



HILLINGDON  
LONDON



## Audit Committee

### Councillors on the Committee

John Morley (Chairman)  
George Cooper, Chief Whip  
Tony Eginton, Deputy Leader of the  
Labour Group  
Elizabeth Kemp  
Mary O'Connor

**Date:** MONDAY, 29 JUNE 2009

**Time:** 5.00 PM

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

**Meeting  
Details:** This meeting is open to  
Members of the Public and  
Press

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**Published:** Friday, 19 June 2009

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## **This Committee**

This Committee will be responsible for ensuring that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control. This Committee will also consider risk management issues and performance reports.

## Terms of Reference

*The Constitution defines the terms of reference for the Audit Committee as:*

### Statement of Purpose

The purpose of Audit Committee is to:

- provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment
- provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment
- oversee the financial reporting process.

### Audit Activity

The Audit Committee will:

1. Approve but not direct Internal Audit's strategy and plans, ensuring that work is planned with due regard to risk, materiality and coverage. This will not prevent Cabinet directing internal audit to review a particular matter.
2. Review the Head of Internal Audit's Annual Report and Opinion and Summary of Internal Audit Activity (actual and proposed) and the level of assurance this can give over the Council's corporate governance arrangements.
3. Review summaries of Internal Audit reports and the main recommendations arising.
4. Review a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
5. Consider reports dealing with the management and performance of the providers of internal audit services.
6. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
7. Monitor management action in response to issues raised by External Audit.
8. Receive and consider specific reports as agreed with the External Auditor.
9. Comment on the scope and depth of External Audit work and ensure that it gives value for money.
10. Liaise with the Audit Commission over the appointment of the Council's External Auditor.

11. Commission work from Internal and External Audit, following a formal request by the Committee to and a joint decision from the Leader of the Council and Cabinet Member for Finance & Business Services.
12. Ensure that there are effective arrangements for ensuring liaison between Internal and External audit.

## **Regulatory Framework**

The Audit Committee will:

1. Maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour. And, where necessary, bring proposals to the Cabinet and/or Council for their development.
2. Review any issue referred to it by the Chief Executive or a Director, or any Council body.
3. Approve and regularly review the authority's risk management arrangements, including regularly reviewing the corporate risk register and seeking assurances that action is being taken on risk related issues.
4. Review and monitor Council policies on 'Raising Concerns at Work' and anti-fraud and anti-corruption strategy and the Council's complaints process.
5. Oversee the production of the authority's Statement of Internal Control and recommend its adoption.
6. Review the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice.
7. Consider the Council's compliance with its own and other published standards and controls.

## **Accounts**

The Audit Committee will:

1. Review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the auditor that need to be brought to the attention of the Council.
2. Consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

# 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 Notes of the previous meeting - 5 May 2009 1 - 6
- 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.

## **PART 1 - MEMBERS, PRESS AND PUBLIC**

- 5 Deloitte Interim Audit Report - Oral report from Paul Hutt
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- 11 Proposed Audit Committee Work Programme 55 - 62
- 12 Proposed Audit Committee Training Workshop 63 - 66

## **PART 2 - MEMBERS ONLY**

The reports listed below in Part 2 are not made public because they contain confidential or exempt information. This is exempt information under paragraph 3 of Part 1 of Schedule 12 A to the Local Government (Access to Information) Act 1985 as amended.

- 13 Risk Management Report 67 - 80

# Agenda Item 3

Audit Committee

5 May 2009

Minutes



HILLINGDON  
LONDON

	<p><b>Independent Member:</b> John Morley (Chairman)</p> <p><b>Members Present:</b> Councillors George Cooper, Liz Kemp and Phoday Jarjussey.</p> <p><b>Apologies:</b> None</p> <p><b>Officers Present:</b> Fran Beasley (Deputy Chief Executive), Nancy LeRoux (Senior Finance Officer – Corporate Finance), Christopher Neale (Director of Finance &amp; Resources), Chris Spencer (Director of Education and Children’s Services), Helen Taylor (Head of Internal Audit and Risk Management), Paul Whaymand (Head of Accountancy Services) and Khalid Ahmed (Democratic Services Manager).</p> <p><b>Others Present:</b> Paul Hutt (Deloitte) and Les Kidner (District Auditor)</p> <p>At the start of the meeting the Chairman wished to place on record his thanks to Charles Francis who provided excellent support to the Committee in the last two years.</p>
	<p><b>Declarations of Interest:</b> John Morley and Councillor Liz Kemp declared Personal Interests in Agenda Item 5 – Internal Audit Update Report as they were both Members of the Board of Hillingdon Homes. Councillor George Cooper declared a Personal Interest in Agenda Item 5 – Internal Audit Update Report as he was a Governor of St Mary’s School. Councillor Phoday Jarjussey declared a Personal Interest in Agenda Item 5 – Internal Audit as he was a Governor of Wood End Park Community School and of Rosedale College.</p>
	<p><b>Minutes of the meeting held on 18 February 2009</b> Agreed as an accurate record subject to an amendment to Minute No. 7 – Internal Audit Progress Report from August 2008 to 9 January 2009 – Progress Against Plan and Follow Up Status so that the bullet point heading “schools” be moved to the last bullet point on page 6.</p>
	<p><b>Exclusion of the press and public:</b> It was agreed that all items of business were considered in public.</p>

<p>1.</p>	<p><b>Audit Commission – Annual Audit and Inspection Letter</b></p> <p>Members were informed that the Annual Audit and Inspection Letter was the Audit Commission’s assessment of the Council, drawing from the most recent Comprehensive Performance Assessment and the findings and conclusions of the audit of the Council and inspections undertaken over the past year. The letter had been published a few weeks ago and had been discussed with the Leader of the Council, the Chief Executive and the Director of Finance and Resources.</p> <p>The main message from the Audit Commission was the Council was improving well and continued to deliver improvements in priority areas, such as educational attainment, children’s social care, value for money, housing and benefits service.</p> <p>Reference was made to the community safety inspection which had taken place since the last letter, which described the service as ‘fair’ with ‘promising prospects for improvement’. Investment had been made in community safety which had resulted in positive results in crime levels and community perceptions.</p> <p>A Health and Inequalities review had shown that the Council and the Primary Care Trust were beginning to develop robust arrangements to tackle health inequalities with particular strengths in leadership, partnership arrangements and the development of a health needs analysis framework.</p> <p>Members were informed that the Council had improved its score on Use of Resources; that Ethical Governance arrangements were now good and that data quality arrangements were robust and performing well. This was based on assessments made by the auditor in the areas of financial reporting, financial management, financial standing, internal control and value for money. The Audit Commission’s view was that the following action needed to be taken by the Council:</p> <ul style="list-style-type: none"> <li>• The Council need to ensure that it delivers its plans to improve street cleanliness and safeguarding within adult social care</li> <li>• Arrangements need to be put in place to coordinate partnership resources in order to ensure a strategic approach to community safety; and a systematic approach needs to be taken to the evaluation of these projects and initiatives in order to measure impact and demonstrate value for money</li> <li>• An overall strategy needs to be put in place for tackling the causes of health inequalities and the partnership needs to ensure that health need assessments are used consistently to inform strategies, commissioning</li> </ul>	<p><b>Action By:</b></p>
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	<p style="text-align: center;">intentions and business cases</p> <p>Members expressed concern at the Comprehensive Performance Assessment scorecard and the 2 star ratings for the overall assessment of the Council and of Social care (adults) and Culture. There was no commentary provided in the report on what the problems were and what the remedies were to improve services. Members agreed that these issues should have been addressed by the relevant Policy Overview Committee to enable Members to be made aware of problem areas. Officers undertook to look into this and to ensure that there was a mechanism to ensure deficiencies in service areas were considered by relevant Policy Overview Committees. In addition officers would ensure that the next Audit Letter would contain greater detail on problem areas.</p> <p>Members were informed that a new performance assessment framework, the Comprehensive Area Assessment (CAA), would provide a holistic independent assessment of the prospects for local areas and the quality of life for people living there. Officers were asked to ensure that structures were in place to ensure that this Committee and the Policy Overview Committees were involved in the CAA process, to enable tracking of problem areas.</p> <p>A general discussion took place on the role of this Committee in relation to the decision making structure of the Council and Members expressed concern that the Minutes of this Committee were not submitted to another Council decision making body to enable the Committee's work to be reviewed. Subsequent to the meeting it was agreed that the Minutes of this Committee would be forwarded to Members of the Cabinet and the Corporate Services &amp; Policy Overview Committee for their information.</p> <p><b>Resolved –</b></p> <ol style="list-style-type: none"> <li>1. That the report be noted</li> <li>2. That Les Kidner be thanked for the service he has provided to the Council as District Auditor.</li> <li>3. That officers look at making improvements to the information that this Committee and the Policy Overview Committees receives in relation to the CAA process, to enable the tracking of problem areas.</li> <li>4. That the Minutes of the Audit Committee be forwarded to Members of the Cabinet and of the Corporate Services &amp; Partnerships Policy Overview Committee.</li> </ol>	<p><b>Khalid Ahmed/Paul Whaymand</b></p> <p><b>Khalid Ahmed</b></p>
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2.	<p><b>Treasury Management Strategy Statement and Investment Strategy 2009-10 to 2011-12 and Update on the Council's Investments in Icelandic Banks</b></p> <p>Members were informed that the Annual Treasury Management Strategy was agreed by Council as part of the Budget setting process each February and the Strategy was being brought to this Committee in order to allow greater scrutiny of the Strategy. Included in the report was an update on the Council's frozen investments with Icelandic banks.</p> <p>Members noted that in relation to the Council's Investments in Icelandic Banks the joint administrators of Heritable Bank, Ernst &amp; Young announced on 17 April 2009 that it would be in a position to make a return to creditors of between 70 and 80 pence in the pound.</p> <p><b>Resolved-</b></p> <ol style="list-style-type: none"> <li>1. That the information contained in the report be noted.</li> </ol>	Action By:
3.	<p><b>Balances and Reserves Policy 2009/10</b></p> <p>Members were informed that the Balances and Reserves Policy contained detail on the Council's approach to management and measurement of the requirements to hold balances and reserves that were currently in the public domain.</p> <p>The Director of Finance and Resources as the Council's Section 151 officer has a legal duty to comment on the robustness of the budget estimates for the forthcoming year and the adequacy of the Council's reserves as part of the statutory annual budget setting process.</p> <p>In relation to the assessment of required General Fund Revenue Balances for the overall financial standing of the authority, this was considered a low risk, except for the Icelandic banks issue, where possible future non-recovery required at least £1m to be retained in reserve. Members were informed that this figure was based on information from February but would be refreshed in future years. The Council would need to know whether the Government would allow the capitalisation of the losses from the Icelandic bank investments over a number of years; at around £400,000 a year.</p> <p><b>Resolved-</b></p> <ol style="list-style-type: none"> <li>1. That the information contained in the report be noted.</li> </ol>	
4.	<p><b>The Draft Annual Governance Statement 2008-09</b></p> <p>The report gave Members progress on how the Council was preparing the Annual Governance Statement for 2008-09 which was to be delivered by 30<sup>th</sup> June 2009.</p>	

