</p> <ul style="list-style-type: none"> ▪ New long-term loans raised ▪ New short-term loans raised ▪ Interest received ▪ Discount on premature repayment of loan <p>Outflows:</p> <ul style="list-style-type: none"> ▪ Loan repayments ▪ Premia on premature repayment of loan ▪ Short-term investments ▪ Capital element of finance lease rental payments ▪ Interest paid ▪ Interest element of finance lease rental payments
<p>Monitoring, frequency of cash flow updates</p>	<p>The annual cash flow prediction is updated as required taking account of any revisions.</p>

Bank statements procedures	The Council receives bank statements on a daily basis. These are posted independent of the treasury function and are reconciled to the Oracle accounting system on a monthly basis.
Payment scheduling	The Council has a policy of paying suppliers in line with agreed terms of trade.
Monitoring debtor/ creditor levels	<p>Debtor levels are monitored on an ongoing basis. The status of overdue payments is examined regularly and the appropriate action is taken to recover any delinquent debts.</p> <p>The level of Creditor invoices being processed and which remain unpaid is monitored on a monthly basis by the P2P Operational Manager.</p>
Banking of funds	<p>Instructions for the banking of income are set out in the Financial Regulations. Income should be paid fully and promptly into the appropriate authority bank account in the form in which it is received.</p> <p>All the Council's sections are advised of the requirement to bank on a regular basis in order to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.</p>

TREASURY MANAGEMENT PRACTICE 9: ANTI MONEY LAUNDERING

Background: The Proceeds of Crime Act 2002 (POCA) consolidated, updated and reformed criminal law in the UK in relation to money laundering. Part 7 of the POCA establishes the principal offences relating to money laundering, these being: Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland. Being concerned in an arrangement, which a person knows, suspects or facilitates the acquisition, retention use or control of criminal property. Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

The Money Laundering Regulations 2003 [Statutory Instrument 2003 No. 3075], which came into force on 1st April 2004, are concerned with measures to restrict the opportunities for money laundering in certain types of business.

CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.

Principle: The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties, reporting suspicions and ensuring staff involved in this area are properly trained. The present arrangements, including the title of the officer to whom reports should be made, are detailed in the schedule below.

Schedule:

Anti money laundering policy	<p>This Council’s policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.</p> <p>The Council has accepted responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.</p>
Nomination of Responsible Officer(s)	<p>The Head of Internal Audit and & Risk Management is supported by the Head of Revenues and they have been nominated by as the responsible officers for money laundering. Any suspicions relating to transactions involving the Council will be communicated to these officers.</p>

	<p>The responsible officer will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions.</p> <p>The responsible officer will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS).</p>
Limit placed on acceptance of cash sums	The Council has set an upper limit of £5,000 for receipt of 'cash' (this includes notes, coins, or travellers cheques in any currency). This limit should be applied to any transaction or group of related transactions amounting to more than the limit specified.
Procedures for establishing the Identity of Lenders and Borrowers	<p>In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP 4.</p> <p>The Council will not accept loans from individuals</p> <p>In the course of its treasury activities, the Council will only invest with those counterparties, which are on its approved lending list.</p> <p>All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts.</p>

TREASURY MANAGEMENT PRACTICE 10: STAFF TRAINING AND QUALIFICATIONS

Principle: The Council recognises the importance of ensuring that all staff involved in the treasury management function is fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Senior Finance Manager – Corporate Finance will recommend and implement the necessary arrangements. The present arrangements are detailed in the schedule below.

Schedule:

Qualifications/ experience for treasury staff	Investment Manager – CCAB qualified
Career Development / Continuing Professional Development (CPD)	<p>Among the courses/events the Council would expect its treasury personnel consider for CPD are:</p> <p>Training courses run by CIPFA Any courses/seminars run by Treasury Management Consultants. Attending CIPFA Conference.</p> <p>The Council participates in a CIPFA Employer Accreditation Scheme for CPD purposes, which is based on planning, recording and evaluating development.</p>
Training records	Treasury-related training records are maintained providing details of the date and event relating to each member of staff.
Qualifications / Access to Training for Council Members	The Director of Finance and Resources will ensure that all Council Members tasked with treasury management responsibilities (including those responsible for setting strategy, scrutiny and receipt of reports) have access to training relevant to their needs and those responsibilities.

TREASURY MANAGEMENT PRACTICE 11: USE OF EXTERNAL SERVICE PROVIDERS

Principle: The Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons, which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The details of the current arrangements are set out in the schedule below.

