



HILLINGDON
LONDON



Audit Committee

Members on the Committee

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

Date: WEDNESDAY, 16
DECEMBER 2009

Time: 5.00 PM

Venue: COMMITTEE ROOM 5 –
CIVIC CENTRE, HIGH
STREET, UXBRIDGE, UB8
1UW

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

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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 Minutes of the previous meeting - 22 September 2009 **(Page1)**
- 4 Exclusion of Press and Public
To confirm that all items marked Part I will be considered in public and that any items marked Part II will be considered in private.
- 5 External Auditor Report - Annual Audit Letter and Final Reports on the Audit of Accounts for the Year ending 31 March 2009 **(Page 9)**
- 6 Risk Management Report **(Page 55)**
- 7 Internal Audit Progress Report **(Page 61)**
- 8 Audit Committee Annual Report to Full Council **(Page 81)**
- 9 Review of Whistleblowing and Gifts and Hospitality Policies **(Page 89)**
- 10 International Financial Reporting Standards (IFRS) **(Page 99)**
- 11 Report on the Audit Committee's Review of its own Effectiveness **(Page 103)**
- 12 Changing Legislation and Current Issues
 - Comprehensive Area Assessment – Oral update on latest inspection
 - Protecting the Public Purse – Oral update on this recently published document from the Audit Commission.

PART II

- 13 Internal Audit Progress Report **(Page 107)**

Audit Committee

22 September 2009

Minutes



HILLINGDON
LONDON

Independent Member:

John Morley (Chairman)

Members Present:

Councillors George Cooper, Tony Eginton, Liz Kemp and Mary O'Connor.

Apologies:

Paul Hutt (Deloitte)

Officers Present:

Harry Lawson (Corporate Accounting Manager), Nancy Le Roux (Senior Finance Manager – Corporate Finance), Christopher Neale (Director of Finance & Resources), Nisar Visram (Corporate Accountant) Helen Taylor (Head of Internal Audit and Corporate Governance), Paul Whaymand (Head of Accountancy Services) and Khalid Ahmed (Democratic Services Manager).

Others Present:

Gus Miah and Helen Hogg (Deloitte)

18.

Declarations of Interest:

John Morley and Councillor Liz Kemp declared Personal Interests in Agenda Item 6 - Auditor's report on Statement of Accounts and Agenda Item 7 – Auditor's report on Pension Fund Accounts as they were both Members of the Board of Hillingdon Homes.

Councillor George Cooper declared a Personal Interest in Agenda Item 5 – Internal Audit Progress Report and Agenda Item 11 – Head of Audit Update Report on School Audits as he was a Governor of St Mary's School. He also declared a Personal Interest in Agenda Item 7 – Auditor's report on Pension Fund Accounts as he was a member of the Pension Fund.

Councillor Tony Eginton declared a Personal Interest In Agenda Item 5 – Internal Audit Progress Report and Agenda Item 11 – Head of Audit Update Report on School Audit as he was a Governor of Abbotsfield School for Boys, Hillside Junior School and Minet Nursery and Infant School. He also declared a Personal Interest in Agenda Item 7 – Auditor's report on Pension Fund Accounts as he was a member of the Pension Fund.

Councillor Mary O'Connor declared a Personal Interest in Agenda Item 5 – Internal Audit Progress Report and Agenda Item 11 – Head of Audit Update Report on School Audit as she was a Governor of Botwell School and Moorcroft School. She also declared a Personal Interest in Agenda Item 7 – Auditor's report on Pension Fund Accounts as she was a member of the Pension Fund.

19.	<p>Minutes of the meeting held on 29 June 2009</p> <p>Agreed as an accurate record.</p>	
20.	<p>Exclusion of the press and public:</p> <p>It was agreed that Agenda Item 14 (Minute No.30) be considered in private.</p>	
21.	<p>Internal Audit Progress Report</p> <p>The report provided Members with details of the summary of Internal Audit activity for the period to 31 August 2009.</p> <p>The Head of Internal Audit and Corporate Governance reported that there was no cause for concern at this time with levels of assurance and all reports had an action plan agreed with Internal Audit. The main issues raised were:-</p> <ul style="list-style-type: none"> • Business Continuity & Civil Emergency – Limited assurance. An area of concern was the ICT back up and disaster recovery plan which was unsatisfactory. Members were assured that Council wide ICT was being rationalised and would be centralised to ensure this would improve • Adult Education (2008-9) – Limited assurance. Concerns were in relation to the Plus Business system and the level of audit risk. The Adult Education management team had developed solutions to the concerns raised and would enhance the use of the system to ensure errors were eradicated • Oyster Cards – Limited assurance – Members noted that there was no evidence to suggest that the use of Oyster Cards was being abused • Environmental Services Application (M3) – Limited assurance. The main concern was in relation to password security settings. Work was taking place with ICT to get the supplier to adapt the system to ensure recommendations on Internal Audit were implemented • Teachers Payroll – Starters, Changes and Leavers – Limited assurance. Concerns were in relation to inadequate checks for duplicate bank details and there being no robust email system in place with regard to Education Personnel. • Diabetes Management in Schools – Members were informed that at Northwood School, an audit was undertaken at the request of the Director of Education and Children's Services because of concerns regarding financial management at the school. Internal Audit was satisfied that all necessary action would be 	<p>Action By:</p>

	<p>taken to address the issues</p> <ul style="list-style-type: none"> • Supporting People Grant (2008-09) – Full assurance level. The only area of concern was that the database software which had been recommended during last year’s audit had still not been purchased. Members were assured that this software was not fundamental to the service but it would make the service more efficient • Access to Housing – Details of the outstanding recommendation and its implementation would be forwarded to Members <p>In relation to email communication Members expressed concern regarding the occasional errors which had occurred with the publication and then emailing of Committee agenda and reports. Members were asked to forward details to the Head of Internal Audit and Corporate Governance to enable her to look at this in a future scope.</p> <p>Resolved -</p> <ol style="list-style-type: none"> 1. That the in-year progress against the Internal Audit Plan for 2009-10 and the updated position of those audits that were scheduled in 2007-8 and 2008-9 be noted. 	<p>Action By:</p> <p>Helen Taylor</p> <p>Members/Helen Taylor</p>
<p>22.</p>	<p>External Audit Annual Governance Report</p> <p>Before consideration was given to the report the Chairman explained to Members the reason the report was late in being distributed. Gus Miah thanked both Members and officers of the Council for their understanding.</p> <p>Consideration was given to a report which summarised the findings of the External Auditor on the audit of the 2008/9 Statement of Accounts and the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.</p> <p>Since the approval of the accounts on 29 June 2009, a number of amendments had been identified by both the Corporate Accountancy Team and Audit and the financial statements had been amended to reflect these changes.</p> <p>Gus Miah from Deloitte attended the meeting and introduced the report to Members. The following risks and judgemental areas were addressed:</p> <ul style="list-style-type: none"> • Oracle system update • Fraud and corruption and the potential for increased occurrence as a result of the economic downturn • Bad Debt Provision: During an economic downturn 	

	<p>there was a greater risk that debt recovery would fall</p> <ul style="list-style-type: none"> • A reduction in the value of the asset base to reflect the economic downturn and • Impairment of investments held in Icelandic Banks <p>In relation to other risks in relation to the Council's Use of Resources Assessment and Value for Money reference was made to the cost reduction programme. The Council had set and achieved a £11.3m cost reduction programme in 2008/9 and forecast a programme of £10.9m for 2009/10, in addition to a further £1m in year savings programme.</p> <p>It was identified that the Council was under pressure with regard to its expenditure on Asylum Seekers and this had been taken into consideration when reviewing the accounting entries and arrangements to manage these pressures. The Head of Accountancy Services provided Members with the history to the Asylum Seeker Funding and said there was a £2.239m expenditure gap which the Council had claimed for through a Special Representations Bid. The Director of Finance & Resources confirmed in the Management Representation Letter, his opinion that the bid would be successful. Members concurred with this.</p> <p>In 2008/9 the Council had a successful year in managing its finances. The accounts recognised a £68m deficit in the year, but this was primarily due to impairments to the carrying value of fixed assets, caused by the economic downturn in property prices.</p> <p>Regarding the Council's financial performance and standing, the Council had had a successful year increasing balances from £12.6m to £16.9m.</p> <p>Members were updated on the audit status and informed that only a few Internal Review processes remained outstanding. Subject to the satisfactory completion of these, it was anticipated that an unqualified opinion would be issued.</p> <p>The Annual Corporate Governance Statement (AGS) was being updated to reflect the latest findings following the Council's internal certification process, and subject to this review, the AGS would be signed off.</p> <p>The Value for Money conclusion was that based on the review, the Council would be issued with an unqualified value for money conclusion.</p> <p>Members were provided with details of materiality and identified misstatements (differences in judgement) which were as follows:</p>	<p>Action By:</p>
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	<ul style="list-style-type: none"> • Imported Food Unit - the Council provided a service to check imported food at Heathrow airport and surpluses had been built up which the Council recognised should not be classified as a creditor, but that further work would be undertaken next year to determine the correct classification • Council Tax Bad Debt provision – Deloitte expressed their opinion that the Council had underestimated the bad debt, based on their experience with local authorities, whereas the management view was that as the Council was more proactive in the recovery of Council Tax, the current provision was sufficient. However, the Council had agreed to review the provision for next year’s accounts. • Non Domestic Rates Bad Debt Provision – Deloitte's view was that Non Domestic Rates bad debt provision would increase due to the current economic climate and so they proposed that an adjustment should be made to increase the provision. Experience in Hillingdon was that the recession had little impact on collection rates in the previous year and management had concluded that there was no reason to revise the provision. <p>Resolved-</p> <ol style="list-style-type: none"> 1. That the adjustments, both recorded and unadjusted as detailed in the report be noted. 2. That the internal control recommendations as detailed in the report be noted. 3. That the progress made and actions being taken to continue to improve the quality and accuracy of the information contained within the accounts and to address the matters raised in the report be noted. 	Action By:
23.	<p>External Auditor Report On The Pension Fund Annual Report and Accounts</p> <p>The Senior Finance Manager for Corporate Finance reported that the Representation Letter would be amended to delete references to the Audit Committee.</p> <p>Regulations required that this Committee, as the body charged with the governance of the Council’s accounts, received this report.</p> <p>Members were informed the only outstanding item was in relation to investment valuation.</p> <p>Resolved -</p> <ol style="list-style-type: none"> 1. That the Auditor’s findings and the actions 	

	recommended to improve the quality and accuracy of the information contained within the report and the accounts be noted.	
24.	<p>Final Use Of Resources Report</p> <p>Members were reminded that an interim report was considered by this Committee at its meeting in June 2009.</p> <p>Guy Miah from Deloitte reported that overall it was considered the Council had achieved a strong level 2 performance overall, with a clear path visible to achieve a level 3 in the future.</p> <p>With regard to financial governance and leadership of the Council, the Committee noted the comment in the report; “The audit committee receives and considers both internal and external reports relating to financial management and governance. It monitors progress made against recommendations, and there is evidence of senior managers being challenged on areas where further progress could be made”.</p> <p>Discussion took place on section 3.2.2 Understanding costs and achieving efficiencies – key features, and the comment regarding benchmark information indicated that further efficiencies could be made by the Council. In relation to children’s and adult social care, the Council’s costs were in the upper quartile when compared to the Council’s nearest neighbours. The Chairman commented that their costs may rise in future years, and this level of preventative spend may reduce costs.</p> <p>Members noted the comment in section 4.4.1 Risk Management and internal control, that “The Audit Committee provides robust challenge and has an independent chair with a financial management background”.</p> <p>The Committee expressed their thanks to Deloitte for the manner in which they had conducted the audit.</p> <p>Resolved-</p> <ol style="list-style-type: none"> 1. That the information contained in the report be noted. 	Action By:
25.	<p>Revised Treasury Management Practices</p> <p>The CIPFA Code of Practice on Treasury Management in Public Services recommended the creation and maintenance of Treasury Management Practices. These provided information on the responsibilities, decision making and reporting arrangements in place for the treasury management function. In line with the increased scrutiny of Treasury</p>	

	<p>Management processes, and the role of this Committee in approving the Annual Treasury Management Strategy, it was appropriate for this Committee to review Treasury Management Practices.</p> <p>Reference was made to training manual which was being arranged by Arlingclose, the Council's Treasury Management consultants. This would be followed up once available.</p> <p>Resolved-</p> <ol style="list-style-type: none"> 1. That the information contained in the report be noted. 	<p>Action By:</p> <p>Nancy Le Roux</p>
26.	<p>Conversion to International Financial Reporting Standards (IFRS)</p> <p>Members were informed that from 2010/11, Local Authorities' Statement of Accounts would be required to be prepared under an IFRS based Code of Practice on Local Authority Accounting. With this Committee being charged with governance of the authority's Statement of Accounts, details of the project plan to implement the transition would be reported to the Audit Committee.</p> <p>One of the initial tasks following completion of the audit of the 2008/09 accounts, would be to restate the 2008/09 balance sheet.</p> <p>Resolved-</p> <ol style="list-style-type: none"> 1. That the report and progress made be noted and a further report be submitted to this Committee's next meeting. 	<p>Nancy Le Roux</p>
27.	<p>Head of Audit Update Report on School Audits</p> <p>The report provided Members with a summary of Internal Audit activity in schools and the initiatives which were taking place to improve the financial management in schools.</p> <p>Members were asked to feed any comments through to the Head of Internal Audit and Corporate Governance.</p> <p>Resolved -</p> <ol style="list-style-type: none"> 1. That the progress in following up previous recommendations and the initiative to improve financial management in schools in the future be noted. 	
28.	<p>Audit Committee Work Programme</p> <p>Members were informed that a provisional date on 28 June 2010 had been earmarked for a meeting of this Committee.</p> <p>Discussion took place on the issue of Risk Management, and</p>	