	<p><b>Resolved-</b></p> <p>1. That the progress in delivering the 2008-09 Annual Governance Statement be noted.</p>	
<p>5.</p>	<p><b>Internal Audit Progress Report from 10 January 2009 to 31 March 2009</b></p> <p>Members were provided with updates on the progress report which had been submitted to the last meeting of this Committee (August 2008 to 9 January 2009):</p> <ul style="list-style-type: none"> <li>• <b>Access to Housing</b> – When banding decisions were confirmed in writing there was no leaflet included to explain the LOCATA banding process.</li> <li>• <b>Commercial Properties</b> – Members were informed that debts of less than £5,000 were written off in one or two months and debts greater than £5,000 were written off within 6 months.</li> <li>• <b>Schools</b> – The Director of Education and Children’s Services attended the meeting to provide the Committee with an update on the high level of recommendations which had not been implemented within his service area. He reported that the financial management of schools was carried out by the schools and was not directly controlled by the Council. Progress had been made in the financial management of schools with resources increased to support schools. Five principal accountants under the Finance and Resources Directorate supported the schools but the Council’s powers of intervention were limited.</li> </ul> <p>Reference was made to the School’s Forum who reviewed those schools who were in budget deficit. The number of schools in deficit was now only two compared to seven four years ago which was encouraging and positive. The audit of schools was now to be undertaken in-house which would result in tighter financial monitoring. There were still issues around the financial management IT software of some schools, but the situation had improved significantly.</p> <p>The last 20% of the schools would be assessed against the Financial Management in Schools Standard in 2009-10. It was reported that so far most had met the required standard.</p> <p>Consideration was given to a report which provided a summary of Internal Audit activity for the period from 10 January 2009 to 31 March.</p> <p>Members expressed concern at receiving the report late and it was explained that the report had to be considered by the</p>	

	<p>Corporate Management Team before it was distributed to Members. It was agreed that in future the report be submitted to Members of the Committee within the statutory period and comments from the Corporate Management Team be considered separately.</p> <p>There were two limited assurance reports, Data Security and Transfer and Scuba Application (IT), with the rest of the areas given a satisfactory assurance. 92% of recommendations had been implemented.</p> <ul style="list-style-type: none"> <li>• <b>Anti-fraud work</b> - Training sessions for managers had gone well and fraud awareness training via an e-learning programme would be taking place for all Council staff.</li> <li>• <b>Prosecution</b> - Successful prosecutions needed to be publicised to let the public know the anti-fraud work the Council undertook.</li> <li>• <b>Data Security and Transfer</b> – Steps had been taken to identify weaknesses across the Council as part of a gap analysis for GCSX, N3 and LPSN. This would improve the effectiveness of protecting sensitive data.</li> <li>• <b>Scuba Application (IT)</b> – This was the software package for leisure services booking and management system. This was an isolated software package and the management response was that the system may be replaced soon, dependent on the Leisure Management Tender. ICT within the Council had been centralised and isolated software packages had been found within services. These disparate systems would be brought up to standard.</li> <li>• <b>IT Oracle Financials Upgrade</b> – It was noted that this had improved from last year and Members congratulated the IT Helpdesk on the service they received.</li> <li>• <b>Asylum Service – Weir House (2007-8)</b> – This was a vulnerable group and officers were commended for their audit work on this area.</li> </ul> <p><b>Resolved -</b></p> <ol style="list-style-type: none"> <li>1. That the in-year progress against the Internal Audit Plan for 2008-09 and the latest follow-up position on those audits that were scheduled in 2007-08 be noted.</li> </ol>	
	<p><b>Meeting closed at: 6.50pm</b>  <b>Next meeting: 29 June 2009 at 5.00pm</b></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.

## INTERIM USE OF RESOURCES REPORT

**Contact Officer:** Nancy Le Roux  
**Telephone:** 01895 250353

### REASON FOR REPORT

This interim report by Paul Hutt, Senior Audit Manager Deloitte, details Deloitte's interim assessment of the Council's performance under the new Use of Resources assessment, which forms part of the Comprehensive Area Assessment (CAA). The report provides interim feedback and guidance on areas of improvement both for the final assessment in August for the 2008/09 year and for future years' assessments.

### RECOMMENDATIONS

The Committee is asked to note the report.

### BACKGROUND

During 2008 the revised Use of Resources assessment, under the new CAA regime was introduced. The assessment focuses on three key themes:

- Managing Finances
- Governing the Business
- Managing Resources

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. The main differences from the previous assessment are:

- The emphasis is on a rounded professional judgement against the headline KLOE
- The assessment moves from a checklist of criteria to illustrative characteristics of performance
- There is greater focus on outcomes and less focus on prescriptive arrangements and processes
- Guidance indicates that scores of 4 out of 4 are reserved for excellence and genuine leading edge performance.

Under the previous assessment a very high number of councils were achieving 3 and 4 for their Use of Resources score. 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.

As detailed in the report, arrangements for the formal assessment were being developed simultaneously with the implementation of the assessment and very late in the process the final timetable was produced. Prior to this, officers had formulated detailed plans to undertake the assessment over the summer and were only notified in March that submission had to be completed by the end of April. As a result some areas were not as comprehensively addressed as officers would have wished,

however, Deloitte have commented on the high quality of the assessments, particularly in light of the very tight timetable.

## INTERIM REPORT FINDINGS

The interim scores for the 3 areas are as follows:

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

Each of the above 10 KLOEs are further split into sections each of which are scored and those scores are explained throughout the report.

The interim findings assess the Council with an overall score of 2, which is lower than last year's score of 3, but not unexpected given the challenges posed by the new assessment. The score for 1.3 relies on the outcome of the audit of the accounts and as such the interim score is based on last year's experience. This will be reassessed during July as the audit of the accounts proceeds. This score, therefore, has the potential to increase to a 3, which would also increase the Managing Finances theme score to a 3.

The reports provides guidance on a few areas within the KLOES where there is a possibility that individual section scores could be reassessed to a 3 in the final 2008/09 assessment if further evidence were provided. This applies to 5 areas, which are detailed on page 2. It should be noted that this will not increase the overall score of 2, it will, however, put the council in a stronger position going into the 2009/10 assessment.

## STEERING GROUP COMMENTS

Officers welcome the clear, comprehensive guidance and feedback detailed within the report. It is encouraging to receive such a very detailed report, clearly explaining the areas for improvement and making recommendations for further work to assist in future assessments. It is also evidence of the good working relationship which has been developed between Hillingdon officers and the Deloitte auditors in the short time we have been working together.

The interim results identify real potential for the council to increase its overall score to 3 during 2009/10. Whilst an overall 3 may yet be achieved in Managing Finances in 2008/09, there are clear indications of how we can improve the 1.2 KLOE score to 3 next year, which would result in an achievement of a score of 3 in each element. Likewise, adoption of the recommendations for improvement in KLOEs 2.3 and 2.4 could help the achievement of an overall score of 3 in Governing the business. As a totally new area of assessment, there was no potential to achieve more than 2 for KLOE 3.1 and our understanding is that no council will achieve higher than a score of 2. Asset management, KLOE 3.2, achieved scores of 3 in each element and offers some real scope to achieving a score of 4 in 2009/10.

Overall the assessment process was more positive and helpful, albeit very demanding on officers, with Deloitte taking a very supportive approach, offering guidance and assistance. Both parties have learned from the experience which places the Council in a good position to improve going forward.

### **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

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## **APPROVAL OF THE 2008/09 STATEMENT OF ACCOUNTS and PENSION FUND ANNUAL REPORT**

**Contact Officers:** Harry Lawson & Nancy Le Roux  
**Telephone:** 01895 556578

### **REASON FOR REPORT**

The report presents the 2008/09 Statement of Accounts for approval by the Audit Committee as required by the Accounts and Audit Regulations 2003. It sets out the requirement for members to approve the Statement of Accounts and provides an update on the key technical changes, improvements within the accounting function and the key issues raised in the Council's accounts for 2008/09. In addition, it asks for approval of the annual report of the Pension Fund.

### **RECOMMENDATIONS**

That Committee approves the Statement of Accounts for the financial year ended 31 March 2009 and the Annual Report for the pension fund for the financial year ended 31 March 2009.

### **INFORMATION**

#### **Requirement for Approval**

The Director of Finance & Resources is responsible for the preparation of the Council's Statement of Accounts that present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2009. The 2008/09 accounts were released by the Director of Finance & Resources for approval by the Audit Committee on 18 June 2009.

By formally approving the accounts the Audit Committee is demonstrating their ownership of the accounting statements and their confidence in the process by which the accounting records are maintained and the statements prepared.