Schedule:

Contract threshold	The Council's Procurement Standing Orders require that a formal contract is in place with external service providers where the contract value is £50k and above.
Details of Providers	Bankers to the Council: HSBC High Street, Uxbridge Contract expires Mar 2010 – extension exercised (Three years with two year extension option) Formal agreement in place: yes This service will be re-tendered every three or five years depending on whether the extension option is exercised

	<p>Treasury advisor: Arlingclose Ltd 6/7 Hatton Garden, London, EC1N 8AD Tel 020 7831 3114 Contract period: Feb 2009 to Feb 2012 with two year extension option Formal agreement in place: yes This service may be re-tendered every three of five years depending on whether the extension option is exercised</p> <p>Brokers: It is considered good practice for the Council to have at least four brokers and to spread business between them.</p> <p>Tradition (UK) Ltd Beaufort House, 15 St Botolph Street, London, EC3A 7DT Tel: 020 7422 3566 No contract or formal agreement in place</p> <p>Martin Brokers Ltd 25 Dowgate Hill, London, EC4R 2BB Tel: 020 7469 9580 No contract or formal agreement in place</p> <p>Sterling 10 Chiswell Street, London, EC1Y 4UQ Tel: 020 7496 8950 No contract or formal agreement in place</p> <p>Tullet Prebon 155 Bishopsgate London EC2M 3TQ Tel: 020 7200 7393 No contract or formal agreement in place</p>
Business reserve accounts / direct deposit takers	Business Reserve Accounts / Direct deposit takers The Council may have one or more business reserve accounts / access to direct to deposit takers at any one time. Their details are held separately at an operational level.

TREASURY MANAGEMENT PRACTICE 12: CORPORATE GOVERNANCE

Principle: The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key recommendations of the code. This together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and Internal Audit will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Schedule:

Stewardship responsibilities.	Internal Audit ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.
List of documents to be made available for public inspection or on the council's website.	The following documents are freely available for public inspection: <ul style="list-style-type: none">▪ Annual Statement of Accounts▪ 3 Year Capital Plan▪ Treasury Management Policy▪ Treasury Management Strategy▪ Budget Monitoring Reports▪ Annual Treasury Report

Note:

Items the Council would maintain at operational level in an 'Operations Manual' include:

- The Council's Credit Criteria
- Current Lending List
- Business Reserve Accounts / Money Market Funds
- Counterparties with whom the Council deals direct
- Dealing checklist
- Deal card proforma
- Format of the Council's Standard Settlement Instructions form
- Settlement Procedures
- Procedure Notes for the Council's on-line banking system
- Procedure Notes for the Council's treasury management system
- Procedure Notes for the recovery of unpaid investments.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ITEM 10

Contact: Nancy Leroux
Telephone: 01895 250353

REASON FOR REPORT

From 2010/11, Local Authorities' Statement of Accounts will be required to be prepared under an IFRS-based Code of practice on Local Authority Accounting, This is part of a wider public sector move to align accounting standard for private, public and international entities incorporating accounting standards developed following accounting scandals such as Enron.

To enable the council to comply with the implementation timetable, planning in Hillingdon started formally in July 2009.

As the body charged with governance of the authority's Statement of Accounts, it is relevant that the detail of the project plan to implement the transition is reported to Audit Committee and that Committee are regularly updated with progress reports.

This initial report explains how Hillingdon are approaching this task and the work undertaken to date.

INFORMATION

The transition to IFRS is a challenge to the whole organisation and should not be underestimated. IFRS is not just about financial reporting, it also impacts on resources, budgets and systems and processes.

Timetable

The initial planning for the transition to IFRS in Hillingdon is well underway as local authorities will be required to produce their accounts fully on an IFRS basis for the year 2010/11. However, to be ready for full implementation, we will have to produce the accounts for 2009/10 on an IFRS basis to provide comparator figures and additionally restate the closing Balance Sheet for 2008/09 to provide the opening figures for the 2009/10 accounts.