	<p>it was considered that this should be reviewed twice a year. Officers would report back to this Committee on the reporting mechanism and the constitutional arrangements for Risk Management.</p> <p>The Annual Audit report which was submitted to Council would be submitted to this Committee.</p> <p>Resolved –</p> <ol style="list-style-type: none"> 1. That the information contained within the report be noted. 	
29.	<p>Audit Committee Workshop</p> <p>Officers were asked to revisit possible dates for the Workshop as a mutually convenient date had not been possible for all Members of the Committee.</p> <p>Resolved –</p> <ol style="list-style-type: none"> 1. That the information be noted and an Audit Committee Workshop be set up on a suitable date. 	Khalid Ahmed
30.	<p>Internal Audit Progress Report</p> <p>The report on this item was included in Part II as it contained information relating to the financial or business affairs of any particular person (including the Authority holding that information) and the public interest in withholding the information outweighed the public interest in disclosing it (exempt information under paragraph 3 of Part 1 of Schedule 12 A to the Local Government (Access to Information) Act 1985 as amended.</p> <p>Members were provided with details of Internal Audit investigations which had been undertaken.</p> <p>Resolved –</p> <ol style="list-style-type: none"> 1. That the information contained in the report be noted. 	
	<p>Meeting closed at: 7.10pm</p> <p>Next meeting: 16 December 2009 at 5.00pm</p>	

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

EXTERNAL AUDITOR REPORT – ANNUAL AUDIT LETTER and FINAL REPORTS ON THE AUDIT OF THE ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2009

Contact Officer: Nancy Leroux
Telephone: 01895 250353

SUMMARY

The Annual Audit Letter provides an overall summary of the key matters arising from the work Deloitte have carried out in respect of the year ending 31 March 2009, and the work undertaken to assess the arrangements to secure value for money in the Council's use of resources. The final ISA 260 governance reports on the audit of the council's accounts and the pension fund accounts confirm that the work outstanding when Deloitte reported to Audit Committee in September has now been completed.

RECOMMENDATIONS

The committee is asked to note the reports.

REASONS FOR OFFICER RECOMMENDATIONS

The Annual Audit letter sets out our external auditor's view of the Council's overall performance and is available for stakeholders and the community. The ISA 260 reports are the final documents in relation to the audit of the accounts for the year ending 31 March 2009.

INFORMATION

Annual Audit Letter

The letter is addressed to the Council as it is the Council's responsibility to ensure that proper arrangements are in place to secure economy, efficiency and effectiveness in its use of resources. Deloitte, as the council's external auditor, also check that accounting arrangements meet satisfactory standards for public accountability.

The letter fulfils two functions:

- a) to keep the Council informed of progress and of Deloitte's view of Council's financial performance,
- b) to provide information for stakeholders and members of the community.

The main messages from Deloitte are:

Audit Committee 16 December 2009
PART 1 – MEMBERS, PUBLIC & PRESS

- an unqualified opinion of the accounts was issued on 30 September 2009
- an unqualified value for money conclusion was issued on 30 September 2009
- the Council scored a 2 for the Use of Resources assessment.

Particular reference was made to the Council's financial performance, reporting that the Council had a successful year in managing its finances, particularly pertinent in the current challenging economic environment. Additionally, the quality of the working papers for the accounts was noted and recognition given to the significant improvements which had been made to the preparation of the accounts. It was also noted that the council responded positively to all recommendations made by Deloitte and have developed actions to address these issues on the 2009/10 audit.

Final Report on the Audit for the year ending 31 March 2009

The draft ISA 260 was presented to Audit Committee on 22 September 2009 which noted that there was further work to be performed on a number of areas. This work has now been completed and as a result there are several changes to the identified misstatements previously reported. The report sets these out in detail on pages 4 and 5 and these are summarised below:

- Asylum Grant timing – the amount has changed from that originally reported, again due to the difference in timing between the preparation of the accounts and the grant claim. This amount has now been posted.
- NNDR bad debt provision – Deloitte previously recommended an increase to the bad debt provision of £0.774 million, but this has now been recognised as having neutral impact on the council's I&E position.
- Asylum Seekers Grant Special Representations Bid – In the last report this bid for £2.2 million was outstanding and Deloitte agreed to mention under other issues rather than include as an error as the Council felt it inappropriate to increase the bad debt provision by this amount as these bids had been 100% funded in the past. However, on further consideration of technical accounting guidance, Deloitte have now identified this as an unadjusted error in the final report, as the guidance requires a greater level of certainty of payment should be present prior to the income being recognised. As a result they have proposed an adjustment to remove this income of £2.2 million from the 2008/9 accounts.

However, since the accounts were signed off, the UK Borders Agency has confirmed to the council that the Unaccompanied Asylum Seekers Grant Special Representation Bid will be paid in full so this comment is academic.

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PART 1 – MEMBERS, PUBLIC & PRESS

The Council agree with Deloitte's recommendation and will, if this situation arises in the 2009/10 final accounts, not recognise such income in the financial accounts until the 2010/11 year. However, the Council will also continue to lobby UKBA and central government for a grant claim regime that not only provides adequate funding for asylum but also offers more certainty on what grant income can legitimately be accrued for at the year end.

Final Report on the 2008/09 Audit of the Pension Fund

The draft ISA 260 was presented to Audit Committee on 22 September 2009. This final report confirms that the outstanding work has now been completed and that one classification error has been corrected.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

BACKGROUND PAPERS

Use of Resources Report
Statement of Accounts

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London Borough of Hillingdon
Annual Audit Letter
To the Members of London Borough of Hillingdon
On the audit for the year ending 31 March 2009
16 December 2009

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1. Executive summary

The purpose of this Annual Audit Letter is to summarise the key matters arising from the work that we have carried out in respect of the year ended 31 March 2009, and work undertaken to assess the arrangements to secure value for money in your use of resources. Although this letter is addressed to the members of London Borough of Hillingdon (“the Council”), it will also be published on the Audit Commission website at www.audit-commission.gov.uk and on the Council’s website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk. This summary is not intended to be exhaustive but summarises our conclusions in respect of the audit of Hillingdon Council’s Statement of Accounts, the use of resources assessment and the value for money conclusion.

The audit of the accounts

- The Statement of Accounts was closed and prepared in accordance with the timetable. We believe good progress has continued in the improvement of financial reporting arrangements.
- We issued an unqualified audit opinion on the Statement of Accounts by the 30 September deadline.
- The Council has responded positively to recommendations that we have made around the internal control systems across the Council and financial reporting arrangements, and has put in place action plans to address these areas. We will follow the progress in our 2009/10 audit.

Value for money conclusion and use of resources assessment

- We gave an unqualified conclusion as to whether the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.
- The Council scored 2 for Use of Resources which means it is “performing adequately”. However, we have noted considerable areas of improvement achieved by the Council during the year, and the Council has been proactive and innovative in identifying a strategic framework within which it can continue to improve its arrangements and outcomes for local residents in forthcoming years.

Other work performed

- We were able to issue an unqualified opinion on the Pension Scheme Annual Report, and congratulate the Council for preparing this in a timely and well organised manner.

2. The audit of the accounts

Responsibilities of the auditor and the Council

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including local authorities.

As the Council's appointed external auditor we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we have responsibilities in two main areas:

- the Council's accounts; and
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA plus") as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Council, being the Statement of Recommended Practice for Local Authorities 2008.

Key matters arising from the audit of the accounts

- We issued an unqualified opinion on the Council's 2008/09 accounts on 30 September 2009, in accordance with the deadline. Our opinion confirms that the accounts present fairly the financial position of the Authority and its income and expenditure for the year. We presented a detailed report on our audit, to the Council's Audit Committee on 22 September 2009.
- We received a complete set of draft accounts, in advance of the agreed deadline which was supported by good quality working papers. The Council's finance team was helpful throughout the process and responded promptly to our audit queries. We understand that the Council has made a considerable investment in ensuring that the accounts are prepared in an organised and accurate way, and this has achieved significant improvements from previous years.
- We raised a number of proposed adjustments to the accounts throughout the course of our audit. The Council was responsive to these proposed adjustments, and posted a number of them. Unadjusted misstatements relating to the General Fund totalled £0.114 million, unadjusted misstatements relating to the Collection Fund totalled £3.781 million, which is below the materiality level of our audit.

2. The audit of the accounts (continued)

- We raised a number of recommendations whereby accounting treatment of certain items should be reconsidered, and through which internal control systems could be enhanced. The Council has responded positively to these recommendations, and we will follow up on actions taken in response to them in our 2009/10 audit.

Audit certificate

When our audit is complete, we are required to certify the closure of the audit. In the case of the 2008/09 accounts, we issued our audit certificate on 30 September 2009.

Financial Performance

Whilst we are not required to give a separate opinion on the financial performance of the Council, this is particularly pertinent in challenging economic environment within which the Council is required to deliver its services. We do consider financial standing as an element of our audit, and have worked with the Council throughout the year to discuss and consider its approach to addressing challenges that it is facing. There are a number of impacts that the economic environment has had upon the Council, including:

- an increase in demand for services;
- a reduction on the value of the Council's assets; and
- a reduction in interest received on the Council's investments.

We are pleased to report that in the light of these circumstances the Council has had a successful year in managing its finances. The Council was able to freeze its Council Tax levels for local residents in 2009/10. Additionally, the Council was able to increase its total reserves from £31 million to £34 million. This increase in reserves has been a key part of its budget strategy, and increases its ability to continue to address its ongoing challenges.

The Council set itself a programme of cost efficiencies of £11.3 million in 2008/09, which the Council achieved. A target of a further £14.8 million reduction in costs has been set by the Council for 2009/10.

3. Value for money conclusion and use of resources assessment

Value for money conclusion

Under the Code of Audit Practice, we are required to give a 'yes/no' opinion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. This is known as the value for money conclusion and is given within our audit report on the Council's Statement of Accounts.

We issued an unqualified value for money conclusion on 30 September 2009 for the 2008/09 financial year. This means that we are satisfied that the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during the year.

Use of Resources

We are required to assess how well the Council manages and uses its resources to deliver value for money and better and sustainable outcomes for local people. This is known as the Use of Resources ("UoR") assessment, which forms part of the Comprehensive Area Assessment (CAA), and comprises three themes that focus on:

- Managing finances - sound and strategic financial management;
- Governing the business - strategic commissioning and good governance; and
- Managing resources - the management of natural resources, assets and people.

The scores for each theme are based on the scores on the underlying key lines of enquiry (KLOE). Each KLOE was scored on a scale of one to four, with four being the best.

Overall, the Council scored a 2 for Use of Resources which classifies the Council as "performing adequately". We have outlined the scores for the key themes in the table below.

3. Value for money conclusion and use of resources assessment (continued)

Use of Resources – scores for key themes

Overall Area	Key Lines of Enquiry (KLOE)	KLOE Score	Overall Theme Score
Managing finances	1.1 Planning for financial health	3	3
	1.2 Understanding costs and achieving efficiencies	2	
	1.3 Financial reporting	3	
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	

Key recommendations arising from the review of the Council’s use of resources

We have raised a number of recommendations which the Council has accepted, and has developed action plans to further improve its use of resources. We have outlined these in detail in a separate report, but highlight the following. The Council needs to:

- Further develop its approach to assessing the risk that the indicators which the Council uses to measure and report on its performance may be wrong, as a basis for better focusing its checks on the quality of this information;
- Undertake further benchmarking of its performance against other organisations and address areas of underperformance;
- Continue its work to develop and communicate its Environmental Strategy;
- Review its methods for obtaining user involvement when developing its service and strategic priorities; and
- Continue to explore the range of partners it works with and obtains services from, including the third sector.

4. Other matters

Reports issued

Further detailed findings, conclusions and recommendations in the areas covered by our work are included in our reports issued to the Council as follows:

Report	Date issued
Audit Plan on the Accounts	24 September 2008
Interim Use of Resources Report	22 June 2009
Pension Scheme Audit Plan	30 July 2009
Final Use of Resources Report	22 September 2009
Report to the Audit Committee on the 2008/09 audit	22 September 2009
Report to the Audit Committee on the 2008/09 audit of the pension scheme	22 September 2009
Annual Audit Letter	16 December 2009

Analysis of audit fees

An analysis of audit fees is shown in Appendix 1 to this letter.

Independence and objectivity

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all applicable regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

International Financial Reporting Standards

The Council will be required to prepare IFRS compliant accounts for the year-ending 31 March 2011 and therefore comparative IFRS balances for the year from 1 April 2009 to 31 March 2010. The Whole of Government Accounts return for 2009/10 will also be required to be submitted under IFRS.

The Council is making arrangements to enable them to prepare the comparative figures for the 2009/10 financial year. We will continue to discuss the Council's progress at various points during the year.

5. Closing remarks and basis of preparation

This letter has been discussed and agreed with the Chief Executive and Director of Finance of the Council. A copy of the letter will be presented at the Audit Committee on 16 December 2009.