Audit Committee, under its terms of reference, have been tasked to review, challenge and approve the annual Statement of Accounts. By undertaking this role effectively the Committee provides evidence of Hillingdon performing well under the 'Preparation of Accounts' section in KLOE 1.3 of the Use of Resources assessment.

The draft Statement of Accounts for 2008/09 is attached to this report. The accounts take the form as prescribed in the Statement of Recommended Practice for local authority accounting.

Although the pension fund accounts form part of the Council's main accounting statements, the pension fund is subject to a separate audit, for the first time, this year. That audit will also cover the Annual Report and hence it is being brought to Audit Committee for approval.

## **Improvements in Accounts Production Process**

In October 2008 the corporate accountancy and financial planning teams were combined into a single corporate finance team. This allowed the financial reporting, budget production, budget monitoring and capital accounting functions to be aligned. The bringing together of these staffing resources has allowed a greater depth of knowledge and experience to be developed across these functions, resulting in improved control and more rigorous validation. As a result the team were much better placed, at the start of the process, to prepare this year's accounts compared to the previous two years when interim arrangements were in place.

Improvements to processes started last year have been built on over the last few months improving communication among group accountants and developing more robust arrangements to collate the accounts and the associated working papers. As a result of this better planning and pre-work the accounts were produced in a more timely way than has been possible in any previous year. This has meant that more time has been spent at the end of the process proof reading the accounts and getting the presentation right. It has also meant that the accounts have not gone out as a late report to Committee as was the case in the two previous years.

## **Technical Changes to the accounts**

2008/09 is the penultimate year before adoption of International Financial Reporting Standards and consequently, following significant changes last year, SORP changes have been kept to a minimum.

The most significant impact on this year's accounts is a result of SORP 2007/08 changes regarding Fixed Asset revaluations and impairments. Before then these were posted to the Fixed Asset Reserve Account with nil impact on the Income and Expenditure Account. Since then, revaluation gains are posted to a Revaluation Reserve and can be reversed at a future date if the asset is later impaired due to movement in market prices. Unfortunately, 1<sup>st</sup> April 2007 was declared 'Year Zero' due to the difficulties authorities would have in establishing proper historic costs of their assets, and the carrying value at this date set as 'historic cost'. Hence there has been only one year of revaluation gains before the significant impairments of this year. Any impairment above the previous gain held against a particular asset in the Revaluation Reserve is required to be charged to the Income and Expenditure Account (most of which will be reversed out in future years assuming prices recover, thus creating artificial 'profits' in those years). These transactions are all reversed out via the 'Statement of Movements in the General Fund Balance' by statute so as not to impact on the council tax payer.

Further guidance was provided by CIPFA (LAAP Bulletin 82) with regard to the treatment of impairment of Financial Instruments following the Icelandic Banks collapse. Although any such impairment has to be posted to the accounts under UK GAAP, statutory regulation was invoked allowing reversal of this up to 2010/11. Accounting for this is a technically complex procedure based on Net Present Value of predicted cash flows up to the date when the relevant bank's books are finally closed, but also including future years interest included in the original impairment but then credited back. The result of this is that a projected impairment of £3.25m appears in

the accounts for 2008/09 as £4.95m, but the impact will be £3.25m overall assuming current creditor estimates prevail.

Valuation of Pension Fund Assets has now changed from one based on 'market' price to 'bid' price, this has necessitated a small restatement to the 2007/08 balance sheet. There are a number of additional disclosure notes around FRS17 and pension assets.

Minimum Revenue Provision Policy: The Council has adopted additional freedoms afforded under Capital Regulations 2008 with regard to the duty to make prudent provision for the repayment of debt. The main impact has been to exclude capital spent to date on assets under construction from the Capital Financing Reserve calculation upon which MRP is based (MRP holiday). However the Council still satisfied the requirement for prudent provision (including actual repayment of £24.9m of debt).

### **Key Movements in the Accounts**

The deficit shown on the Income and Expenditure Account has moved from £13.2m in 2007/08 to £68.0m this year. In terms of performance, despite appearances, this is very similar to last year but includes an additional £57m (£52m Fixed Assets and £4.9m Icelandic Banks) of impairments as described above.

There was a movement of £107.4m on the pension fund deficit due to the low value of equities at the date of valuation at 31 March 2009. This resulted from the chaos in equity markets and in the financial system in general over the last year

The outstanding debtors figure has reduced from £61.7m to £41.7m. This is due to substantial write-offs of historic NNDR debt and the existence of a capital debtor of £12.9m in 2007/08 in respect of the second payment for the Hayes stadium receipt.

The outstanding creditors figure has increased from £92.4m to £111.6m attributable to £22m due to the National Pool for NNDR payments associated with Terminal 5.

The HRA Income & Expenditure Accounts showed a £5.7m surplus in 2007/08 transformed to a deficit of £41.5m this year. Again, this is due to impairments of council dwellings with the impact as described above.

### **Audit of the Accounts and Public Inspection**

The audit of the accounts by Hillingdon's external auditor, Deloitte, is due to start at the beginning of July and will be completed during the summer of 2009. The deadline for publishing the audited accounts is 30 September 2009 and the auditor's findings are due to be reported to Audit Committee in September 2009.

The report will include any changes that are made to the accounts between approval and the final published audited version that are deemed to be 'non-trifling'; that is adjustments of £120k or more. It will also highlight any control issues found and provides an opinion of on the Council's value for money.

The statutory inspection period for the 2008/09 accounts will be 6 July to 31 July 2009, with the Appointed Day for any questions to be raised with the external Auditor set at Monday 3 August 2009. There were no questions raised in 2007/08.

### **Committee Action**

Committee is requested to approve the 2008/09 Statement of Accounts after which the Chairman is asked to sign and date the Statement of Accounts to formally complete the Council's approval of the accounts.

## HEAD OF AUDIT ANNUAL ASSURANCE STATEMENT

**Contact Officer:** Helen Taylor  
**Telephone:** 01895 556132

### REASONS FOR REPORT

The Code of Practice for Internal Audit in Local Government requires the Head of Audit to provide a written report to those charged with governance timed to support the Annual Governance Statement. It must

- Include an opinion on the overall adequacy and effectiveness of the organisation's control environment
- Disclose any qualifications to that opinion
- Present a summary of the audit work from which the opinion is derived
- Draw attention to issues relevant to the Annual Governance Statement
- Comment on compliance with standards and the results of the internal audit quality assurance programme

### OPTIONS OPEN TO THE COMMITTEE

The Committee is requested to review the audit opinion and the evidence on which it is based.

### BACKING DOCUMENTS

The code of Practice for Internal Audit in Local Government in the United Kingdom

Previous audit committee reports

### INFORMATION

#### 1.Opinion

1.1. Based on the work undertaken during the year Internal Audit can provide **satisfactory** assurance that the systems of internal control within the Council were operating adequately and effectively. Overall there were less limited assurance opinions than in 2007-8 and no audit received No Assurance.

#### 2.Qualifications to the Opinion

2.1. The only matters which merit some comment are included below in the issues relevant to the Annual Governance Statement.

#### 3.Summary of Work

3.1. An update and executive summary of the 2008-9 audits completed since the end of the year is included at Appendix 1 and the overall position of the annual audit plan is in Appendix 2. The latest position on outstanding issues from the 2007-8 plan is in Appendix 3.

3.2. The original plan for 2008-9 included 109 audits where there was an expected opinion or compliance view. The audit committee were notified of some likely deletions to the plan in February 2009. Contingency items have been added during the year as the need arose. However, due to resource issues (see below) some further audits have had to be dropped from the 2008-9 plan and these are;

- **Budgetary Control** – Some 2007-8 work in this area was only finalised in 2008-9 and the assurance level was full so the area was assessed as lower risk during the course of the year.
- **Public Sector Agreement Certification** – Central Government did not require certification from the Head of Audit in 2008-9
- **Cash and Bank** – a number of probity audits included issues that would normally have been addressed in this audit. Coupled with the closure of the cash office, there was little to be covered in such an audit.
- **Highways Maintenance, Responsive** – unable to resource but included in 2009-10
- **Contract Audit** – unable to resource but planned to be covered extensively in 2009-10
- **Partnerships** – Unable to resource but Head of Audit will be taking forward high-level liaison as part of Comprehensive Area Assessment work.
- **Procurement** – Unable to resource but planned to be extensively covered in 2009-10 plan
- **All Risk Management** (six five-day audits) – following the appointment of the Risk Manager and the move to use Excelsis it was felt appropriate to defer this to ensure that a comprehensive review could be carried out on the new processes. This was discussed with CMT.

#### 4. Comparison of actual and planned work

4.1. Staffing was affected by the loss of an Audit Manager in May 2008. Recruitment difficulties meant that the vacancy was not filled until April of 2009. Other staff changes amounted to approximately four months of full time equivalent lost time.

4.2. The resultant total of planned audits in year was 97. The number of planned and completed audits at year-end was not far off this at 81 with 16 in progress. Of the latter, 8 had been issued in draft. A breakdown of the changes, by directorate, is given in table 1 below.

**Table 1**

Area	Planned	Deleted	Added	Total	Finalised	Draft	WIP	Total
Council-wide	10	3		7	6		1	7
DCE	5	4		1		1		1
F&R	18	3		15	12	1	2	15
ECP	8	2		6	3	2	1	6
PCS	4	1		3	1	1	1	3
ASCHH	10	3		7	5	1	1	7
ECS non school	5	2		3	3			3
ECS school	32	1		31	31			31
IT	12	5	4	11	8	2	1	11
Anti fraud probity	5			5	5			5
Investigations	0		6	6	5		1	6
Contingency			2	2	2			2
<b>Totals</b>	<b>109</b>	<b>24</b>	<b>12</b>	<b>97</b>	<b>81</b>	<b>8</b>	<b>8</b>	<b>97</b>

4.3. A comparison with previous years' performance is included in the tables below. The tables show comparisons with the adjusted plan in all years. There has been a steady overall improvement in the output of the team.