Main Difference of IFRS

The main areas where IFRS is expected to be different are:

- Fixed assets – IFRS requires fixed assets to be held at 'fair value' as opposed to current requirement of 'current value'. There may be considerable changes to the valuation of Infrastructure assets and further

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reclassification of certain asset categories. A major challenge is to keep more detailed componentisation of assets and depreciate over their differing lives (eg. the roof of a building may need to be valued and depreciated separately to the rest of the building)

- Leases – IFRS requires leases on land and buildings to be accounted for and disclosed separately. Difference on the definition of operating and finance leases, leading to potential reclassification of operating leases to finance leases and hence need to move to balance sheet.
- PFI – now all required to be on balance sheet and accounted for under IFRIC12 (Service and Concessions)
- Contracts- require review and separation of any unconnected embedded derivatives.
- Operating Segments – the accounts are required to be reconciled from Financial Reporting best value structure to the Management account structure.
- Employee benefits – IFRS requires disclosure of the accrual of untaken holiday pay and flexitime.
- Certain notes disclosures.

Transition Project

We have appointed Pricewaterhouse Coopers to assist in the conversion process. Whilst our external auditors Deloitte could have assisted us with the initial impact assessment, they would not have been able to provide on going advice throughout the transition, due to a conflict of interest. Therefore, with Deloitte's agreement and following a selection process, PwC were selected to give assistance for the duration of the project.

During July they undertook an impact assessment of IFRS on Hillingdon's accounts and they ran a very successful workshop for the Council on 24 July. The workshop covered all aspects of accounting under IFRS, following which, PwC produced a comprehensive and detailed report, advising on the various tasks to be undertaken as part of implementation. From this report we have developed a project plan, which is attached for reference at Appendix A.

One of the initial tasks, following completion of the audit of the 2008/09 accounts, will be to restate the 2008/09 balance sheet.

A further progress will be brought to Committee in December.

APPENDIX A

Project: Implementation of International Financial Reporting Standards	
Programme (where applicable):	
Project manager: Harry Lawson	Telephone: 01895 556578
Project sponsor: Nancy Le Roux	Telephone: 01895 250353
Group Project Board reported to: Audit Committee	

Project purpose
<p>Project definition</p> <p>To implement International Financial Reporting Standards for LB Hillingdon Council's Final Statement of Accounts by 2010/11, as per statutory requirements.</p>
<p>Background information</p> <p>The government has been driving forward an agenda to improve consistency and comparability between the public sector and private sector's accounting statements and are also keen to follow private sector best practice incorporated following accounting scandals such as Enron. The move to IFRS is to unify accounting practices across international, public and private sector entities.</p> <p>International Financial Reporting Standards (IFRS), already applicable in the private sector, were introduced for Central Government and the NHS' accounting statements in 2008/09.</p> <p>These will be introduced to Local Government in 2010/11. However, opening comparators will be required in IFRS format, hence the 2009/10 accounts are required to be restated under IFRS (and hence closing balances for 2008/09 will need to be restated). The Whole of Government Accounts (WGA) submission in June 2010 will also have to show the 2009/10 accounts on an IFRS basis.</p> <p>The transition to IFRS affects a wide range of processes and systems which will need to be reviewed to ensure correct figures under IFRS can be produced. Furthermore, where IFRS standards may not apply, the Council needs to demonstrate that it has undertaken significant work to show it has considered the IFRS implications, before deciding on any action/inaction.</p>

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Key areas impacted by IFRS include: Fixed Assets, PFI & Leases, Contracts (embedded derivatives), segmental reporting and Employee Benefits.

Links to other projects

The new treatment of leases and Private Finance initiatives (PFI) under IFRS, will potentially have implications for the Council's existing Barnhill PFI with Jarvis, and the Building Schools for the Future programme.

The necessity to account for and accrue holiday pay and flexi time will impact the ResourceLink HR system.

Contracts will have to be analysed for any underlying derivatives, and their implications analysed under new IFRS rules. This will impact procurement processes and require review of the contract register.

New rules on valuations and component depreciation will require input from the estates valuation team in order to meet IFRS requirements. Fixed Asset registers systems (IPF) need to be compatible with IFRS requirements.

Business case

Implementing IFRS for 2010/11 is a statutory requirement.

Business benefits

Although IFRS is required by statute, there are a number of benefits for the organisation from undertaking the work required for IFRS.

Contract Analysis – The requirement to analyse every major contract the Council has entered into, will require an up-to-date and comprehensive contract register to be maintained. Contracts will also be scrutinised individually, and this will act to improve controls and value for money procurement.

Leases – Reviewing and analysing all leases will provide a better awareness as to all the leases the Council is entered into, and a scrutiny of their benefits and costs.

HR System – IFRS requires information on both annual leave data and flexi time. Producing this may enhance control over these areas, and allow review of implications of flexi arrangements and impact of carry-over at year-end.