We would like to take this opportunity to express our appreciation for the assistance and cooperation provided during the course of the audit. Our aim is to deliver a high standard of audit which makes a positive and practical contribution which supports the Council's own agenda. We recognise the value of your cooperation and support.

Deloitte LLP

Chartered Accountants
December 2009

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national use of resources study data and methodology as they are derived solely from the Audit Commission.

This report sets out those audit matters of interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the Members and this report is not necessarily a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Appendix 1: Analysis of professional fees

We have set out below the fees charged in respect of the period 1 April 2008 to 31 March 2009.

	2009 £'000
Statement of Accounts	302
Use of resources and Data Quality	66
Pension fund accounts audit	40
Whole of Government Accounts (WGA)	5
Total fees for work carried out under the Code of Audit Practice	413
Fees payable in respect of the certification of grant claims and returns of the Council (See Note 1)	135
Total	507

Note 1 – Our work relating to the certification of grant claims and returns for the year ending 31 March 2009 is ongoing. The fees included in the table above for this item are an estimate of the full and final fee. We do not expect there to be any significant variance to this once our work is complete.



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London Borough of Hillingdon
Final Report to the Audit Committee
On the audit for the year ending 31 March 2009
For presentation to the Audit Committee on
16 December 2009

Contents

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Executive Summary

Background

We have pleasure in setting out in this document our updated report to the Audit Committee of London Borough of Hillingdon (LBH) on the audit for the year ended 31 March 2009 for discussion at the meeting scheduled for 16 December 2009. We previously issued a report on the audit for the meeting held on 22 September 2009. At that time there were a number of areas of the audit where further work was required before concluding on our opinion on the accounts. This report explains the results of that work, and the final uncorrected misstatements identified in the accounts.

Other than those items detailed in this update report, all items remain unchanged from the report issued in draft for the Audit Committee meeting on 22 September 2009.

Materiality and identified misstatements

Audit materiality was £6.390 million and has been calculated based upon gross expenditure.

We report to those charged with governance on all adjusted and unadjusted misstatements greater than 5% of materiality or £0.320 million unless they are qualitatively material.

Identified uncorrected misstatements decrease net assets by £3.667 million. Management has concluded that the total impact of the uncorrected misstatements, both individually and in aggregate, is not material in the context of the financial statements taken as a whole. Details of the audit adjustments are included in Appendix 1.

In our draft report, we informed the Audit Committee that, at the time of writing, identified uncorrected misstatements decreased net income by £1.935m. Section 1 of this update report provides details of the changes.

Executive Summary (continued)

Audit status

We have completed our audit work on the financial statements. At the time of our previous report, there was further work to be performed on a number of areas. We reported that we anticipated being able to issue an unqualified opinion on the financial statements for the year ending 31 March 2009. We issued an unqualified opinion on 30 September 2009.

Acknowledgement

We would like to take this opportunity to thank all staff for their helpful, cooperative and open approach in working with us. This has been incredibly supportive to us in undertaking our work in our first year as your appointed auditors. We look forward to working with LBH in future years.

1. Materiality and identified misstatements

Materiality

The materiality level for LBH was calculated based upon gross expenditure of LBH. The materiality applied to the audit for the year ending 31 March 2009 was £6.390 million. We report to those charged with governance on all adjusted and unadjusted misstatements greater than 5% of materiality or £0.320 million unless they are qualitatively material.

Unadjusted misstatements

Total misstatements identified during the audit process but unadjusted by management decrease net assets by £3.667 million. Management has concluded that the total impact of the uncorrected misstatements, both individually and in aggregate, is not material in the context of the financial statements taken as a whole. A summary of the final audit adjustments can be found in Appendix 1.

1. Materiality and identified misstatements (cont)

Changes in identified misstatements from the previous report to Audit Committee

Previously reported unadjusted errors

£1.935 million

Previously reported adjustment posted

We previously reported an unadjusted error relating to the Asylum Seekers Support Grant which management have subsequently posted. This has had the effect of reducing the estimated grant debtor by £0.242 million. The originally reported unadjusted error would have reduced the estimated grant debtor by £0.267 million. The adjustment arose as estimates are used for some grant balance in the accounts when they are initially compiled.

Amendment to previously reported unadjusted error

Our report to Audit Committee in September included a £0.774 million unadjusted error to increase the provision for doubtful debts relating to the National Non Domestic Rates (NDR) debtors in the accounts. This was subsequently revised to be an error with a neutral impact on the Council's income and expenditure position, as the increase in bad debt provision would be covered by adjustments to the NNDR national pooling arrangements.

New unadjusted error

We reported in the 'Other issues' section of our report to Audit Committee on 22 September 2009 that there was £2.239 million of recorded expenditure which the Authority was claiming through the Unaccompanied Children's Asylum Grant under a 'Special Representations Bid'. The Authority has received 100% of such bids made in the past, and has recorded the income and associated debtor. Technical accounting guidance requires that a greater level of certainty exist over the income than is considered to be present here prior to recognition of the income. While we recognise management's views, we have included a proposed adjustment which removes the income recognised by the Council for the Special Representations Bid as we do not consider that there was reasonable assurance it would be received.

Final unadjusted errors balance

£3.667 million

1. Materiality and identified misstatements (cont)

The new unadjusted error detailed on page 4 relating to the Unaccompanied Children's Asylum Grant Special Representations Bid has been reported as an unadjusted error given the level of uncertainty over the related income which existed at the time of signing the accounts. Since then, the UK Borders Agency has confirmed to the Council that £2.202 million will be paid under the Special Representations Bid relating to 2008/09.

The issue relating to Council income relating to this error has therefore been resolved in the favour of the Council. We consider that the technical error remains in the accounts, however, as the question over certainty of receipt of the income as at the accounting date (31 March 2009) means that the income would be more appropriately recorded in the 2009/10 financial year. This is a technical matter, however, which will self correct in the 2009/10 accounts, though a similar issue may arise again should a Special Representation Bid be made for 2009/10 which is similarly uncertain at the next year end.

2. Responsibility statement

The Audit Commission published a 'Statement of responsibilities of auditors and of audited bodies' alongside the Code of Audit Practice. The purpose of this statement is to assist auditors and audit bodies by summarising, in the context of the usual conduct of the audit, the different responsibilities of auditors and of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do.

Our report has been prepared on the basis of, and our work carried out in accordance with, the Code and the Statement of Responsibilities.

While our report includes suggestions for improving accounting procedures, internal controls and other aspects of your business arising out of our audit, we emphasise that our consideration of London Borough of Hillingdon Council's system of internal financial control was conducted solely for the purpose of our audit having regard to our responsibilities under Auditing Standards and the Code of Audit Practice. We make these suggestions in the context of our audit but they do not in any way modify our audit opinion which relates to the financial statements as a whole. Equally, we would need to perform a more extensive study if you wanted us to make a comprehensive review for weaknesses in existing systems and present detailed recommendations to improve them.

We view this report as part of our service to you for use as Members for corporate governance purposes and it is to you alone that we owe a responsibility to its contents. We accept no duty, responsibility or liability to any other person as the report has not been prepared, and is not intended, for any purpose. It should not be made available to any other parties without our prior written consent.

If you intend to publish or distribute financial information electronically, or in other documents, you are responsible for ensuring that any such publication properly presents the financial information and any report by us thereon and for the controls over, and security of the website. You are also responsible for establishing and controlling the process for electronically distributing accounts and other information.

Deloitte LLP
Chartered Accountants

Birmingham

December 2009

Appendix 1: Audit adjustments

Unadjusted misstatements

We report all individual identified misstatements in excess of £0.320 million and other identified misstatements in aggregate which have not been adjusted by management in the table below.

	Note & explanation	Credit/(charge) to current year Collection Fund £'000	Credit/(charge) to current year Income & Expenditure Account £'000	Increase/(decrease) in net assets in net assets £'000
Errors of fact				
Recognition of unconditional government grants	[1]	-	898	898
Impairments for investments held in Icelandic Banks	[2]	-	(35)	(35)
Deferred revenue grant carry forward	[3]	-	1,490	1,490
Differences in judgement				
Imported Goods creditor	[4]	-	-	-
Council Tax bad debt provision	[5]	(3,781)	-	(3,781)
Non Domestic Rates bad debt provision	[6]	-	-	-
Asylum Seekers Grant Special Representation Bid	[7]	-	(2,239)	(2,239)
Total		(3,781)	114	(3,667)

Appendix 1: Audit adjustments (continued)

We will obtain written representations from those charged with governance confirming that after considering all these uncorrected items, both individually and in aggregate, in the context of the consolidated financial statements taken as a whole, no adjustments are required.

- [1] We have identified that there were instances where government grants that did not have specific conditions attached to them had not been recognised as revenue. We identified the Preventative Technology Grant (£877k) and also the Access and Systems Capacity Grant (£21k). The impact of this unadjusted misstatement is that income in 2008/09 is understated.
- [2] We have identified that, based upon the latest projected rate of return on investments held in Icelandic banks that a further impairment should be made to reflect the projected return. The impact of the unadjusted misstatement is that the carrying value of investments is potentially overstated by £35k
- [3] We identified Home Improvement Grants which had been carried forward within government grant deferred. As these fund revenue expenditure, they should be taken in full to income in the year in which they are applied. The impact of this is that liabilities are overstated and income understated. There is a compensating adjustment within the Statement of Movement on General Fund balances which means the effect on the General Fund is neutral.
- [4] LBH provides a service to check imported food at Heathrow airport, and although not a profit making service (rates are set by central Government), surpluses have built up. We suggest that these should be released to an Earmarked Reserve.
- [5] Review of the Council Tax provision shows the provision to be lower than we would expect. An adjustment has been proposed to increase the provision for Bailiff debtors and debts over 5 years old.
- [6] Review of the Non Domestic Rates provision shows the provision to be £0.774 million lower than we would expect. However, an equivalent adjustment to NDR pooling arrangements would lead to a neutral impact on the Council's accounts.
- [7] Relates to the Special Representation bid for further funding for service provided for asylum seekers. An adjustment has been proposed to reflect that it a greater degree of certainty is required before the funding should be recognised.

Appendix 1: Audit adjustments (continued)

Recorded audit adjustments

We report all individual identified recorded audit adjustments in excess of £0.320 million and other identified misstatements in aggregate adjusted by management in the table below.

Errors of fact	Accounts Line	Note & explanation	Credit/ (charge) to current year income statement £'000	Increase/ (decrease) in net assets in net assets £'000
Surestart creditor	Govt debtors Govt creditors	[1]		(368) 368
Reclassification of year end balance relating to FE Pension Scheme	Govt debtors Govt creditors	[2]		80k (80k)
Correction to overstatement of debtors and creditors relating to school balances	Other public body debtors Other public body creditors	[3]		(648) 648
Reclassification of debit balances	Govt debtors Govt creditors	[4]		4,299 (4,299)
Asylum seekers grant	Bad debt provision expense Bad debt provision	[5]	(242)	(242)

Appendix 1: Audit adjustments (continued)

- [1] An adjustment to Surestart funding to correctly reflect the year end balance as a creditor.
- [2] An adjustment to reclassify debtors and creditors in relation to the FE Pension Scheme.
- [3] An adjustment to correct the overstatement of both debtors and creditors relating to year end schools balances, to ensure both are fairly stated.
- [4] An adjustment made to the reclassification of debit balances in creditors, relating to the housing benefit claim.
- [5] An adjustment to amend the provision for over and under 18 Asylum Seekers Grant.

Disclosure deficiencies

Auditing standards require us to highlight significant disclosure deficiencies to enable audit committees to evaluate the impact of those matters on the financial statements. We have worked with management and minor presentational issues have been amended for.

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**London Borough of Hillingdon
Report to the Audit Committee
On the 2008/09 Audit of the
Pension Fund
18 November 2009
Final Report**

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Introduction

We have pleasure in setting out in this document our report to the Audit Committee of London Borough of Hillingdon Pension Fund for the year ended 31 March 2009. This report summarises the principal matters that have arisen from our audit of the Pension Fund for the year ended 31 March 2009.

Audit Scope

Based on guidance issued by the Audit Commission, auditors are asked from this year (i.e. 2008/09), for audit purposes, to treat the Local Government Pension Scheme (LGPS) as a stand-alone body, with a separate audit plan and reports to those charged with governance.

Our audit of the Pension Fund was planned and performed in accordance with the Code of Audit Practice issued by the Audit Commission and in accordance with additional guidance issued by the Commission in relation to the audit of pension funds. However, this only extends to the audit of the financial statements and there is no requirement for a Value for Money conclusion on the Pension Fund financial statements specifically.

The Pension Fund financial statements remain part of the financial statements of the Council as a whole. However, as part of the same agenda to improve accountability and audit arrangements for the pension scheme, the LGPS Regulations have been amended to require administering authorities to prepare an annual report for the pension fund, which should incorporate the annual financial statements from 2008/09 onwards.

Our audit report on the Council financial statements covers the Pension Fund section of that document but has been re-formatted to better reflect the separate nature of the Pension Fund audit. In addition, we have been asked by the Commission to issue a separate audit report for inclusion in the annual pension fund report which reports on whether the financial statements contained in the annual report are consistent with the Council's separate financial statements and that other information is not inconsistent with those financial statements.