**Table 2 - Adjusted plan fully completed audits**

Adjusted Plan	Percentage of plan		
	08-09	07-08	06-07
Planned and complete	83	73	68
Planned and Work In Progress at year-end	17	27	13
Planned and not complete	0	0	19
<b>Total</b>	100	100	100

**Table 3 – Adjusted plan fully completed or draft issued**

Work Planned	Percentage of plan		
	08-09	07-08	06-07
Planned and complete or draft issued	92	86	71
Planned and Work In Progress at year-end	8	14	10
Planned and not complete	0	0	19
<b>Total</b>	100	100	100

4.4. A number of investigations were carried out into fraud or irregularities and these have been reported to the committee in updates throughout the year. Largely they have fallen into three categories:

- No issue at the conclusion of the investigation.
- Issues to be addressed by management action
- Disciplinary issues
- One case taken to prosecution

4.5. Investigations have taken up more time in the year than budgeted. Anti Fraud work was budgeted at 160 days for the year but actual outturn in the year was 228 days. This was largely due to two significant investigations, one of which led to a prosecution and one to a dismissal. The necessary diversion of resources does have an impact on the number of planned audits that can be completed. However it is a worthwhile use of the available team resources.

4.6. Other work in support of the assurance statement included:

- Gathering and collating information that LB Hillingdon is required to provide under the Taxes Management Act as part of an anti-fraud measures;
- Co-ordinating the National Fraud Initiative exercise and reporting savings to the Audit Commission;
- Maintaining the Fraud Hotline and email boxes and organising appropriate advertising;
- Contribution to the Annual Governance Statement (AGS) management group, to review evidence for the AGS.
- Auditing the manager assurance statements and evidence provided to support them for the AGS for 2008-9;

- Providing advice and guidance on a wide range of issues to Directorates
- A review of the audit reports produced by the internal auditors of Hillingdon Homes
- Delivering Fraud Awareness workshops to managers.

## **5. Issues Relevant to Annual Governance Statement (AGS)**

5.1. The following issues require inclusion as control issues in the Annual governance statement.

- Preparatory work to calculate the accrual for carried forward annual leave, as required under the conversion to International Financial Accounting Standards, identified a software error within the HR system. The figure has been manually rectified in 2008-09 carry forward and Northgate have provided assurance that the software error will be rectified during the year 2009-10.
- Fleet management progress on completing the specialist action plan.

## **6. Performance against targets set**

6.1. At the beginning of the year the target was set to deliver 90% of the audit plan to completion stage by the year-end.

6.2. Staffing in Internal Audit was affected by the Audit Manager vacancy, which existed for most of the year.

6.3. Eighty-one audits were completed in year as compared to Ninety-seven audits in 2007-8 and sixty eight in 2006-7. This represented 83% of planned audits. However, more audits were completed to draft stage and taking this into account 92% of the plan was achieved at the year-end. Taking into account adjustments notified to the audit committee, all planned audits were at least work-in-progress at the year-end. It is anticipated that the remaining audits will be completed shortly.

6.4. Table 2 above gives a year on year comparison of this year's outturn with the last two for actual completions and Table 3 provides the comparison for audits completed to draft stage.

6.5. Table 3 summarises the performance on other internal audit targets. The most significant change in performance is the number of audits issued within 15 days of the conclusion of the audit. This is a direct result of the Audit Manager vacancy because supervision and quality control was shared between the Head of Audit and the other Audit Manager. The response rate to client questionnaires has declined markedly and this will be addressed going forward. However, the level of satisfaction from those responding has slightly improved. The number of final audit reports issued within 5 working days of the receipt of the management response increased by 7 % and was within the target set.



**Table 3**

<b>Other Targets</b>	<b>Target</b>	<b>2008-9</b>	<b>2007-8 performance</b>	<b>2006-7 performance</b>
% of audit issued within 15 days of audit conclusion.	90	79	85	85
% of final reports issued within 5 days of receipt of management response	85	94	87	93
% of client satisfaction surveys returned	80	18	55	33
% with good or very good rating	90	93	77	79
% of recommendations agreed by management	95	98	97	98

## **7. Compliance with Standards**

7.1. The Head of Audit carried out a self-assessment of the compliance with the standards. This assessment was peer reviewed by the Head of Audit at Southend-on-Sea council, who met with the Chair of the Audit Committee prior to undertaking the exercise. The results of the review together with an action plan for improvement is being presented to the committee as a separate paper. Overall the reviewer felt that we were compliant and the action plan reflects housekeeping issues or the need to adjust to the changing CAA environment.

## Audits Finalised Post Year-end Summary of Audit Outcomes

### Email security

#### Assurance Level: Limited

We were pleased to note:

- The "Mirapoint Razorgate" product is used to enforce policy on incoming and outgoing email traffic. Incoming and outgoing mail is automatically scanned for spam, malware, viruses and large attachments. Emails denoted as spam, malware or viruses are automatically deleted. Emails containing large attachments are quarantined and released to the user if they are work related. These controls help to ensure the corporate network is protected from viruses etc.
- GSi Code of Connection compliance is nearly complete, bringing standardised security levels across the Council network
- Policies relating to email security and acceptable use are currently being reviewed and revised as necessary by the Information Assurance Group. These will then be issued to all users and will clearly define their responsibilities in relation to email use.
- Backups of email are available to restore users' lost mailbox contents if required

The following areas of concern were noted:

- The WebAccess feature allows users to send and receive emails from home networks that may not conform to the security standards of the Hillingdon network. There is a risk that confidential or sensitive documents attached to emails could be downloaded onto unauthorised computers in this way.
- Users are instructed to use encryption when emailing sensitive data but have not been provided with appropriate means to do so. Currently, there is a risk of unauthorised access to sensitive data should an email be intercepted or wrongly delivered once it has been sent.
- Policies relating to email provide insufficient guidance on its use which may mean that staff are not fully aware of what is expected of them when using the email facility. This may lead to inappropriate or confidential data being transmitted via email and breaching the Council's policies and statutes such as the Data Protection Act.
- Disaster recovery plans for the email infrastructure are not currently in place. There is a risk that the e-mail system will not be restored promptly in the event of a disaster or other service disruption.

**Management comment** – The Hillingdon Information Assurance Group were 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 few months.

### CareFirst Debtors

#### Assurance Level: Satisfactory

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Audit Committee Report – 29.06.09

We were pleased to note:

- We found that debtor account billing, income processing, and financial reconciliations were effectively managed. We also found that standing data held on the CareFirst System used for financial assessment purposes was correct and that the revised debt management process introduced in July 08 have made significant improvements. The ASCHH Finance Income team manage approx 90,000 transactions involving approx 20,000 invoices which collect approx £22m annually.
- We consider that our recommendations should be taken on board in relation to the new replacement computer system that is part of the Liquid Logic / OCC system which started to be rolled out across Children services in October 2008 and Adult services from April to October 2009. It should be noted that the replacement specification includes many of the system based recommendations in this report.

The areas of concern resulting from the audit were:

- The control account reconciliation and the billing run reconciliation processes are not documented.
- Arrears reminders are reliant on a time consuming manual process due to a technical solution not being available to the team.
- Transfers from the 'unknown income received' suspense account, once the debtor account identity has been confirmed, are not authorised by management.
- The submission and authorisation of client care packages/agreements on to CareFirst are not always actioned promptly by care management. The Finance team monitor this 'gap' and advise care management on a twice-weekly basis of delays, however these are still occurring within care management.

### **National Non-Domestic Rates (NNDR)**

#### **Assurance Level: Satisfactory**

It is pleasing to report that:

- Business Rate Team has been meeting its collection performance targets over the last five years and has achieved a marked improvement in the outer London authority's league position over the last six years. This has been recognised internally in the Employee Recognition Award scheme.
- Substantial progress has been made in writing-off the backlog of arrears balances and writing-on the credit balances.
- A number of past audit recommendations have been implemented, but there are still some areas that management need to address.

The areas of concern resulting from this audit were:

- Delays in notifying the Valuation Office about new completions and alterations, which may affect the rateable value of the hereditament.
- Delays in periodic inspections of empty properties which are granted rate exemptions.

- Refunds not reconciled, during or at the end of the year, between the NNDR system and Oracle Financial (GL).
- Lack of supervisory sample checks on staff's work, particularly on balances cleared from suspense account and work outsourced to off-site contractor (Liberata).

**Early Years (Three and four year old provision)**

**Assurance level; Full**

In line with funding agreements we visited a number of independent providers and checked their compliance with the rules of the scheme. We did not identify any serious issues.

**Temporary Accommodation Arrears write off**

This audit was included in the plan at the request of the Head of Service who had concerns at the time the plan was formulated. However, after some preliminary work, where no write offs were identified, we revisited the area at the end of the year but no write offs had been necessary in-year so we were not able to test the system. We provided some advice on appropriate levels of authorisation.