Asset Management – A greater focus on looking at individual components within assets will better reflect the actual costs of running and replacing an asset. It will also improve the management of the assets, providing greater detail on components that constitute an asset.

Statement of Accounts – Following IFRS, the Final Statement of Accounts will be prepared on the same basis as the private sector and the rest of the public sector, improving comparability and consistency.

Project planning

Key deliverable & Acceptance Criteria

September 2009 – Obtain information required to restate balance sheet

Employee benefits
Review of existing leases and arrangements
Breakdown of Operating Segments Confirmed
Review Financial Instruments and Embedded Derivatives
Review potential Group/Joint Ventures/Associates
Related Party Disclosure work
Property, Plant & Equipment Changes
Review PFI
Stocks & WIP

October 2009 – Skeleton IFRS Accounts developed

Skeleton Main Accounts
Financial Instruments and Notes
Cash flow Statement Adjustments
Segmental Reporting Notes
Group Accounts

December 2009 – Restate 1 April 2009 Balance Sheet

Restate Financial Statements
Review Accounting Policies in light of IAS8

March 2010 – Systems & Procedural changes implemented and tested. Restated Balance Sheet Audited.

Resources and Systems arranged for new Fixed Asset Arrangements, including component accounting and valuing infrastructure assets
HR systems ready for Employee Benefit information
Contract register updated with derivatives noted
Leases register up to date, with operating/finance lease distinction

Audit Committee 22 September 2009
PART 1 – MEMBERS, PUBLIC & PRESS

Review and implement latest IFRS guidance on Borrowing Costs and Government Grants

June 2010 – Whole of Government Accounts (WGA) prepared under IFRS

December 2010 – 2009/10 Accounts Restated

Restate Financial Statements

March 2011 – Restated 2009/10 accounts audited and 2010/11 accounts under IFRS.

Agenda Item 12

ITEM 12

WORK PROGRAMME 2009/10

Contact Officer: Khalid Ahmed
Telephone: 01895 250833

REASON FOR ITEM

This report is to enable the Committee to review meeting dates and forward plans.

OPTIONS AVAILABLE TO THE COMMITTEE

1. To confirm dates for meetings
2. To make suggestions for future working practices and/or reviews.

INFORMATION

All meetings to start at 5.00pm

Meetings	Room
22 September 2009	CR 3
16 December 2009	CR 5
11 March 2010	CR 3
28 June 2010	TBA

AUDIT COMMITTEE

2009/10 DRAFT Work Programme

Meeting Date	Item	Officer/member
22 September 2009		
	Auditor's report on Statement of Accounts 2008/09	Director of Finance/Deloitte
	Use of Resources Report from Deloitte	Director of Finance/Deloitte
	Treasury Management Practices	Senior Finance Manager – Corporate Finance
	Conversion to International Financial Reporting Standards (IFRS)	Senior Finance Manager – Corporate Finance
	Internal Audit Progress Report and plan amendments	Head of Audit
	Head of Audit Update Report on School Audits	Head of Audit
	Audit Committee Work Programme	Khalid Ahmed
	Risk Management Quarter 1 Report – PART II	Risk Manager
16 December 2009		
	CAA Assessment	
	Internal Audit Progress Report and plan amendments	Head of Audit
	Audit committee annual report to council	Head of Audit
	Conversion to International Financial Reporting Standards (IFRS) - update	
	Audit Committee Review of Effectiveness and resultant action plan	Chairman of Committee/Head of Audit
	Review of whistleblowing Policy	Borough Solicitor

Audit Committee 22 September 2009

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11 March 2010	Internal Audit Progress Report and plan amendments	Head of Audit
	Internal Audit Strategy and Audit Plan 2010-11	Head of Audit
	Review of Internal Audit Terms of Reference,	Head of Audit
	Annual Governance Statement – Interim Report	Head of Policy
	Review of Anti-Fraud and Corruption Strategy	
	Reserves and Balances Policy	
	Treasury Management Strategy 2009/10	
	Annual Audit and Inspection Letter	Director of Finance/Deloitte
	Risk Management report Part 2	

28 June 2010		
	Review of the systems of Internal Audit – Head of Audit.	Head of Audit
	Review progress on implementing actions arising from Committee self assessment.	Head of Audit / chairman of Committee
	Approval of Accounts, including Annual Governance Statement	Director of Finance
	Head of Audit Annual Assurance Statement and opinion	Head of Audit
	Interim Use of Resources Assessment	Director of Finance/Deloitte

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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