Introduction (continued)

Key audit risks

We have identified the following key audit risk:

1. Employer and employee contributions:

Unlike the position in the private sector, we are not required to issue a separate statement on contributions. Nevertheless, in view of the complexity arising from the participation of different employers within the scheme, we identified the calculation and payment of contributions as an area of specific risk.

As a result of the regulations introduced from 1 April 2008, whereby a new benefit regime was put in place, active members now contribute to the Pension Fund based on a tiered contribution structure as opposed to a single contribution rate that applied previously. Therefore we have also considered this as a specific audit risk.

We have performed focused audit procedures to address these identified risks and conclude that no material misstatements arise from these areas.

Other matters

We have performed detailed testing around benefits paid during the year. For a sample of benefits payments we have agreed through to supporting documents including acknowledgements from the recipient.

Materiality

Materiality of £6,390,000 is consistent with our determination of planning materiality previously advised to the Audit Committee. As outlined in our audit plan to the Audit Committee, we report on all unadjusted misstatements greater than £128,000 unless they are qualitatively immaterial.

Accounting policies and financial reporting

As part of our audit, we consider the quality and acceptability of the Pension Fund's accounting policies and financial reporting. Our findings are discussed in Section 2.

Introduction (continued)

Identified misstatements and disclosure deficiencies

As outlined in our audit plan presented to the Audit Committee on 28 July 2009, we report on all individual identified misstatements in excess of £128,000.

Our audit identified that Investment Income was overstated by £30m and the Change in Market value was understated by the same amount. This error was corrected by management. We did not identify any unadjusted misstatements in excess of £128,000.

Accounting and internal control systems

We did not identify any material weaknesses in the financial reporting systems.

Detailed control observations noted are explained in Section 3.

Independence

Deloitte have developed important safeguards and procedures in order to ensure our independence and objectivity.

These were set out in the "Independence policies and procedures" section of our Briefing on audit matters document that was attached as an appendix of our Audit Plan as delivered on 28 July 2009.

We reconfirm our independence and objectivity to the Audit Committee for the year ended 31 March 2009.

Terms of audit appointment

Local LGPS funds administered by administering authorities are not statutory bodies in their own right. Therefore, it is not possible for separate audit appointments to be made for LGPS audits. We are therefore appointed to the audit of the LGPS through the existing Audit Commission appointment arrangements. We refer you to the Briefing on audit matters document attached as an appendix to our Audit Plan as delivered on 28 July 2009 as well as to the Statement of responsibilities of auditors and audited bodies published by the Audit Commission.

Introduction (continued)

Current market conditions

On 27 November 2008, the Financial Reporting Council published an analysis of some of the challenges for audit committees arising from current market conditions and some suggested questions that audit committees may need to address. In addition, the FRC published an Update for Directors of Listed Companies: Going Concern and Liquidity Risk. The update brings together the key accounting requirements and the disclosures relevant to going concern and liquidity risk and sets out the main points of interaction between the judgements made by directors and auditors. Subsequently, the Auditing Practices Board issued a bulletin setting out guidance to auditors on this subject. We confirm that to the extent considered necessary we have taken this into account in the planning and performance of our audit.

Audit status

We have completed our audit in accordance with our Audit Plan which was presented to you on 28 July 2009 and have issued an unqualified Auditors' report on the financial statements.

1. Key audit risks

Key audit risk

Contributions

Background

The correct deduction of contributions depends on systems-based processing of membership data and salary details, together with a robust internal control framework. Errors in processing contributions can lead to non-compliance with the agreed rate of contributions schedule, and deducting incorrect amounts from active members' payroll.

Furthermore the Hillingdon Pension Fund has an additional complexity introduced by the participation of more than one employer in the scheme and the introduction of the new benefit structure with its tiered contribution rates.

Deloitte response

We have tested the design and implementation of controls present at the Council for ensuring contributions from all admitted bodies are identified and calculated correctly.

In addition the following procedures were performed:

- analytical review of amounts received;
- assessment of compliance with the Rate of Contributions schedule; and
- recalculated a sample of member contributions in the period.

The results of our work were satisfactory.

2. Accounting policies and financial reporting

In the course of our audit of the financial statements, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our comments on the quality and acceptability of the council's accounting policies and financial reporting are discussed below.

Accounting policies

There were no accounting policy matters which are significant to the 2008/09 financial statements.

Financial reporting

There were no financial reporting presentational or disclosure matters which are significant to the 2008/09 financial statements.

Identified misstatements and disclosure deficiencies

Our Report to the Audit Committee dated 16 September 2009 set out a number of outstanding areas. These areas were satisfactorily completed at the time that the financial statements were approved. However, during the course of finalising these areas, we noted that the proceeds on the disposal of an investment of £30,426,000 was erroneously recorded as Investment Income and not as a sale of investments. Consequently, the Change in Market Value charge for the year was misstated by the same amount. This error was corrected by management.

3. Accounting and internal control systems

During the course of our audit we identified a number of control observations, the most significant of which are detailed below.

Control observations

Investment valuation processing

- Observation

We note that the investment values obtained from the custodian were used for preparing the financial statements, but that the trial balance was not updated for these valuations. While there is no resulting misstatement in the financial statements, the internal figures held for the fund do not reflect the actual year end position.

Recommendation

We recommend that management update the trial balance at year end to include the full year change in investment valuation.

Management response

We agree with this recommendation. This issue has already been identified internally and developments in the better use of the financial system to produce the financial statements are already underway, and will be fully utilised in the production of the 2009/10 statements.

3. Accounting and internal control systems (continued)

Accuracy of data - Observation

During our testing on contributions made by non-Hillingdon employees in the year, we noted one instance where an active member had left the employment of the admitted body but her status had not been changed from 'Active' to 'Deferred' on the pension database. It should be noted that the payroll had been updated so that contributions were no longer being made on her behalf.

Recommendation

We recommend that on a monthly basis, a reconciliation of changes made to the payroll and those reflected on the pensions database is performed and any reconciling differences followed up on by management. This is particularly important as there is greater emphasis on the importance of pension schemes maintaining accurate data, which is then used in actuarial valuations.

Management response

We agree with this recommendation and have now requested a monthly report from the payroll system to identify all leavers in the previous month. This will then be reconciled with the pensions axise admin system and all mismatches investigated and records updated.

3. Accounting and internal control systems (continued)

Control observations

Trial Balance to statutory accounts reconciliation - Observation

No formal Trial balance (TB) to statutory accounts reconciliation is performed, showing all the adjustments made to amounts recorded in the TB to arrive at the values shown in the accounts. As a consequence, a number of adjustments were made to arrive at the amounts included in the draft accounts, notably to the investments balance, that management were initially unable to explain. One of the adjustments included recording £196k withholding tax within the investments balance, affecting the change in market value. When this adjustment was reversed, management were had difficulty in identifying the corresponding Fund Account caption.

Recommendation

We recommend that a formal TB to statutory accounts reconciliation is performed at each year end. All adjustments or reclassifications reflected in this reconciliation should be booked in order that the brought forward balances are appropriately updated.

Management response

We agree with this recommendation and a formal TB to statutory accounts reconciliation will be undertaken. A review of accounting processes, particularly financial controls around separation of GF and Pension Fund ledgers has begun and it is proposed that such reconciliations will be carried out throughout the year and monitored via the Financial Digest.

3. Accounting and internal control systems (continued)

Control observations

Investment manager reports - Observation

Investment managers are not supplying bid price information to the custodian – rather they continue to supply information based on mid value. The impact of this is that the year end reconciliation between the custodian's valuation and the investment managers' valuations do not agree the values reflected in the statutory accounts.

Recommendation

Given that investments are no longer valued at mid price in the statutory accounts, investment managers should be encouraged to supply relevant bid price information to the custodian, who can then prepare his reconciliation based on amounts that will be reflected in the financial statements.

Management response

We agree with this recommendation. Fund managers have confirmed they are able to provide bid price information, allowing the custodian to prepare the reconciliation on amounts that will be reflected in the accounts.

4. Matters for communication to those charged with governance

As part of our obligations under International Standards on Auditing (UK & Ireland), we are required to report to you on the matters listed below.

Independence

We consider that we comply with APB Ethical Standards and that, in our professional judgement, we are independent and the objectivity of the audit engagement partner and audit staff is not compromised.

Non-audit services

We are not aware of any inconsistencies between APB Ethical Standards and the council's policy for the supply of non-audit services or of any apparent breach of that policy.

In the period from 1 April 2008 to 31 March 2009, Deloitte has earned £40,000 in professional fees relating to the Pension Fund audit.

International Standards on Auditing (UK and Ireland)

We consider that there are no additional matters in respect of those items highlighted in our publication "Briefing on audit matters" to bring to your attention that have not been raised elsewhere in this report or our audit plan.

Liaison with internal audit

The audit team, following an assessment of the independence and competence of the internal audit department, reviewed the findings of internal audit and adjusted our audit approach as deemed appropriate. The results of this were that no specific reliance was placed in any areas relating to the Pension Fund.

5. Responsibility statement

This report should be read in conjunction with the "Briefing on audit matters" circulated to you on 28 July 2009 and sets out those audit matters of governance interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the board and this report is not necessarily a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made.

We would be happy to consider a request to perform a more extensive study of these matters and, where compatible with our independence as auditors, assist you with implementing any improvements. As you will appreciate, such an exercise would be a separate engagement to our audit appointment, since the scope and context of our audit work in these areas is necessarily limited.

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Deloitte LLP
Chartered Accountants
Birmingham
18 November 2009

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Risk Management Reporting

Contact Officer: Steve Wilkins
Telephone: 01895 556526

REASON FOR ITEM

To enable the committee to consider the structure of the reporting arrangements in place for risks.

RECOMMENDATION

To consider this report and if appropriate confirm the future arrangements for reporting risks including the amendment to the Corporate Risk Management Strategy as set out in the background papers attached.

INFORMATION

Following the request of the Committee at its meeting in June, the reporting structures in place for the reporting of risks to include Policy and Overview Committees (POC) have been reviewed. The view expressed by members was that POC needed to be provided with a more specific opportunity to consider and comment upon Group risks.

The revised proposed Reporting Structure highlights the respective roles of members and officers concerning the risk management process and the Governance arrangements for reviewing the risks at both Group and Corporate levels. It also shows the different route that Corporate (or cross cutting) risks take compared with the Group risks to avoid any duplication of member time in considering risks. It is proposed that POC will consider risk reports at the same time as performance and budget matters are reviewed which currently is twice per annum. It is further proposed that risks scoring below 5 (low level risks) do not require consideration by members.

In updating the reporting structure the views of the Corporate Risk Management Group, Corporate Management Team, Cabinet Member for Finance and Business Services and the Leader have been taken into account.

BACKGROUND PAPERS

The Appendices show example documents.

Appendix 1 to this report contains an example new Section D to the twice annual Performance and Budget Report submitted to POC.

Appendix 2 to this report shows the revised reporting arrangements for risks to be included in the Corporate Risk Management Strategy.

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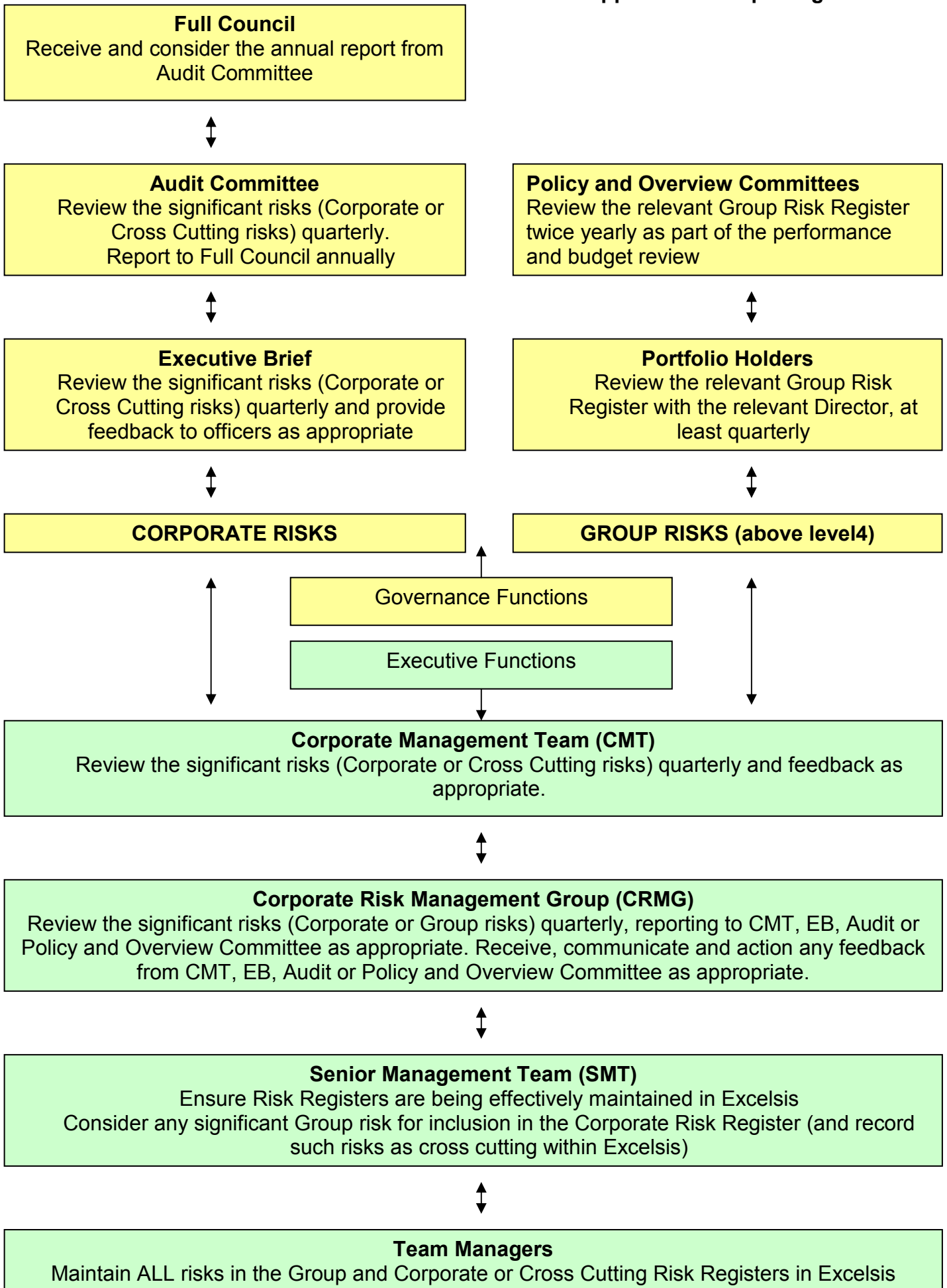
New section for semi-annual Performance and Budget Report (for Policy & Overview Committee)