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
<b>COUNCIL-WIDE ISSUES</b>							
Corporate Working Parties	Complete		not applicable				
Budgetary Control	Deleted						
Annual Governance Statement	Finalised	Apr-08	satisfactory				
Consultancy, Advice & information (ad hoc)	Complete		not applicable				
Corporate Governance	Finalised	03/06/09	satisfactory			2	3
Contract Audit	Deleted						
Anti Fraud Measures							
Investigation 10	Complete	23/01/09	not applicable		2	3	0
Investigation 11	Finalised	17/11/08	not applicable		-	-	-
Investigation 12	Finalised	24/11/08	Satisfactory	Mar-09	-	-	-
Investigation 13	Finalised	06/01/08	Limited		4	2	1
Investigation 14	In progress						
Relaunch Fraud hotline	Finalised	15/06/08	not applicable		-	-	-
Review of Anti-Fraud and corruption policy	Completed	10/09/08	not applicable		-	-	-
Car Mileage checks	Finalised	16/02/09	Satisfactory		1	2	2
Children's Homes Purchase Card and Petty Cash Probity Checks	Completed	17/11/08	N/A		-	-	-
Employee Expenses Probity checks	Completed	16/02/09	N/A		-	-	-
Adult Services Establishment Probity Checks	Completed	26/03/09	N/A		-	-	-
School Investigation	Finalised	January 2009	N/A				
Overtime Probity Checks	Completed	31/03/09	Full		-	-	-
Taxes Management Act (HMRC anti-fraud)	Completed	31/03/09	N/A				
Property Databases	Finalised	07/01/09	Satisfactory		1	4	4

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
Use of shared Oyster cards	In progress						
Local Area Agreements	Finalised	25/06/08	Full		-	-	-
Public Sector Agreements Certification	Not required Deleted						
Use of Purchase Cards - Compliance	Subsumed in Anti-Fraud Children's homes						
<b>Deputy Chief Executives</b>							
Performance Management	deleted Jan 09						
Risk Management	Deleted						
Partnerships	Deleted						
Scrutiny & Member Services	draft						
Corporate Communications	Deleted						
<b>FINANCE &amp; RESOURCES</b>							
Risk Management	Deleted						
National Non-Domestic Rates	Finalised	27/05/09	Satisfactory			6	5
Council Tax	Finalised	07/11/08	Satisfactory		-	3	2
Payroll	in progress						
Creditors - Misc	Finalised	27/01/09	Satisfactory		-	6	3
Creditors - Carefirst	Finalised	31/12/08	Satisfactory		-	2	2
Sundry Debtors	Finalised	23/03/09	Satisfactory			2	2
Treasury Management	Finalised	17/02/09	Satisfactory	May-09	0	0	0
Asset Register	Draft						
Value Added Tax	Finalised	01/09/08	Full		-	-	3

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
Cash and Bank	Deleted						
General Ledger	in progress						
Teachers Pensions TR17 return	Completed	20/03/09	n/a				
Payroll expenses procedures	Finalised	23/12/08	Limited		8	4	2
Pensions Admin	Finalised	07/01/09	Satisfactory		1	5	2
Pensions Assets	Finalised	06/04/09	Satisfactory			2	1
Procurement	Deleted						
Commercial Properties	Finalised	11/09/08	Satisfactory		1	8	1
<b>ENVIRONMENT &amp; CONSUMER PROTECTION</b>							
Risk Management	Deleted						
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	
Highway Maintenance (Responsive)	Deleted						
Business Continuity & Emergency Planning	Draft						
<a href="#">Lottery Funded Projects (Probity) Football Foundation</a>	Complete	Jan-09	N/A		-	-	-
<b>PLANNING &amp; COMMUNITY SERVICES</b>							
Risk Management	Deleted						
S106 Planning Gain	In progress						
Library Book Purchasing and Management	Finalised	19/08/08	Satisfactory		-	2	-
Adult Education	Draft						
<b>ADULT SOCIAL CARE, HEALTH &amp; HOUSING</b>							
Risk Management	Deleted						

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
Housing & CT Benefit	Draft						
Disabled Facilities Grants	Finalised	02/10/08	Satisfactory	Mar-09	-	-	-
Access to Housing	Finalised	31/10/08	Satisfactory		1	2	-
Learning Disabilities Pooled Budget Arrangements	Deleted Jan 09						
Homecare Internal Mangement of Service	Deleted						
Private Sector Leasing	In Progress						
Benefit Fraud Processes & Procedures	Finalised	08/01/09	Satisfactory		-	3	6
Carefirst Debtors	Finalised	14/05/09	Satisfactory		3	3	4
Temporary Accomodation Arrears Write off	completed	Mar-09	N/A				
<b>EDUCATION &amp; CHILDRENS' SERVICES</b>							
Risk Management	Deleted						
School Transport	Deleted						
follow up of school's audits	Completed		N/A				
Special Needs Team	Finalised	05/09/08	Satisfactory			3	3
Early Years (three & four year old provision)	Finalised	28/05/09	full				
FMSiS certification	Completed		N/A				
Hillingdon Improvement Partnership	Completed	01/09/08	Advice on procedures				
<b>Schools Audits</b>							
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		5	2	1
Whiteheath Infant	Finalised	10/09/08	Satisfactory		3	2	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
Coteford Junior	Finalised	08/12/08	Satisfactory		8	3	0
Frithwood	Finalised	05/11/08	Satisfactory		9	0	0
Grange Park Infant	Finalised	05/11/08	Satisfactory		3	2	0
Grange Park Junior	Finalised	21/07/08	Limited		14	2	0
Hermitage	Finalised	12/11/08	Limited		13	0	0
Newnham Junior	Finalised	09/12/08	Satisfactory		5	2	0
Oak Farm Junior	Finalised	10/07/08	Satisfactory		2	3	3
Ruislip Gardens	Finalised	03/11/08	Limited		8	4	0
Sacred Heart RC	Finalised	18/07/08	Satisfactory		6	0	0
St Matthew's CE	Finalised	02/12/08	Satisfactory		3	6	0
St Swithun Wells RC	Finalised	10/03/09	Satisfactory		8	0	0
Yeading Infant	Finalised	23/07/08	Limited		13	0	0
Yeading Junior	Finalised	22/07/08	Limited		8	1	1
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		10	1	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
Whitehall Junior	Finalised	11/07/08	Satisfactory		10	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		11	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

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
<b>IT Audits</b>							
IT risk management	Deleted						
Information security Management	Deleted – audited in separate areas						
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
Environmental Services System MVM	Deleted						
Carefirst Application review	Deleted						
Ocella application review	Draft issued						
Unix	Deleted						
Audit needs assessment	Completed		n/a				
Follow up audits	part completed						
<a href="#">IT Data Security &amp; Transfer</a>	Finalised	26/03/09	Limited			4	3
<a href="#">Email Security and Management</a>	Finalised	27/05/09	Limited			4	3
<a href="#">Oracle Financials Upgrade</a>	Finalised	03/03/09	Satisfactory			3	1
<a href="#">Protocol System - post implementation review</a>	in progress						
<b>Contingency</b>							
<a href="#">Parking Enforcement Contract Re-tender</a>	Finalised	02/10/08	Satisfactory		-	1	-

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
Payroll Reconciliations	Completed		Guidance		N/A		
Supporting People Grant	Finalised	14/08/08	Satisfactory		2	4	1
Protocol System - Project Board & Team	Completed		On-going 2009-10				
Staff Returns & Payroll Records	Completed		On-going 2009-10				
Pensions - Move to Separate Accounts	Completed		Consultancy		N/A		
Project GRAM	Completed	Aug-08	Consultancy		N/A	-	-
Document Management Group	Completed		Consultancy		N/A		

Key: Audits marked as **Finalised** have had a final report issued with an audit opinion  
Audits marked **Completed** have had audit input that did not generate an audit opinion, such as working groups, advice and guidance, anti-fraud activity and some probity audits. The audit activity was completed for 2008-09 but work may be ongoing in 2009-10.

✓ for  
Finalised/Satisfactory/Full

⇒ for in progress

↓ for Limited

Key

Currently being followed up

Audit Title	Status	Assurance Level	Number of outstanding recommendations			Comments
			High	Med	Low	
<b>PLAN 2007-8</b>						
<b>COUNCIL-WIDE ISSUES</b>						
Budgetary Control ECS	✓	✓	0	0	2	Finalised October 2008
Budgetary Control ECP	✓	✓	0	0	1	Finalised September 2008
Anti Fraud Measures						
Investigation 1	✓	N/A	0	0	0	Followed March 09
Investigation 3	✓	✓	0	0	0	Followed up August 08
Investigation 4	✓	✓	0	0	0	Complete Dec 08
Compliance with ID requirements in HR recruitment	✓	✓	0	0	0	Followed up April 09
<b>DEPUTY CHIEF EXECUTIVES</b>						
Partnerships	✓	✓	0	0	0	Followed up Jan 09
Learning and Development funding	✓	✓	4	3	0	Finalised Jan 09
Health & Safety/DCO	✓	✓	0	0	0	Followed up May 09
<b>PLANNING &amp; COMMUNITY SERVICES</b>						
<b><i>Leisure Services</i></b>						
Compass Theatre	✓	✓	0	0	0	Followed up Jan 09

✓ for  
Finalised/Satisfactory/Full

⇒ for in progress

⇩ for Limited

Key

Currently being followed up

PLAN 2007-8	Audit Title	Status	Assurance Level	Number of outstanding recommendations			Comments
				High	Med	Low	
	Winston Churchill Hall	✓	✓	1	0	0	Followed up Jan 09
	<b>Libraries</b>						
	Harefield	✓	✓	0	2	0	Target for remaining recs Jan 09
	Kingshill	✓	✓	0	1	1	Followed up Dec 08
	Building Control	✓	✓	2	0	1	Target for remaining rec 30/4/09
	<b>ADULT SOCIAL CARE, HEALTH &amp; HOUSING</b>						
	Private Sector Leasing	✓	✓	1	1	1	Followed up Jan 09
	<b>Hillingdon Homes</b>						
	<b>Older People's Services</b>						
	Assessment & Care Management OPS	✓	✓	0	3	1	Followed up Nov 08
	External Purchase of Nursing & Residential Care	✓	✓	0	0	0	Followed up Feb 09
	Establishment visits (Day Centres)						
	Asha	✓	✓	0	0	0	

✓ for Finalised/Satisfactory/Full	Key	
⇒ for in progress		Currently being followed up
⇩ for Limited		

PLAN 2007-8		Number of outstanding recommendations				Comments
Audit Title	Status	Assurance			Comments	
		Level	High	Med		Low
Grassy Meadow	✓	✓	1	1	0	Followed up March 09
Poplar Farm	✓	✓	0	0	0	Followed up Oct 08
<b>Adult services</b>						
Assessment & Care Management PPSD Establishment Visits (Day Centres)	✓	✓	0	2	1	Followed up March 09
Barnhill	✓	✓	0	0	0	Followed up March 08
Homecare - All clients	✓	✓	3	4	3	Finalised 7/10/08
Carefirst Debtors	✓	✓	0	0	0	Followed up Oct 08
<b>EDUCATION &amp; CHILDREN'S SERVICES</b>						
<b>Children's services</b>						
Direct payment for disabled children	✓	⇩	5	3	0	Finalised 13/5/08
External contracting of private and voluntary Placements	✓	✓	0	0	0	Followed up March 09
Respite Care Services - Merrifield House	✓	✓	0	0	0	Followed up Mar 09
Respite Care Services - Howletts Lane	✓	⇩	4	1	1	Followed up Oct 08
Charville Lane	✓	⇩	4	1		Followed up Dec 08

✓ for  
Finalised/Satisfactory/Full

⇒ for in progress

⇩ for Limited

Key

Currently being followed up

PLAN 2007-8	Audit Title	Status	Number of outstanding recommendations			Comments	
			Assurance Level	High	Med		Low
	Children's resource centre	✓	⇩	5	1	1	Followed up Nov 08
	Asylum Service - Care leavers	✓	✓	0	0	0	
	Out of Hours Service (EDT)	✓	✓	0	0	0	All Complete 3/9/08
	<b>Education</b>						
	<b>Schools - Secondary</b>						
	Queensmead	✓	✓	2	0	0	
	Barnhill Community School	✓	✓	1	0	0	
	<b>Schools - Primary</b>						
	Lady Bankes Junior*	✓	✓	<b>20</b>	<b>0</b>	<b>0</b>	
	Lady Bankes Infant (added in year)	✓	✓	3	0	1	Second follow up
	BWI (Bishop Winnington Ingram)	✓	✓	6	0	0	Finalised 21/5/08
	Dr Triplets CE*	✓	✓	<b>6</b>	<b>1</b>	<b>0</b>	Followed up March 09
	St Andrew's CE*	✓	✓	1	0	0	Target for remaining rec 28/11/08
	Botwell House*	✓	✓	0	0	0	Completed 31/10/08
	Cherry Lane Primary*	✓	✓	2	0	0	Followed up Dec 08
	Field End Infant*	✓	✓	1	0	0	Followed up Jan 09

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

Key 

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 Currently being followed up

Audit Title	Status	Assurance Level	Number of outstanding recommendations			Comments
			High	Med	Low	
PLAN 2007-8						
Harefield Infant*	✓	✓	0	1	0	
Heathrow	✓	✓	0	0	0	Completed Jan 08
Longmead	✓	✓	4	0	0	Followed up April 09
Minet Junior	✓	✓	4	0	0	Followed up April 09
Rabbsfarm*	✓	✓	1	0	0	
Warrender	✓	✓	2	0	0	Followed up Oct 08
Whiteheath Junior	✓	✓	0	0	0	Followed up Oct 08
Breakspear Junior*	✓	✓	0	0	0	Completed
Brookside	✓	✓	10	0	1	
Wood End Park Primary*	✓	↓	12	1	0	
West Drayton*	✓	✓	12	4	0	
Oak Farm Infant*	✓	✓	1	0	0	Followed up Oct 08
Breakspear Infant and Nursery (Contingency)	✓	✓	0	0	0	.Followed up Oct 08
ST Catherine's Infant & Nursery	✓	✓	5	1	0	Followed up March 09



✓ for Finalised/Satisfactory/Full	Key
⇒ for in progress	<input type="text"/> Currently being followed up
⇩ for Limited	

PLAN 2007-8		Number of outstanding recommendations				Comments
Audit Title	Status	Assurance Level	High	Med	Low	
Guru Nanak Primary <i>Schools - Special</i>	✓	✓	2	0	0	Followed up Dec 08
Meadow <i>Schools - Other</i>	✓	✓	4	0	0	Followed up March 09
School meal arrangements Haydon school	✓	✓	3	0	0	Followed up June 08
Music Service	✓	✓	1	2	0	Followed up Dec 08
<b>FINANCE &amp; RESOURCES</b>						
<b>Finance</b>						
Pensions Assets	✓	✓	0	2	1	Followed up Oct 08 (target date March 09)
Insurance	✓	✓	0	0	4	Finalised 22/9/08
<b>Support Services and Procurement</b>						
NDR	✓		0	0	0	Outstanding rec restated in 08-9 audit.
Schools Payroll - In-house	✓		0	0	0	Followed up Nov 08

✓ for Finalised/Satisfactory/Full	Key
⇒ for in progress	<input type="text"/> Currently being followed up
⇩ for Limited	

PLAN 2007-8	Audit Title	Status	Assurance Level	Number of outstanding recommendations			Comments
				High	Med	Low	
	Pensions Admin	✓	✓	0	2	0	Followed up Jan 09
	Arrangements for Delegations	✓	✓	0	1	1	Followed up Feb 09
	<b>Property</b>						
	Middlesex Suite (Including Licencee Arrangements)	✓	✓		1		Followed up Dec 08
	<b>Legal</b>						
	Freedom of Information/ Data Protection	✓	✓	2	2	0	Finalised 25/11/08
	<b>ICT</b>						
	Technology Development/Acquisition Management	✓		0	1	0	
	Asset Management/ Software and Hardware Management	✓	⇩	0	3	3	Followed up Jan 09
	<b>Security Reviews</b>						
	Network Security	✓	⇩		5	2	Followed up March 09
	<b>Business Application Systems</b>						
	BACS Payments Application	✓	✓	0	4	1	Followed up Jan 09
	Website Content Management System	✓	⇩	1	2	1	

✓ for Finalised/Satisfactory/Full	Key	
⇒ for in progress		Currently being followed up
⇩ for Limited		

PLAN 2007-8	Audit Title	Status	Assurance Level	Number of outstanding recommendations			Comments
				High	Med	Low	
	<b>IT Developments/ Acquisitions</b>						
	Business Continuity Management	✓	✓	0	4	0	Finalised 17/7/08
	<b>Audits not completed in 2006-7</b>						
	Procurement/AP	✓	✓	0	4	2	
	<b>ENVIRONMENT &amp; CONSUMER PROTECTION</b>						
	Exor System (IT) - review of concept	✓	✓	0	2	0	Followed up with Oct 08 audit
	Trade Waste	✓	✓	0	0	0	Followed up Jan 09
	Fleet Management	✓	✓	0	0	0	Followed up May 09
	<b>contingency</b>						
	Securicor collection	✓		4	0	0	Followed up Feb 09

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## **ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEMS OF INTERNAL AUDIT**

**Contact Officer:** Helen Taylor  
**Telephone:** 01895 556132

### **REASONS FOR REPORT**

The Accounts and Audit Regulations 2003 (as amended 2006) require a review of the systems of Internal Audit.

This report summarised the outcome of the review and provides an action plan for improvement.

### **OPTIONS OPEN TO THE COMMITTEE**

Review the actions and summary of the outcomes;  
Approve the action plan.

### **1. INFORMATION**

1.1. The Accounts and Audit Regulations 2003 (as amended 2006) require a review of the systems of Internal Audit. Head of Audit again carried out a self-assessment exercise in line with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Last year Councillor Elizabeth Kemp agreed to review the self-assessment. For 2008-9 it was agreed that a peer review would be appropriate and a partner was identified in the Head of Audit at Southend On Sea Borough Council, Linda Everard. She met with the Chairman on 20 April 2009 and conducted the review on 1 June 2009.

1.2. This report on the outcome has been agreed with Ms Everard as an accurate reflection of her findings.

1.3. All documents and evidence were produced when requested and the view was that Internal Audit is substantially compliant. There were some housekeeping issues to be addressed and it was recognised that the Comprehensive Area Assessment would present new challenges for audit that it would have to discuss with its partners. It was also noted that the Audit Committee had yet to carry out a review of its own effectiveness and that this should be undertaken at the earliest opportunity. The development of written protocols (section 5.1) was carried forward from the previous year's action plan.

1.4. The assessment of compliance and the areas for improvement are outlined below in an agreed action plan.

## APPENDIX 1: INTERNAL AUDIT SUMMARY SELF ASSESSMENT& ACTION PLAN: 2008/09

REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
<b>1: SCOPE OF INTERNAL AUDIT</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
1.1	Terms of Reference	X			Update Term of Reference	Head of Audit	June2009
1.2	Scope of Work	X			Liaise with significant partners in the Local Strategic Partnership to try to establish common Terms of reference, data sharing protocol and the approach to sharing assurance.	Head of Internal Audit	March 2010
1.3	Other Work	X			None		
1.4	Fraud and Corruption	X			None		
<b>2: INDEPENDENCE</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
2.1	Principles of Independence	X			None		

**APPENDIX 1: INTERNAL AUDIT SUMMARY SELF ASSESSMENT& ACTION PLAN: 2008/09**

REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
2.2	Organisational Independence	X			None		
2.3	Status of the Head of Internal Audit	X			None		
2.5	Independence of Internal Audit Contractors	X			None		
2.6	Declaration of Interest	X			None		
<b>3: ETHICS FOR INTERNAL AUDITORS</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
3.1	Purpose	X			None		
3.2	Integrity	X			None		

## APPENDIX 1: INTERNAL AUDIT SUMMARY SELF ASSESSMENT& ACTION PLAN: 2008/09

REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
3.3	Objectivity	X			None		
3.4	Competence	X			None		
3.5	Confidentiality	X			None		
<b>4: AUDIT COMMITTEES</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
4.1	Purpose of the Audit Committee	X			None		
4.2	Internal Audit's Relationship with the Audit Committee	X			The Committee need to carry out a review of its own effectiveness	Head of Audit	Sep 2009