Section D – Managing Risks

All risks are reviewed by the Senior Management Team on at least a quarterly basis. Corporate risks are also reported quarterly to the Corporate Risk Management Group, Corporate Management Team, Executive Brief and the Audit Committee for further review and comment. Risks recorded within the Group risk register are determined by looking at our objectives, operations, partnerships and external influences and assessing the likelihood that they will occur and if they do, the potential impact upon the Council. Appendix [x] has details of the more significant Group risks that have been identified. (Low level or green risks have not been included to keep the materiality more appropriate for this POC and those risks included within the Corporate Risk Register have not been included, due to being managed by CMT and Cabinet and this monitored by Audit Committee).

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Appendix 2 – Reporting Structure



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INTERNAL AUDIT PROGRESS REPORT

Contact Officer: Helen Taylor
Telephone: 01895 556132

REASON FOR ITEM

This report provides the Audit Committee with a summary of Internal Audit (IA) activity for the period to 20 November 2009. This fulfils the requirements of CIPFA's Code of Practice for Internal Audit in Local Government to bring to Members' attention periodic reports on progress against planned activity and any implications arising from Internal Audit findings and opinions

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

OPTIONS AVAILABLE TO THE COMMITTEE

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

INFORMATION

1. INFORMATION

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

2. Progress against Plan and Follow up Status

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

2.2. The No assurance reports in HGfL are balanced by the considerable commitment from the directors of Finance and Children's Services in ensuring that the issues resulting from these audits are being and will be progressed. Joint working between HGfL management, Finance, Procurement, ICT and Audit has dealt with the immediate issues. Going forward the Director of Education has timetabled fortnightly meetings of all parties to track progress on the audit concerns and the wider improvement and efficiency issues.

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2.3. The following audits have been deleted from the current plan.

LEXEL General Management of Legal Services – As a result of initial systems work we felt that there was too much overlap with the AXXIA system and one audit would provide the necessary assurance.

Protocol Creditors – The anticipated move to creditors' sub-system of Protocol is unlikely to take place in year. All social services creditors will remain in and be audited via Carefirst.

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

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

2.6. Considerable progress has been made in the period in clearing recommendations from prior year audits, particularly in schools where almost all 2007-8 and 2008-9 recommendations have been cleared.

2.7. The progress and status of those carried out in 2007-8 and 2008-9 is included in Appendices 1 and 2.

Hillingdon Grid for Learning (HGfL)

Assurance Level: No assurance

The key areas for improvement were grouped into three broad areas:

- There were inadequate Procurement and Governance control structures in place;
- Inadequate stock management;
- Poor project management

Recommendations were made to address individual weaknesses.

Management comment - Weaknesses in procurement processes, particularly in relation to documentation and evidencing of these, are now being fully addressed. Corporate procurement have been working extensively with HGfL to assess how best to balance the 'intermediary' role of HGfL in supplying schools with critical ICT equipment and services, yet find best value for money; these processes have now been formally documented.

Stock management arrangements have already been reviewed, with greater physical security arrangements and processes, and also clearer policies.

The Helpdesk project has now been thoroughly reviewed and consideration is being given to moving to the Councils ITBM service-desk system, which will provide greater resilience to both parties; this latter still being subject schools formal agreement.

Hillingdon Grid for Learning (HGfL) IT Security

Assurance Level: No assurance

The key findings from this review are as follows:

- There are no designated officers, responsible for compliance with corporate information security policies, which increases the risk that the network and systems have not been configured with adequate protection which could lead to unauthorised access to systems and data.
- Information risk assessments have not been undertaken to identify the risks to confidential data, which may mean that appropriate security measures are insufficient to adequately protect data.
- The password policy for HGfL network accounts is inadequate to protect the network, systems and data from unauthorised access.
- The use of unencrypted laptops and USB memory media increases the risk of loss or disclosure of personal data leading to breach of the Data Protection Act, reputational loss and financial penalties.
- The lack of Information Security training for staff increases the risk of a lack of awareness of information security risks and related staff's responsibilities, leading potentially to breaches of statutory requirements such as the Data Protection Act, Copyright laws and the Computer Misuse Act.
- The absence of a centrally maintained software asset register increases the risk that HGfL cannot demonstrate compliance with copyright laws, leading to financial penalties and also increases the risk that unauthorised software may be installed.
- HGfL have not documented security procedures for staff which increases the risk of non-compliance with the Council's Information Security policies, which could lead to breaches of statutory regulations such as Data Protection Act.

However, we did identify the existence of mitigating controls, principally:

- The installation and implementation of a smart card entry system, which controls multiple doors external and internal at Eagle Office. This has been configured for different hours of entry as well as different access groups, reducing the risk of unauthorised entry. In addition, this provides some control over access to the hardware and equipment.
- The smart cards are labelled only with a number and do not identify the card as belonging to HGfL, which reduces the risk of it being used for unauthorised access to the building, should it be found by non-HGfL staff.
- A number of physical and environmental controls have been installed within the data centre, such as temperature monitors, air conditioning, UPS (Uninterruptible Power Supply) units, security camera; this reduces the risk of loss and failure of systems and data.

Overall however, there remain significant deficiencies in the information security controls. We therefore recommend that the Council address the issues raised above and implement the recommendations set out in this report to further improve the arrangements for data security.

Management comment - All recommendations from this audit have been agreed and most have already been put in place. We anticipate that action on most of the remainder will be completed early in the New Year.

Due North System (London Tenders Portal)

Assurance Level: Satisfactory

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

- London Tender Portal (DNS) is providing the Council with both cashable and non-cashable savings since it was implemented in 2007;
- There is a procurement team in place who have clear roles and responsibilities;
- The CPU has access to technical support from LTP (DNS) as and when it requires it;
- LTP system maintains an adequate audit trail of all past and previous tenders;
- There is satisfactory access control to LTP. It is by Passwords and ID.

The key areas for improvement were:

- A step-by-step guide to tendering needs to be produced and published on horizon;
- Written contract of agreement between LTP (DNS) and LBH is not available in either CPU or the Legal section;
- The Council procurement strategy should be reviewed and updated where appropriate;
- Controls over electronic tender opening need to be strengthened.

Finders Fee Scheme

Assurance level: Satisfactory

We were pleased to note that: -

- The Finders Fee scheme was being operated in accordance with established procedures.
- There were adequate records to support all applications and Lettings processes before the incentive payments were made.
- There was a proper system in place for ensuring that all transactions were properly recorded.
- There was adequate separation of duties and checking in relation to the incentive payments paid to landlords.
- There were adequate records maintained to regularly assess performance and outcomes.
- There was adequate budget monitoring.

The key areas for improvement were:

- Management monitoring and validation was not always evidenced in writing.
- Scheme documentation does not include reference to anti-fraud and corruption as a means of deterrence.
- Risk assessments are not carried out for landlords who are also employees of the Council.

Pre-tender Process – (Major Construction Projects)

Assurance level: Satisfactory

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

- Advertisements and invitation for tenders are appropriate, suitable and early enough to give level grounds for contractors to operate.
- There are adequate provisions for Cabinet Members to declare their interest in any contracts.
- Adequate financial and operational checks are performed on contractors.

The key areas for improvement were:

- The efficiency and transparency of the pre-tendering process needs to be strengthened
- The controls in the mailroom over the tender register, access to the unopened tenders and the information recorded for tenders needs to be improved.

Car Parking Income

Assurance level: Satisfactory

Recommendations:

The procedures and controls surrounding the collection and storage of income from car parks are adequate.

Separation of duties exists within the process and there was evidence that adequate checks are undertaken to ensure all income reported on the audit tickets within the parking meters is received and banked.

The areas of concern resulting from the audit were:

- An incomplete asset register is held within the insurance department; which could lead to an undervaluing of assets.
- Control over cashboxes needs to be strengthened.
- There is no documented business continuity plan.
- The existing arrangements for storing cash at HRD in the secure room needs to be strengthened, to ensure that insurance cover remains validated.

Community Safety

Assurance level: Satisfactory

The objectives of the CSS are clearly defined and contribute to the Council's priorities in that;

- Roles and responsibilities of the Council and its Partners are clearly defined.
- The Council effectively engages with the community on Community Safety issues.

- There was an adequate Performance Management System.

Our area of concern was whether CSS could demonstrate that it was providing value for money.

Trading standards

Assurance level: Satisfactory

It is pleasing to report that:

- There is a team of long serving, experienced members of staff with good local intelligence working in the Trading Standards section.
- Financial management of the Trading Standards service budget is satisfactory.
- Management is proud of frequent coverage and publicity of this service in the local Gazette, Team Hillingdon and Hillingdon People.

There are no major control weaknesses resulting from this audit, but to enhance good working practices, we have made some recommendations relating to the:

- Finalisation of certain draft documents, which can become the policies, procedures and guidance for staff.
- Backlog of Inspection Forms not yet put on the FLARE database and the need for management to carry out sample checks on the completeness and accuracy of the FLARE database.
- Lack of an audit trail for email referrals / notifications received from Consumer Direct, which are then deleted from Groupwise.

Housing Benefit Subsidy

Assurance level: Full

We were pleased to note that:

- Adequate process/procedural information exists which is available for staff reference. This information is subject to periodic review.
- Manual adjustments of data had been correctly processed and were supported by evidence.
- There was independent and appropriate checking/validation of the Housing Benefits Subsidy Claim by appropriate officers.
- Audit trails in support of the Housing Benefit Subsidy Claim data were satisfactory, with data verifiable to source/control data.
- Data input to the Housing Benefit Subsidy Claim were correctly categorised.

The key areas of concern were:

- Delay in the introduction of an electronic solution in order to obviate the need for manual adjustments to control data.
- The “approval” of the Housing Benefits Subsidy Claim by certain officers was not evidenced.

Payment of Sick Pay

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Assurance level: Full

We were pleased to note that:

- There is a clear corporate policy on managing employee absence.
- The roles and responsibilities with regards to recording sickness absences and sick pay are clearly defined and documented.
- Our testing found that payments of sick pay comply with the NJC

Complaints against Members**Assurance level: Full**

We were pleased to report that all complaints were made on the correct complaints form and were sent to the Head of Legal Services who is the Council's Monitoring Officer.

All the cases had followed the laid down procedures and supporting documentation was on file

Telephone Systems**Assurance level: Full Assurance**

There are several key areas of control that have reduced the security related risks to the IP telephony system. These included:

- All administrators have been formally trained in the system and 3rd party support is available for both the telephony systems and the underlying network into which they are converged.
- External tests of the security of the IP telephony system have been undertaken.
- Redundancy has been built into the IP telephony network, with no single points of failure.
- Voice mail boxes are protected by the use of a PIN number and this requirement is enforced universally.
- Endpoint control is in place to ensure that only approved and positively identified handsets can be connected to the network.

Schools' Audits

The table below summarised the school audits finalised in the period.

2009-10	Assurance Level
Schools - Primary	
Belmore Primary	satisfactory
Charville Primary	satisfactory
Colham Manor Primary	limited
Cranford Park Primary	satisfactory
Schools - Secondary	
Abbotsfield	limited
Barnhill Community High	limited
Bishop Ramsey	satisfactory

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2009-10	Assurance Level
The Douay Martyrs	satisfactory

3. Follow up audits

3.1. Considerable progress has been made in following up and clearing action points from previous audits. Particular mention is due to schools, where, with our dedicated schools auditor and close liaison with our colleagues in school improvement, finance and governors, we have cleared a significant backlog of outstanding issues. The results of follow ups are in the tables below and are separated between schools and other audits.

3.2. Implementation rates on follow up were relatively high for general audit follow up at around 70% for the more important High and Medium level recommendations.

3.3. Details of audits follow up but where issues remain outstanding are as follows:

Learning and development – two recommendations remain outstanding, the first is the requirement to develop a system that captures the development needs of the organisation from PADA information and the second is to develop a system to capture all training provided to staff, i.e. not through in-house provision. New target dates of 1 April 2010 have been set.