## APPENDIX 1: INTERNAL AUDIT SUMMARY SELF ASSESSMENT& ACTION PLAN: 2008/09

REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
<b>5: RELATIONSHIPS</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
5.1	Principles of Good Relationships		X		Develop working protocols with significant partners Internal Auditors	Head of Audit	March 2009
					a) Draft a working protocol for relationship with CMT b) Negotiate a protocol with Deloitte c) Contact LSP partners to identify common areas of interest.	Head of Internal Audit	Sep 2009 July 2009 July 2009
5.2	Relationships with Management	X			None		
5.3	Relationships with Other Internal Auditors		X		See 5.1		

## APPENDIX 1: INTERNAL AUDIT SUMMARY SELF ASSESSMENT & ACTION PLAN: 2008/09

REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
5.4	Relationships with External Auditors	X			None		
5.5	Relationships with Other Regulators and Inspectors	X			None. There is no regular liaison with the Audit Commission's Relationship Manager or other inspectors but it is not felt necessary to pursue this.		
5.6	Relationships with Elected Members	X			None		
<b>6: STAFFING, TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
6.1	Staffing Internal Audit	X			None		

## APPENDIX 1: INTERNAL AUDIT SUMMARY SELF ASSESSMENT& ACTION PLAN: 2008/09

REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
6.2	Training and Continuing Professional Development	X			None		
<b>7: AUDIT STRATEGY AND PLANNING</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
7.1	Audit Strategy	X			None		
7.2	Audit Planning	X			None		
<b>8: UNDERTAKING AUDIT WORK</b>							
8.1	Planning	X			None		
8.2	Approach	X			Introduce a cold review of Audit Files to assess compliance with documents and quality standard set	Head of Audit	July 2009

**APPENDIX 1: INTERNAL AUDIT SUMMARY SELF ASSESSMENT& ACTION PLAN: 2008/09**

REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
8.3	Recording Audit Assignments	X			Include the specific Internal Audit document retention policies in the corporate guidance. Formal document and access policy for Audit files and records	Head of Audit	June 2009  Sep 2009
<b>9: DUE PROFESSIONAL CARE</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
9.2	Responsibilities of the Individual Auditor	X			None		
9.3	Responsibilities of the Head of Internal Audit	X			None		
<b>10: REPORTING</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
10.1	Principles of Reporting	X			None		

## APPENDIX 1: INTERNAL AUDIT SUMMARY SELF ASSESSMENT& ACTION PLAN: 2008/09

REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
10.2	Reporting on Audit Work	X			Formalise reporting of identified audit risks to the Risk Manager.	Head of Audit	Sep 2009
10.3	Follow-up Audits and Reporting	X			None		
10.4	Annual Reporting and Presentation of Audit Opinion	X			None		
<b>11: PERFORMANCE, QUALITY AND EFFECTIVENESS</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
11.1	Principles of Performance, Quality and Effectiveness	X			Review how to engage service managers in completing the CIPFA survey on the whole section performance.	Head of Internal Audit	Sept 2009
11.2	Quality Assurance of Audit Work	X			None		

**APPENDIX 1: INTERNAL AUDIT SUMMARY SELF ASSESSMENT& ACTION PLAN: 2008/09**

REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
11.3	Performance and Effectiveness of the Internal Audit Service	X			None		

## REVIEW OF INTERNAL AUDIT TERMS OF REFERENCE

**Contact Officer:** Helen Taylor  
**Telephone:** 01895 556132

### REASON FOR ITEM

The Code of Practice for Internal Audit in Local Government requires a periodic review of the Terms of Reference of Internal Audit. Some suggested amendments to the Terms of Reference were identified in the recent review of internal audit and these have been incorporated into this revision.

### OPTIONS AVAILABLE TO THE COMMITTEE

The committee can comment on the appropriateness of the Terms of Reference.

### INFORMATION

The revised Terms of Reference is attached to this report. Changes have been made as follows

<b>Paragraph</b>	<b>Change</b>
5.1	Head of Audit reporting line changed to S151 officer
5.2	Management Board changed to Corporate Management Team (CMT)
5.2	A final sentence has been added – ‘ Based on the work carried out the Head of Internal Audit will produce and Annual Audit Opinion on the systems and controls operating in year.’
5.3	This new paragraph has been added to clarify the Head of Audits role in reporting to the wider governance group in the council.
6.1	The final sentence has been added to strengthen the intent of the powers.
7.2i	Added to make Internal Audit’s role in the Annual Governance Statement process more explicit.
New 7.4	Formalises issues around staff conflicts of interest and rotation of duties.
New 7.5	Defines Internal Audit’s role in consultancy
New 8	Formalises the process of determining Internal Audit’s resources.

### BACKGROUND PAPERS

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Audit Committee Report – 29.06.09

The Code of Practice for Internal Audit in Local Government  
Previous Internal Audit Terms of Reference



**London Borough of Hillingdon  
Internal Audit Charter & Terms of Reference**

**1.PURPOSE**

2. This Charter describes the purpose, authority, and principal responsibilities and operating methods of the council's Internal Audit Section.

**3.DEFINITION OF INTERNAL AUDIT**

4. The CIPFA Code of Practice for Internal Audit in Local Government (2003) defines Internal Audit as 'an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.'

**5. PURPOSE**

6. Internal Audit is an independent appraisal function established within the Council to examine and evaluate activities as a service to the organisation and to contribute advice at an early stage in the implementation of any developments/amendments to processes. The objective of Internal Audit is to assist elected members and officers of the Council in the effective discharge of their responsibilities. To this end, Internal Audit will furnish them with analysis, appraisals, recommendations, advice and information concerning the activities reviewed.

**7. AUTHORITY**

8. The statutory basis for Internal Audit is the Accounts and Audit Regulations 2003, which require that a "relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices." Proper internal Audit Practices are defined in the *Code of Practice for Internal Audit in Local Government in the UK*.

9. Internal Audit Section takes due cognisance of the standards promoted by other bodies such as the Institute of Internal Auditors (IIA), Auditing Practices Board (APB) and the CCAB accounting bodies.

**10. INDEPENDENCE**

11. The Head of Internal Audit reports to the Section 151 officer and has unrestricted access to the Chief Executive, the Leader of the Council and to members through the Audit Committee. Internal Audit's authority is derived from policies, procedures, rules and regulations established by the Council. These include Financial Regulations, Conditions of Service, and Code of Conduct.

12. The authority for the production and execution of the audit plan and subsequent audit activities rests with the Head of Internal Audit. The annual audit plan will be presented for approval to the Council's Corporate Management Team (CMT) and to the

elected members via the Audit Committee. Based on the work carried out the Head of Internal Audit will produce an Annual Audit Opinion on the systems and controls operating in the year.

5.3 The Head of Internal Audit will also report to the Annual Governance Statement Working Group any audit issues likely to merit inclusion in the statement and contribute to the Audit Committee's Annual Report to the Council.

### 13. ACCESS

14. To meet its objectives, Internal Audit shall have unrestricted access to all Council records (whether manual or computerised systems), cash, stores and other property, and to enter Council property or land. Such access shall be granted on demand and not subject to prior notice. Internal Audit will have the authority to obtain such information and explanations as it feel necessary to fulfil its responsibilities.

### 15. RESPONSIBILITIES

16. Service Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Services.

17. Internal Audit responsibilities include but are not limited to:

Examining and evaluating the adequacy of the Council's system of internal control;

Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;

Reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;

Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;

Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including the Best Value programme in association with the Chief Executive, and Value for Money Studies;

Co-ordinating with the work of the external auditors for audit planning and assisting the external auditors as required;

Working in partnership with other bodies to secure robust internal control that protect the Council's interests.

Promote anti-fraud and anti-corruption practices and assist management in the investigation of fraud/corruption and other irregularities.

Engage in the process of gathering and assessing the evidence for the assessment of the control environment thereby contributing to the production of the Annual Governance Statement

18. In meeting its responsibilities, Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures. In addition, Internal Auditors shall comply with the Code of Ethics and the Code of Practice for Internal Audit in Local Government promulgated by the Chartered Institute

of Public Finance and Accountancy and other such professional bodies of which internal auditors are members.

19. There will be a regular rotation of staff between audit areas and unless there are clear operational reasons staff will not audit the same area more than twice in succession. Auditors will not be assigned to audit an area where they have undertaken operational duties within the previous three years. declared a relationship or other interest

20. In line with the International Standards internal audit will engage in consulting activities including counsel, advice, facilitation, and training. Internal Audit will accept proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organisation's operations but will not assume management responsibility or decision-making. For significant pieces of work a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations will be reached with managers.

21. In order to ensure the proper discharge of its responsibility, Internal Audit will:-

Prepare the strategic and annual plan for approval by the Chief Finance Officer, taking into account the risks of service departments.

Conduct audits in accordance with established and best practice, as enshrined in CIPFA's Internal Audit Manual, which has been supplemented by internal procedures.

Promptly consult and report upon its findings to the relevant level of management, including members as necessary, making recommendations for improvements where weaknesses are identified.

Monitor the progress of implementation of recommendations and report this to members. It is for management to accept and implement internal audit findings and recommendations or to accept the risk resulting from taking no action. However, it is for the Chief Internal Auditor to bring to the attention of management and/or members any risk they feel is not being adequately addressed.

Educate the organisation to understand that the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Maintain good working relationships with officers at all levels, Members, External Auditors and any other external review agencies.

Make adequate arrangements for the monitoring and review of audit work to deliver a quality audit service.

## 8 RESOURCES

8.1 Internal Audit resources will be determined by members and will reflect the corporate needs of the council. Resources will also reflect the need to allow the S151 Officer to discharge his obligations.

8.2. The staffing structure will comprise suitable qualified posts with a mix of professional specialisms to reflect the needs of the organisation. Resources may be bought in for specific specialisms such as IT audit.

## **PROPOSED AUDIT COMMITTEE WORK PROGRAMME**

**Contact Officer:** Helen Taylor  
**Telephone:** 01895 556132

### **REASON FOR ITEM**

To enable to Committee to comment on the work programme of the Audit Committee for the coming year.

### **OPTIONS AVAILABLE TO THE COMMITTEE**

Suggest amendments, either deletions or additions  
Approve the work Programme.

### **INFORMATION**

1. The Audit Committee's Terms of Reference refer to a variety of areas where the committee should seek assurances from officers. In order to manage the work of the committee a timetable of work is needed. The attached schedule is a suggested timetable for the coming year.

2. The schedule could be reviewed at each meeting and amended if necessary

### **BACKGROUND PAPERS**

Internal Audit Terms of Reference  
CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom

**AUDIT COMMITTEE: WORK PROGRAMME 2009/10**

ACTIVITY	REPORT NAME	OFFICER RESPONSIBLE	CABINET	29 JUNE 2009	22 SEPT 2009	16 DEC 2009	11 MAR 2010	
				1	2	3	4	5
<b>AUDIT COMMITTEE</b>								
Consider whether amendments are required to the Committee's terms of reference and ensure that the terms of reference still integrate appropriately with other committees	Terms of Reference Annual Review	Head of Democratic Services	No Council after if amended		X			
Review and update the annual work programme as required	Audit Committee Update Report	Head of Internal Audit	No	X	X	X	X	
Undertake the self assessment of Committee's effectiveness and produce an annual report	Audit Committee Review of Effectiveness	Head of Internal Audit	No Council after		X			
Undertake review of the systems of Internal Audit	Review of the Systems of Internal Audit.	Head of Internal Audit	No	X				
Review progress in implementing actions arising from self assessments	Audit Committee & Internal Audit Assessments Action Plans - Progress Reports	Head of Internal Audit	No				X	
<b>GOVERNANCE ARRANGEMENTS</b>								

ACTIVITY	REPORT NAME	OFFICER RESPONSIBLE	CABINET	29 JUNE 2009	22 SEPT 2009	16 DEC 2009	11 MAR 2010	
				1	2	3	4	5
Consider the interim report on the outcome of the annual review of the effectiveness of the systems of internal control.	Annual Governance Statement – Interim Report	Head of Policy	No				X	
Approve the Council's Annual Governance Statement	Statement of Accounts 2008-09			X				
Monitor progress in addressing any significant weaknesses identified in the Council's systems of internal control (including those contained Significant Governance Issues of the Annual Governance Statement)	Annual Governance Statement Progress Report	Head of Finance and Resources	No			X		
Approve the Treasury Management Strategy	Treasury management Strategy 2009/10	Senior Finance Manager – Corporate Finance	Yes and Council				X	
Approve the Treasury Management Practices	Treasury Management Practices	Senior Finance Manager – Corporate Finance	No		X			

ACTIVITY	REPORT NAME	OFFICER RESPONSIBLE	CABINET	29 JUNE 2009	22 SEPT 2009	16 DEC 2009	11 MAR 2010	
				1	2	3	4	5
Approve the Reserves and Balances Policy	Reserves and Balances Policy	Senior Finance Manager – Corporate Finance	Yes in summarised form				X	
Risk Management	Risk Management Update Report	Risk & Insurance Manager	No	X	X	X	X	
Fraud and Corruption, Whistleblowing,	Summary of Anti-Fraud work undertaken in year. (And outcomes)	Head of Audit	No				X	
Review the Council's Whistleblowing policy	Whistleblowing Policy	Borough Solicitor and Monitoring Officer				X		
Review the Council's Anti Fraud and Corruption Strategy	Anti-Fraud and Corruption Strategy	Head of Audit	No				X	

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<b>EXTERNAL AUDIT, INSPECTION &amp; AUDIT COMMISSION</b>								
Agree the outline Joint Audit & Inspection Plan and fee	Fee Letter with Use of Resources Risks	Deloitte	No	X				
Agree the supplementary plan of specific activities to be undertaken	Annual Audit and Inspection Plan	Deloitte	No				X	



**AUDIT COMMITTEE: WORK PROGRAMME 2009/10**

ACTIVITY	REPORT NAME	OFFICER RESPONSIBLE	CABINET	29 JUNE 2009	22 SEPT 2009	16 DEC 2009	11 MAR 2010	
				1	2	3	4	5
Monitor delivery of the Joint External Audit & Inspection Plan	Progress Report to Those Charged with Governance	Deloitte	No	X		X	X	X
Consider the following reports:								
<ul style="list-style-type: none"> <li>Auditor's report on the audit of the financial statements</li> </ul>	Report to Those Charged with Governance	Deloitte	No		X			
<ul style="list-style-type: none"> <li>Use of Resources assessment for the 2008/09 year</li> </ul>	Use of Resources assessment 2008/09 (draft and final)	Deloitte	Yes Before	X	X	X		
Monitor the implementation of management actions arising from audit and inspection reports	External Inspection and Audit Action Summary	Director of Finance & Resources	No			X	X	
Assess the performance of External Audit / Relationship Manager	The Audit Commission's Quality Review Process Annual Report. Audit Committee Annual Report	Head of Internal Audit	No					
Consider Audit Commission's Annual Audit & Inspection Letter	Annual Audit and Inspection Letter	Deloitte	Circulate to all members				X	

**AUDIT COMMITTEE: WORK PROGRAMME 2009/10**

ACTIVITY	REPORT NAME	OFFICER RESPONSIBLE	CABINET	29 JUNE 2009	22 SEPT 2009	16 DEC 2009	11 MAR 2010	
				1	2	3	4	5
			by 31 Dec					
<b>INTERNAL AUDIT</b>								
Approve the audit approach and work programme	Terms of Reference, Strategy and Audit Plan	Head of Internal Audit	No				X	
Consider Internal Audit progress reports and approve any significant amendments to the plan	Summary Audit Progress Reports	Head of Internal Audit	No	X	X	X	X	
Monitor the implementation of management actions arising from audit reports	Summary Audit Progress Reports	Head of Internal Audit	No	X	X	X	X	
Consider Internal Audit's annual performance assessment against the CIPFA Code requirements.	Annual Assessment of Internal Audit Performance	Head of Internal Audit	No	X				
Review progress in implementing actions arising	Audit Committee & Internal Audit Action Plans Progress Report	Head of Internal Audit					X	
Receive the annual Internal Audit report and associated opinion	Annual Internal Audit Report and Assurance Statement	Head of Internal Audit	No	X				

ACTIVITY	REPORT NAME	OFFICER RESPONSIBLE	CABINET	29 JUNE 2009	22 SEPT 2009	16 DEC 2009	11 MAR 2010	
				1	2	3	4	5
<b>FINANCIAL REPORTING</b>								
Consider the suitability / changes of the accounting policies and treatments and approve the annual financial statements	Statement of Accounts 2008-09	Director of Finance and Resources	No Council after		X			
Consider reports highlighting compliance with contract procedures rules	Compliance with Contract Procedure Rules	Head of Procurement	No			X		X

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## **PROPOSED AUDIT COMMITTEE TRAINING WORKSHOP**

**Contact Officer:** Helen Taylor  
**Telephone:** 01985 556132

### **REASON FOR ITEM**

The paper proposes a way forward to meet the requests of the new members of the committee for appropriate training.

### **OPTIONS AVAILABLE TO THE COMMITTEE**

Comment on the paper and propose solutions to the options suggested.  
Request that Democratic Services Manager organise training for the committee and include the programme and any costs in the members training schedule.

### **INFORMATION**

1. Background
2. The audit committee has been in operation since March 2007, during which time the membership remained largely constant. However two members have recently been replaced and will require training.
3. The Chairman has table a paper outlining suggested ways of addressing this need. This is attached.

### **BACKGROUND PAPERS**

Terms of Reference for the Audit Committee  
CIPFA Audit Committees – Practical Guidance for Local Authorities  
CIPFA Toolkit for Local Authority Audit Committees

## **AUDIT COMMITTEE WORKSHOP**

### Background

The London Borough of Hillingdon's Audit Committee held its first meeting in March 2007: thus it has been in existence for just over two years. It now seems appropriate to stand back and review progress. In addition, Mary O'Connor and Tony Egington have been appointed recently, and a review would help to bring them up to speed and partly address any training needs that they have.

### What format shall we use?

It is proposed that this review is carried out by means of a training workshop. Committee members did receive 2 hours of initial training in December 2007 from Chris Harris of Bentley Jennison, and a workshop format will enable us to share on our own accumulated experience, as well as help us to form better as a group.

### Do we need an external facilitator?

I suggest we don't, apart from inviting Linda Everhard from Southend on Sea District Council to participate. Linda has been conducting a peer review of Internal Audit. We have between us a considerable amount of experience, and we also have guidance from CIPFA and other organisations. As much as anything, we need to share this experience and build on it.

### Do we want to extend the invitation to other councillors or officers?

Again, I suggest we don't, although Helen Taylor should be included and possibly Khalid Ahmed. This is not a training session where we sit back and listen to presentations, but more a focused workshop where we want to share views. During the workshop we may identify specific topics where we do require more in-depth training, and we can agree how these should be addressed.

### What will the workshop do?

Suggested format is:

Consider the purpose of an audit committee, drawing on the guidance from CIPFA and others

Where are we now? i.e. how far are we fulfilling this role

Comparison with the Committee's terms of reference

Comparison with other local authorities, and with the wider world (PLCs, NHS etc.)

Discussion about where we want to take Audit Committee, and how fast

Agreement about our desired future direction, and what has to happen next

### When will the workshop be held?

As soon as we find a date when we all can attend. This may not be easy as we go into the holiday season: however, it is important that we all can attend.

### Conclusion

This paper is for discussion at Audit Committee, and members are requested to consider each of the above questions.

John Morley, Chairman of Audit Committee, June 2009

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