Music Service – the two outstanding recommendations were at some stage of implementation. One to link the music service plan to the objectives of the council had been delayed to take into account changes in national music requirements. The recommendation to improve billing was being actively pursued in discussions with the revenues team at the civic centre.

Home Care Private and Voluntary Payments - The one outstanding recommendation relates to reconciling the Electronic Call Monitoring System data to the hours being invoiced by the providers. Implementation is dependent of wider agreement with suppliers which is being progressed via the West London Authority group, all of whom have an interest in this.

Parking Services – the outstanding recommendation concerned better reconciliation to the council's Oracle system. This had been partially implemented and was expected to be completed in January 2010.

Business Continuity and Civil Emergency – We followed this up in September 09, shortly after the new manager took up post. All of the outstanding recommendations were in the process of being implemented and had revised target dates between November 09 and January 2010.

S106 Planning Gain – We followed this up in September 2009. The three outstanding recommendations were in the process of being implemented and were expected to be completed by the end of December.

Securicor Collection – The three recommendations outstanding were specific to management of the contractor relationship. The contract is in the early stages of being re-tendered and the service anticipates that the issues will be resolved when the new contract comes into force.

Commercial Properties – The two outstanding recommendations concerned revising council policy and were dependent on a consultant's report which needed member decision via Overview and Scrutiny. Revised dates of March 2010 have been set.

Pensions Administration – Two recommendations to improve reconciliations to the payroll system were outstanding when we followed this up in September. An upgrade to the payroll system in November 2009 was expected to resolve these issues.

Direct Payments for Children with Disabilities – The two outstanding recommendations referred to policies and procedures which were in the process of revision. Target of March 2010 has now been set.

AUDIT TITLE	HIGH	MEDIUM	LOW	IMPLEMENTED - HIGH	IMPLEMENTED - MEDIUM	IMPLEMENTED - LOW	NOT IMPLEMENTED
Investigation 13	4	2	1	4	2	1	0
Learning & Development	4	3		3	2		2
Music Service Follow Up	1	2			1		2
CareFirst Debtors	3	3	4	3	3	4	0
Home Care P&V Payments	3	4	3	2	4	3	1
Investigation 14	4			4			0
Parking Services		1					1
Sundry Debtors		1			1		0
Car Mileage	1	2	2	1	2	2	0
Business Continuity & Civil Emergency	6	3	1	1		1	8
Section 106 Planning Gain	1	4	0	0	2	0	3
Pension Administration		2	1		1		2
Securicor Collections	4			1			3
Benefit Fraud Processes			3		3		0
Commercial Properties		4			2		2
Special Educational Needs		1	2		1	2	0

AUDIT TITLE	HIGH	MEDIUM	LOW	IMPLEMENTED - HIGH	IMPLEMENTED - MEDIUM	IMPLEMENTED - LOW	NOT IMPLEMENTED
Direct Payments for Children with Disabilities	4	2		4			2
School Meal Arrangement at Haydon School	3			3			0
Building Control	2		1	1		1	1
	40	34	18	27	24	14	27
% Implemented by Risk				68%	71%	78%	
Overall % Implemented							71%
Overall % Not Implemented							29%
							100%

3.4. Schools' Follow ups – The dedicated schools auditor has focused on these in the current term. Consequently considerable progress has been made in clearing outstanding recommendations. There is now only one school with recommendations outstanding from 2007-8. The three schools with recommendations outstanding from 2008-9 will be subject to FMSiS (Financial Management Standards in Schools) certification this year and we will work with them and Education Finance to clear as many as possible. Overall 84% of high level recommendations have been cleared and 92% of medium.

	Audit Recommendations			Status after follow ups in Sept to Nov 09		
	High	Medium	Low	High	Medium	Low
2007/08 audits						
Lady Banks Junior	4			4	0	0
Dr Triplets	4			0	0	0
St Andrews	1			0	0	0
Cherry Lane	7			0	0	0
Wood end Primary	4			0	0	0
West Drayton	8			0	0	0
St Catherine's	5			0	0	0
Guru Nanak Primary	2			0	0	0
Brookside	10	0	1	0	0	0
2008/09 audits						
Deanesfield	8	2	0	0	0	0
Harmondsworth	7	0	0	0	0	0
Minet Infant	10	0	0	0	0	0
Whitehall infant	3	2	0	0	0	0
Whiteheath infant	1	1	0	0	0	0

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2007/08 audits	Audit Recommendations			Status after follow ups in Sept to Nov 09		
	High	Medium	Low	High	Medium	Low
Coteford Junior	5	1	0	0	0	0
Frithwood	4	0	0	0	0	0
Grange Park Infant	2	1	0	0	0	0
Grange Park Junior	10	0	0	0	0	0
Hermitage	2	0	0	0	0	0
Newnham jnr	4	1	0	0	0	0
Oak farm jnr	2	1	2	0	0	0
Ruislip Gardens	5	1	0	0	0	0
Sacred Heart	3	0	0	0	0	0
St Matthews	2	1	0	0	0	0
St Swithun Wells	8	0	0	0	0	0
Yeading infant	1	0	0	0	0	0
Yeading Junior	1	0	0	0	0	0
Bourne	4	0	0	0	0	0
Hillside Infant	11	3	0	0	0	0
Holy trinity	8	3	0	0	0	0
Newnham Infant	4	0	0	0	0	0
St Bernadette's	18	1	0	18	1	0
St Marys	4	1	0	0	0	0
Whitehall jnr	6	2	0	0	0	0
Breakspear Inf	3	0	0	0	0	0
Ryefield	5	1	0	0	0	0
Hedgewood	5	1	0	0	0	0
Moorcroft	6	1	0	6	1	0
Willows	8	0	0	8	0	0
McMillan Nursery	5	0	0	0	0	0
Minet junior	4	0	0	0	0	0
Totals	214	24	3	36	2	0

4. Advice Guidance and Consultancy

4.1. We have provided a range of advice and guidance on issues such as petty cash imprest returns.

4.2. Audit staff have had training and participated in groups looking at the issues that are current in the council, such as the Information Assurance Group, Transforming Social Care, Protocol implementation and the International Accounting Standards working group. Participation in these groups allows us to comment on issues as they arise rather than post implementation. Responsibility for projects remains with the sponsor.

4.3. The Head of Audit and one Audit Manager participated in a school governor training session on budget setting, which was delivered by a consultant and the schools'

Finance Manager. Most governors felt that it was useful to have the audit presence and expressed the view that they would feel more confident about their own challenge role at governors' meetings.

5. Anti Fraud Work

5.1. As part of our anti-fraud work we undertook probity checks on a random sample of 15 Purchase Cards. In the majority of cases, we were satisfied that the purchases made were valid and adequately supported by receipts. There were a few instances where receipts could not be supplied to support some of the purchases and one case where 20% of purchases were not supported. These were reported to the relevant managers and the latter case was dealt with as a management issue.

5.2. The roll out of the anti-fraud e-learning package for staff below manager level has commenced for existing staff. It will be incorporated into induction training for new staff.

5.3. We have continued to co-ordinate the responses to the National Fraud Initiative Data matching and have had a useful meeting with the Audit Commission lead to clarify some issues around the use of the on-line monitoring system.

5.4. We have signed up to a pilot to co-ordinate some data matching with a private sector anti-fraud organisation. It is too early to say if this will be a useful long term relationship but it does demonstrate our willingness as a council to do all we can to reduce fraud and the possibility of fraud.

5.5. Any confidential investigations are separately reported in part 2.

Internal Audit Plan 2008-9 Progress							
Audit Title	Status	Date Finalised	Assurance Level	Date of last Follow up	Number of outstanding recommendations		
					H	M	L
COUNCIL-WIDE ISSUES							
Corporate Governance	Finalised	03/06/09	satisfactory		-	2	3
Anti Fraud Measures							
Investigation 13	Finalised	06/01/08	Limited	Aug 09	0	0	0
Investigation 14	Finalised	14/07/09	not applicable	Nov 09	0	0	0
Car Mileage checks	Finalised	16/02/09	Satisfactory	Nov 09	0	0	0
Property Databases	Finalised	07/01/09	Satisfactory		1	4	4
Use of shared Oyster cards	Finalised	31/8/09	Limited		5	2	0
Deputy Chief Executives							
Scrutiny & Member Services	Finalised	05/06/09	Satisfactory	Nov 09	0	0	0
FINANCE & RESOURCES							
National Non-Domestic Rates	Finalised	27/05/09	Satisfactory		-	6	5
Council Tax	Finalised	07/11/08	Satisfactory	May 09	-	1	-
Payroll	Finalised	06/08/09	Satisfactory		-	10	3
Creditors - Misc	Finalised	27/01/09	Satisfactory		-	6	3
Sundry Debtors	Finalised	23/03/09	Satisfactory	Oct 09	-	0	-
General Ledger	Finalised	17/06/09	Satisfactory	Revised dates Dec 09	-	2	1
Payroll Expenses Procedures	Finalised	23/12/08	Limited		8	4	2
Pensions Admin	Finalised	07/01/09	Satisfactory	Revised dates Nov	-	1	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
				09			
Commercial Properties	Finalised	11/09/08	Satisfactory	Jun 09	-	4	-
ENVIRONMENT & CONSUMER PROTECTION							
Parking Services	Completed	20/09/08	Satisfactory		1	4	
Domestic Refuse Collection & disposal	Finalised	30/07/08	Satisfactory		3	1	2
Street Cleaning Works							
Exor System	Finalised	03/10/08	Satisfactory		-	2	-
				Revised dates Dec 09			
Business Continuity & Emergency Planning	Finalised	08/06/09	Limited		6	3	1
PLANNING & COMMUNITY SERVICES							
				Revised dates Jan 2010			
S106 Planning Gain	Finalised	15/06/09	Satisfactory		1	2	2
Library Book Purchasing and Management	Finalised	19/08/08	Satisfactory	Sept 09	0	0	0
Adult Education	Finalised	16/07/09	Limited		5	6	10
ADULT SOCIAL CARE, HEALTH & HOUSING							
Housing & CT Benefit	Finalised	05/06/09	Full	Aug 09	-	0	-
Access to Housing	Finalised	31/10/08	Satisfactory	Aug 09	-	0	-
Benefit Fraud Processes & Procedures	Finalised	08/01/09	Satisfactory	Nov 09	0	0	0
Carefirst Debtors	Finalised	14/05/09	Satisfactory	Nov 09	0	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
EDUCATION & CHILDRENS' SERVICES							
Special Needs Team	Finalised	05/09/08	Satisfactory	Nov 09	0	0	0
Schools Audits							
Deanesfield	Finalised	13/11/08	Satisfactory	Aug 09	0	0	0
Harmondsworth	Finalised	15/12/08	Satisfactory	Aug 09	0	0	0
Minet Infant	Finalised	12/12/08	Satisfactory	Aug 09	0	0	0
Whitehall Infant	Finalised	23/07/08	Satisfactory	Aug 09	0	0	0
Whiteheath Infant	Finalised	10/09/08	Satisfactory	Aug 09	0	0	0
Coteford Junior	Finalised	08/12/08	Satisfactory	Aug 09	0	0	0
Frithwood	Finalised	05/11/08	Satisfactory	Aug 09	0	0	0
Grange Park Infant	Finalised	05/11/08	Satisfactory	Sept 09	0	0	0
Grange Park Junior	Finalised	21/07/08	Limited	Nov 09	0	0	0
Hermitage	Finalised	12/11/08	Limited	Sept 09	0	0	0
Newnham Junior	Finalised	09/12/08	Satisfactory	Nov 09	0	0	0
Oak Farm Junior	Finalised	10/07/08	Satisfactory	Sept 09	0	0	0
Ruislip Gardens	Finalised	03/11/08	Limited	Nov 09	0	0	0
Sacred Heart RC	Finalised	18/07/08	Satisfactory	Sept 09	0	0	0
St Matthew's CE	Finalised	02/12/08	Satisfactory	Sept 09	0	0	0
St Swithun Wells RC	Finalised	10/03/09	Satisfactory	Sept 09	0	0	0
Yeading Infant	Finalised	23/07/08	Limited	Sept 09	0	0	0
Yeading Junior	Finalised	22/07/08	Limited	Sept 09	0	0	0
Bourne	Finalised	25/02/09	Satisfactory	Sept 09	0	0	0
Hillside Infant	Finalised	25/03/09	Limited	Sept 09	0	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
Holy Trinity	Finalised	02/03/09	Satisfactory	Sept 09	0	0	0
Newnham Infant	Finalised	10/07/08	Satisfactory	Sept 09	0	0	0
St Bernadette's RC	Finalised	18/03/09	Limited	Pending FMSiS	18	1	0
St Mary's RC	Finalised	10/03/09	Satisfactory	Sept 09	0	0	0
Whitehall Junior	Finalised	11/07/08	Satisfactory	Sept 09	0	0	0
Breakspear Infant	Finalised	25/02/09	Satisfactory	Sept 09	0	0	0
Ryefield	Finalised	27/03/09	Satisfactory	Sept 09	0	0	0
Hedgewood	Finalised	11/07/08	Limited	Sept 09	0	0	0
Moorcroft	Finalised	31/03/09	Satisfactory	Pending FMSiS	6	1	0
Willows	Finalised	29/04/09	Limited	Pending FMSiS	8	0	0
McMillan Nursery	Finalised	12/12/08	Satisfactory	Nov 09	0	0	0
IT Audits							
Third Party Service Management (Northgate)	Finalised	19/01/09	Satisfactory		0	4	1
Web Security	Draft issued						
Application Security (SCUBA system)	Finalised	04/03/09	Limited			5	2
IT physical and environmental security	Finalised	25/03/09	Satisfactory			2	5
Helpdesk Application	Finalised	05/03/09	Satisfactory		0	1	3
Housing & CT (Northgate) application review	Finalised	25/03/09	Satisfactory			4	1
Ocella application review	Draft issued						
IT Data Security and Transfer (from Contingency)	Finalised	26/03/09	Limited			4	3

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
Email Security and Management	Finalised	27/05/09	Limited		4	3	
Oracle Financials Upgrade	Finalised	03/03/09	Satisfactory		3	1	
Protocol System - post implementation review	In progress						
Contingency							
Supporting People Grant	Finalised	14/08/08	Satisfactory	Nov 09	0	0	0

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

Key

Currently being followed up

PLAN 2007-8		Number of outstanding recommendations				Comments
Audit Title	Status	Assurance Level	High	Med	Low	
DEPUTY CHIEF EXECUTIVES						
Learning and Development funding	✓	✓	1	1	0	Followed up Sept 09 – Revised dates March 2010
PLANNING & COMMUNITY SERVICES						
<i>Leisure Services</i>						
Building Control	✓	✓	0	0	0	Followed up Nov 09
ADULT SOCIAL CARE, HEALTH & HOUSING						
Private Sector Leasing	✓	✓	1	1	1	Followed up Jun 09
Homecare - All clients	✓	✓	1	0	0	Followed up Nov 09
EDUCATION & CHILDREN'S SERVICES						
<i>Children's services</i>						
Direct payment for disabled children	✓	⇩	0	2	0	Followed up Nov 09
<i>Schools - Primary</i>						
Lady Bankes Junior*	✓	✓	4	0	0	
Dr Triplets CE*	✓	✓	0	0	0	
St Andrew's CE*	✓	✓	0	0	0	
Cherry Lane Primary*	✓	✓	0	0	0	

✓ 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	
Minet Junior	✓	✓	0	0	0	
Brookside	✓	✓	0	0	0	
Wood End Park Primary*	✓	✓	0	0	0	
West Drayton*	✓	✓	0	0	0	
ST Catherine's Infant & Nursery	✓	✓	0	0	0	
Guru Nanak Primary	✓	✓	0	0	0	
Schools - Other						
School meal arrangements Haydon school	✓	✓	0	0	0	
Music Service	✓	✓	1	1	0	Followed up Nov 09
FINANCE & RESOURCES						
Pensions Assets	✓	✓	0	1	0	Followed up Nov 09 – Revised target date Mar 2010
ICT						
Asset Management/ Software and Hardware Management	✓	↓	0	3	3	
Network Security	✓	✓	0	2	0	Followed up March 09
BACS Payments Application	✓	✓	0	4	1	Followed up Jan 09

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

Key

Currently being followed up

PLAN 2007-8

Audit Title	Status
Website Content Management System	✓
Business Continuity Management	✓
Audits not completed in 2006-7	
Procurement/AP	✓

Assurance Level	Number of outstanding recommendations			Comments
	High	Med	Low	
	↓	1	2	
✓	0	4	0	
✓	0	4	2	
✓	0	2	0	Followed up with Oct 08 audit
✓	3	0	0	Followed up Nov 2009

ENVIRONMENT & CONSUMER PROTECTION

Exor System (IT) - review of concept	✓
Contingency	
Securicor collection	✓

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Audit Committee Annual report to Full Council

Contact Officer: Helen Taylor
Telephone: 01895 556132

REASON FOR ITEM

This report meets the good governance requirements of ensuring that the full council is aware of the activities of the audit committee. It summarises for Council the work of the Audit Committee during 2008-9.

OPTIONS AVAILABLE TO THE COMMITTEE

The Audit Committee are asked to review it for accuracy and comprehensive coverage and suggest any amendments, deletions or insertions they think appropriate before the report is submitted to council.

INFORMATION

Please see attached report.

BACKGROUND PAPERS

Draft Audit Committee Report to Council (appendix)

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Contact Officer: Helen Taylor
Head of Internal Audit & Risk Management
Telephone: 01895 556132

SUMMARY

This report summarises for Council the work of the Audit Committee during 2008-9 in undertaking its responsibilities in the oversight and challenge in the key areas within its remit, specifically:

- Internal Control;
- Risk Management;
- Internal Audit;
- Additional financial assurances;
- Anti Fraud; and,
- Annual Accounts and External Audit.

The report provides an opportunity for members to review the work of the Committee and comment on its contribution and performance.

This report details the key areas reviewed by the Committee in 2008-9. The Committee has had an impact on all areas of its remit. Notable areas were:

- Raising the profile of Internal Audit through its review of its activities and acknowledged support of the function;
- Receiving and reviewing the periodic progress reports presented by the Head of Internal Audit & Corporate Governance;
- Receiving and reviewing the report on the effectiveness of the systems of Internal Audit carried out by the Head of Audit at Southend on Sea;
- Receiving reports and commenting on the risk management process;
- Reviewing and approving annual accounts and presenting a robust challenge in addressing questions and seeking assurances from both officers and the external auditors;
- Reviewing reports on the Icelandic bank situation;
- Monitoring the production of the Annual Governance Statement and its supporting evidence. Recommending the adoption of the statement to the Leader and Chief Executive.

RECOMMENDATION

That the Council approves the annual report.

INFORMATION

1. Background

1.1. The Audit Committee has a wide ranging brief that underpins the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control including audit, anti-fraud and the financial reporting frameworks.

The Audit Committee also approves the Annual Accounts and receives regular reports on the work of the external auditor. The Terms of Reference for the Audit Committee are reproduced at Appendix 1 for information.

2. Membership

2.1. Details of the Committee members are in Table 1. They have a wide range of skills and bring both technical and professional experience to the role. The independent chair is a qualified accountant with wide experience in the private and public sector. Most members served on the committee in 2007-8 and had received development training when the committee was first established. Cllr O'Connor met with the Head of Audit on appointment to discuss roles and responsibilities.

Table 1

Member	Role
Mr. John Morley	Independent Chair
Cllr Paul Buttivant	Member (part year)
Cllr Mary O'Connor	Member (part year)
Cllr. George Cooper	Deputy Chair
Cllr Phoday Jarjussey	Member
Cllr. Elizabeth Kemp	Member

2.2. During the course of meeting members, they were briefed on relevant issues in relation to local government accounts, External Audit, Internal Audit, Use of Resources, Anti-Fraud arrangements, and risk management.

3. Internal Control

3.1. In compliance with the Accounts and Audit Regulations 2003 (and 2006 amendment), the Committee has reviewed the effectiveness of the systems of internal control by receiving regular reports from those areas that contribute to the control framework (Appendix 2), specifically;

- Internal Audit;
- External Audit
- Risk Management;
- Anti Fraud activities;
- Annual Governance Statement steering group.

3.2. Most of these activities were reported on at every meeting and the Committee's involvement has contributed to a score at level 3 (consistently above minimum requirements) for Internal Control, in the Use of Resources Judgment for 2008 and a predicted level 2 in 2009 under a widely acknowledged much stricter test in the Comprehensive Area Assessment Regime; effectively maintaining position.

3.3. The Committee received regular reports from the Annual Governance Statement Steering Group, which reviews and challenges the assurances used to support the Annual Governance Statement that accompanies the statutory accounts. It also reviewed the resultant draft Annual Governance Statement and recommended its approval to the Leader and Chief Executive.

4. Risk Management

4.1. Regular reports on the Council's corporate risks are produced and presented to the Audit Committee, which presents a further challenge to the identified risks.

4.2. The Corporate Risk Management Group (CRMG) has continued to meet regularly and challenge and review the risks and mitigation strategies. This group is the forum for consideration of all risks and its reports ultimately feed in to the Corporate Management Team, Executive Brief, the Audit Committee and, through an interactive process, back to the groups.

4.3. Assurances were provided to the Audit Committee regarding actions to assist with the control of the main risks being managed by the Council. During the year the PCT's financial position reduced in risk and the top rated risks were the uncertainty around Equal Pay claims, a Possible Public Health Emergency and the Private Sector Leasing Cap Reduction.

4.4. All corporate risks have a Risk Management Action Plan, which is effectively a strategy for reducing the effect of the risk.

5. Internal Audit

5.1. The Council's Internal Audit is mainly provided by an in-house team. During the year both schools' and IT audit were outsourced to external contractors, although for 2009-10 schools audit was brought back in-house. Staffing and resources have continued to improve with 92% of the plan completed to draft stage by the year end – a 6% improvement from 2007-8. High levels of assurance are key to the production of the Head of Audit's assurance statement, which in turn supports the Annual Governance Statement. During the year 98% of audit recommendations were accepted, against a target of 95% and an improvement of 1% over the previous year. Acceptance and implementation of audit recommendations is a key element of improving overall control.

5.2. During the year, the Audit Committee received regular updates on performance and summaries of audit reports. Their input has been fundamental in raising the profile of Internal Audit and its important role in assisting management in the Council. Senior officers are required to provide a commentary on the actions they are taking where a report received no or limited assurance and the Committee can, if it considers it necessary, ask officers to appear before it. The Committee also invited the Director of Education and Children's Services to attend one of its meetings to discuss the issues around obtaining better assurance on the financial management arrangements in schools.

5.3. The audit plan and strategy approved by the Committee for 2009-10 was based on a revised risk based methodology. Using this methodology the highest risk-ranked audits will be undertaken each year with the risks being re-evaluated annually to take account of emerging and receding issues.

5.4. In line with CIPFA guidance, an annual review of the effectiveness of the systems of Internal Audit was undertaken. This year the approach was to invite another Head of Audit to undertake a peer review. The Head of Audit for Southend on Sea carried out the review on a reciprocal basis. She met with the Chair of the Audit Committee prior to undertaking the exercise. The service was found to be largely compliant and an action plan was formulated to cover any gaps.

6. Additional Financial Assurance

6.1. During the year, the Icelandic banking crisis was very much to the fore. In addition to audit reports on treasury management and banking, the committee received regular updates on the Icelandic investments from treasury management officers. The Chairman of the committee also received ongoing briefings from the Director of Finance.

7. Anti-Fraud

7.1. During the year, the Audit Committee received summarised reports of the outcome of Internal Audit investigations into Fraud and Irregularity. The areas considered by the Audit Committee are outlined below.

7.2. The Committee reviewed an amended anti-fraud and corruption strategy.

7.3. Training in Anti-fraud awareness was a focus of delivery in 2008-9. Internal Audit delivered Bitesize courses for second and third tier managers, which included reminding managers of their responsibilities under the Fraud Act, guidance on how to spot and report fraud, as well as how it would be dealt with internally. An online e-learning package was purchased at the end of the year which will be rolled out to all staff in 2009-10 and will be included in induction training.

7.4. The National Fraud Initiative is a biennial nationwide exercise co-ordinated by the Audit Commission. Councils, NHS and other public bodies as well as some private sector bodies provide sets of data to the Audit Commission, which they match for obvious anomalies, e.g. employees in more than one Council. Internal Audit co-ordinates the exercise on behalf of LB Hillingdon. Data matching took place in year and investigations into matches will continue into 2009-10

7.5. Internal Audit has an established protocol with the Housing Benefit Fraud Team which makes full use of the skills in both teams and facilitates in-house prosecutions. This year saw the first successful prosecution under this arrangement.

7.6. Investigation work took up more time than planned, largely due to two significant investigations, one of which led to a successful prosecution and the other to a dismissal.

8. External Audit

8.1. Deloitte took over from the Audit Commission as the Council's external auditors. The Head of Audit met with Deloitte's Audit Manager to discuss the respective approaches to audit and how co-operation could increase the reliance they placed on our work. The initial indications are that this co-ordination has been useful and the relationship is working well. Deloitte have reviewed Internal Audit files and been able to place reliance on the work. Representatives from both Deloitte and the Audit Commission have attended Audit Committee meetings to present various reports and answer questions. The Chairman of the Audit Committee has met the Deloitte auditors independently, in keeping with good governance arrangements.

9. Annual Accounts and Financial Reporting

9.1. The Audit Committee approved the Annual Statement of Accounts for 2007-8 in June 2008. Prior to receiving the final unqualified opinion, the Committee also received reports from the Audit Commission and Deloitte throughout the year on their progress in certification, namely:

- Progress reports from both Deloitte and the Audit Commission;
- An Annual Governance report from the Audit Commission, which noted a number of improvements in the production of the Statement of Accounts compared to the previous year;
- The Use of Resource report from the Audit Commission.

9.2. In support of 2008-9 work, the committee received an Audit and Inspection plan from Deloitte.

9.3. The Committee have maintained an active interest in accounting treasury management issues (Icelandic banks) and have received updates from officers at every meeting. They have sought and obtained confirmation that all problems have been resolved going forward.

10. Committee Training and Development

10.1. The Committee has been relatively stable and this has manifested itself in the increasing confidence members have displayed in asking appropriate questions and presenting an effective challenge to the issues placed before it. Officers have provided briefs on technical matters while presenting papers. The Head of Audit and Corporate Governance met with new members to brief them on roles and responsibilities.

11. Conclusion

11.1. The Audit Committee has made a significant contribution to ensuring that the key elements of the Governance Framework are given proper consideration and are appropriately challenged. It will continue to develop this role and contribute to strengthen, internal control, risk management and governance throughout the authority.

BACKGROUND PAPERS

Appendix 1 Terms of reference for Audit Committee

Appendix 2 Annual Governance Statement Framework

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Review of Whistleblowing and Gifts and Hospitality Policies

Contact Officer: Helen Taylor
Telephone: 01895 556132

REASON FOR ITEM

The terms of reference for the audit committee include reviewing and monitoring council policies on raising concerns at work and anti fraud and anti corruption strategy. Two policies have recently been reviewed and amended and these are being brought to the attention of the committee in this report.

OPTIONS AVAILABLE TO THE COMMITTEE

Review the changed policies.

INFORMATION

1. Whistleblowing Policy

1.1 The Council's Whistleblowing Policy has been reviewed by the Head of Audit, Borough Solicitor and Chief Executive and is considered still to be appropriate. Two changes have been made; the email address has been changed to the shorter fraud@hillingdon.gov.uk and additional information on how to contact the charity, Public Concern at work have been added

2. Gifts & Hospitality Policy

2.1 This policy has been reviewed by the Borough Solicitor, Head of Audit and Corporate Management Team. Changes have been made to;

- Clarify the status of gifts between colleagues
- include a de minimus level of reporting for gifts of small items such as pens, diaries and calendars.

BACKGROUND PAPERS

Revised Whistleblowing Policy
Revised Gifts and Hospitality Policy

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HILLINGDON

LONDON

Confidential Reporting Policy

- Whistleblowing

Contents

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[External contacts](#)

1. Scope

The policy applies to employees and also contractors working for the Council on Council premises. It also covers suppliers and those providing services under a contract with the Council in their own premises.

2. Purpose

The purpose of this policy is to encourage employees and others to feel confident in raising serious concerns by providing clear avenues through which those concerns can be raised and reassuring those who raise concerns that they will not be victimised if they have a reasonable belief and the disclosure was made in good faith.

The policy will ensure that staff and others who raise concerns receive a response and are informed about how their concerns are being dealt with.

3. Policy

All employees at one time or another may have concerns about what is happening at work. Usually these concerns are easily resolved. However, when they are about unlawful conduct, financial malpractice, health and safety risks to the public or to other employees, damage to the environment, possible fraud or corruption, sexual or physical abuse of clients, or any other unethical conduct, it can be difficult to know what to do.

Employees may be worried about raising such issues or may want to keep the concerns to themselves, perhaps feeling it's none of their business or that it's only a suspicion. They may feel that raising the matter would be disloyal to colleagues, managers or to the Council. They may decide to say something but find that they have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next. They may also fear harassment or victimisation.

The Council is committed to the highest possible standards of openness, probity and accountability. It expects its employees who have serious concerns about anything that is happening in the Council, to come forward and raise those concerns. The Council, however, recognises that employees need to be supported and have confidence that any concerns will be treated appropriately. The purpose of this Policy is to enable employees to raise concerns about such malpractice at an early stage and in the right way. The Council would rather matters were raised when just a concern rather than wait for proof.

This Policy is primarily for concerns where the interests of others or of the organisation itself are at risk.

Employees with concerns about their employment with the Council should raise these through the [Grievance Procedure](#).

The message for employees is 'If in doubt - raise it!'

4. Procedure

Safeguards

1. The Council is committed to good practice and high standards and wants to be supportive of employees. The Council recognises that the decision to report a concern can be a difficult one to make. If you raise a genuine concern under this policy, you should have nothing to fear because you will be doing your duty to your employer and those for whom you are providing a service.
2. The Council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern in good faith.
3. Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect you.
4. All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness.
5. You should, whenever possible, put your name to your allegation as concerns expressed anonymously are much less powerful. The Council will exercise discretion in considering anonymous allegations if the issue raised is sufficiently serious, e.g. involving individual or public safety or corruption, waste or other impropriety, and credible and there is a likelihood of confirming the allegation from other sources.
6. If you make an allegation in good faith but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

How to raise a concern

7. It is normally expected that concerns will be raised in the first instance with the immediate line manager or Head of Service. However if the matter is of an extremely sensitive or serious nature or management is believed to be involved it can be raised with the following: -
 - Head of Internal Audit and Corporate Governance. 01895 556132 (Ext: 6132)
 - Monitoring Officer, 01895 250617 (Ext: 0617)
 - Director of Finance and Resources, 01895 556071 (Ext: 6071)
 - Chief Executive, 01895 250569 (Ext: 0569)
 - Head of Democratic Services, 01895 250636 (Ext: 0636)
 - External Audit, 01895 250571 (Ext: 0571)

Concerns can also be addressed to the confidential hotline number on 0800 389 8313 or e-mailed to: fraud@hillingdon.gov.uk

8. The above will also be able to provide advice/guidance on how to pursue matters of concern.
9. Concerns may be raised verbally or in writing. To make a written report it is suggested that the background and history of the concern with relevant dates is included and the reason for the particular concerns about the situation.
10. Reasonable grounds for concern will need to be demonstrated.
11. Employees may be accompanied at any meetings or interviews in connection with concerns raised by a trade union or other representative or a friend.

How the Council will respond

12. Once you have raised your concern, it will be looked into to assess initially what action should be taken.
13. As appropriate, matters raised may:
 - be investigated by management, the Monitoring Officer, internal audit, through the disciplinary process or referred for investigation through the Council's Standards Committee where the complaint is about the misconduct of Councillors.
 - be referred to the police
 - be referred to the external auditor
 - form the subject of an independent investigation.
14. In deciding how to deal with the concern raised, the overriding principle the Council will have in mind is the public interest. Concerns or allegations that fall within the scope of specific procedures e.g. child protection, will normally be referred for consideration under those procedures. Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.
15. Within ten working days of a concern being raised, the person to whom the concern has been raised will acknowledging receipt in writing and indicate how the Council proposes to deal with the matter. If there is an ongoing investigation the person responsible for that investigation will provide updates on how the matter is progressing and inform the outcome of the investigation subject to any legal constraints.
16. The Council will take steps to minimise any difficulties that may be experienced as a result of raising a concern. For instance, if required to give evidence in criminal or disciplinary proceedings, the Council will arrange for advice about the procedure and any support and counselling required.

The Responsible Officer

The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. That officer maintains a record of concerns raised and the outcomes, in a form, which does not endanger confidentiality, and will report as necessary to the Council.

External contacts

While the Council hopes this policy gives the reassurance needed to raise such matters internally, it recognises that there may be circumstances where matters can properly be reported outside bodies, such as the District Auditor or the police. The Union or Citizens Advice Bureau will be able to advise on such an option and on the circumstances in which to contact an outside body safely.

The Charity Public Concern at Work offers a free service to anyone who has concerns but doesn't know how to or is concerned about raising them. They can be contacted on **020 7404 6609** 9 am to 6 pm, Monday to Friday or by email on helpline@pcaw.co.uk

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GIFTS AND HOSPITALITY GOLDEN RULES FOR EMPLOYEES 2009

Issued: Dec 2009
Authorised: Borough
Solicitor

Golden Rule

Employees must act with the highest standards of honesty to comply with the law and avoid the suspicion that they might be influenced by improper motives.

Employees must not as a general rule accept any gift, financial reward, hospitality or entertainment from any person or from any company or body which has or intends to have dealings with the Council

This policy does not apply to personal gifts between employees.

However, in circumstances where an employee receives a gift of high value, or has any doubts as to the motives for making a gift, this should be reported immediately to the employee's line manager.

What can be accepted and does not have to be reported

Tea, coffee, soft drinks and biscuits may be accepted in the normal course of business with people from outside the Council and do not have to be reported.

Gifts of low value (less than £5) from people outside the Council such as calendars, pocket diaries, disposable pens, notepads, coasters, boxes of chocolates where it would be impractical to refuse them or uneconomic to return them. Wherever possible, these gifts should be shared with team members or given to the Mayor's charity. Where employees have any doubts as to the value of a particular gift, they should declare it.

What can be accepted but must be reported

Hospitality - light refreshments in excess of tea, coffee, soft drinks and biscuits where it would be embarrassing or impractical to refuse. Anything in excess of light refreshments is only allowed if authorised **in advance**. The minimum level for authorisation is Head of Service and, for Heads of Service and above, it must be their line manager.

If a gift or hospitality is offered (whether it is accepted or declined) it must be notified on this [registration form](#) for entering in a register which will be reported in June each year to the Corporate Management Team and the Standards Committee.

What should not normally be accepted by an individual?

This includes money, gift tokens, alcohol of any kind, or any gift of higher value than the token amount. They should be returned to the sender but if this is not practical they should be sent to the Mayor's Office for the Mayor's charity. These should still be recorded in the register.

Anything in excess of light refreshments not previously authorised in advance.

Offering of inducements

Anybody who is offered a gift or hospitality **as an inducement** should report it immediately - employees to their manager for reporting to the Director, Directors to the Chief Executive and the Chief Executive to the Monitoring Officer. Any cases will be rigorously pursued.

Advice

Advice on all aspects of these rules is available from the Borough Solicitor or the Head of Democratic Services.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Contact: Nancy Leroux
Telephone: 01895 250353

REASON FOR REPORT

As reported in September, from 2010/11, Local Authorities' Statement of Accounts will be required to be prepared under an IFRS-based Code of practice on Local Authority Accounting, This is part of a wider public sector move to align accounting standards for private, public and international entities incorporating accounting standards developed following accounting scandals such as Enron. To enable the council to comply with the implementation timetable, planning in Hillingdon started formally in July 2009.

As the body charged with governance of the authority's Statement of Accounts, it is relevant that the detail of the project plan to implement the transition is reported to Audit Committee and that Committee are regularly updated with progress reports. This report follows the introductory report in September and details the progress Hillingdon has made to date.

INFORMATION

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

Timetable

Local authorities will be required to produce their accounts fully on an IFRS basis for the year 2010/11. However, to be ready for full implementation, we will have to produce the accounts for 2009/10 on an IFRS basis to provide comparator figures and additionally restate the closing Balance Sheet for 2008/09 to provide the opening figures for the 2009/10 accounts.

Progress Update

The project plan, developed following the workshop held by Pricewaterhouse Coopers during, is on track and the key areas of impact under IFRS, together with Hillingdon's progress to date, have been detailed below:

IFRS Category	IFRS Impact	Progress to Date
Fixed Assets	IFRS requires fixed assets to be broken down into their components as they are replaced, prospectively from 1 st April 2011, if the amount is financially material when considering the overall value of the property (e.g. the roof of a building may need to be valued and depreciated separately to the rest of the building). Investment Properties and Assets Held for Sale also need to be reviewed against new IFRS definitions.	Updates have been made on the Oracle system, and discussions held with the Valuations team, to prepare for valuing components of assets. Investment Properties and Assets Held for Sale have been reviewed and reclassifications identified as required.
Leases	IFRS requires leases on land and buildings to be accounted for and disclosed separately. There is also a difference on the definition of operating and finance leases, leading to potential reclassification of operating leases to finance leases, and hence the need to move them to the balance sheet.	Land, Buildings and Vehicle leases have been reviewed, and identified for reclassification as required. Work is on going to identify and investigate additional arrangements that may potentially contain a lease, and categorise them accordingly.
PFI	Now all required to be on balance sheet and accounted for under IFRIC12 (Service and Concessions)	Deloitte have confirmed that the Council's PFI has already been treated correctly under IFRS, and no further action is required in this regard for restating the April 2009 Balance Sheet.
Contracts	Require review and separation of any unconnected embedded derivatives.	The contracts register is being reviewed to identify any embedded derivatives, which have no relation to the subject of the contract (these are very rare in Local Authorities). This is not expected to have any impact on the restated April 2009 Balance Sheet.

Operating Segments	The accounts are required to be reconciled from Financial Reporting Best Value structure to the Management Account structure. This will form a new note to the accounts.	This note has been completed for 2008/09 in line with the draft IFRS Code. Further work may be required in this area as a result of the finalised IFRS Code of Practice, to be published in mid December 2009
Employee Benefits	IFRS requires disclosure of the accrual of untaken holiday pay and flexitime.	Flexi leave data has been collected for 30% of staff on flexi time contracts, with at least 5% representation from each of the 6 Council's service areas. This provides sufficient information to calculate the Flexi Leave accrual. Regarding annual leave, leave carry-forward for all Hillingdon staff as at 1 April 2009 has been obtained. A calculation has also been performed to calculate the leave carry-forward for staff in schools.

Restatement of Balance Sheet

The restatement of the balance Sheet is scheduled completion by the end of December. Whilst we have made good progress on this, some final guidance is still awaited to allow this task to be fully completed. In particular, the publication of the IFRS Code of Practice in mid December, which will clarify outstanding issues on asset re-classification and the annual leave accrual.

A further report will be brought to audit committee in March 2010.

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Audit Committee Review of its own Effectiveness

Contact Officer: Helen Taylor
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REASON FOR ITEM

To enable the committee to discuss the outcome of the meeting on 30 November 2009, where it completed a self assessment form and identified items for further action or clarification.

OPTIONS AVAILABLE TO THE COMMITTEE

The committee needs to formulate an action plan for any gaps identified during the review of its effectiveness.

INFORMATION

1. Background

1.1 On the 30 November 2009 the audit committee met and conducted a self assessment exercise to review its own effectiveness. The committee was compliant in most respects but there were some issues it felt needed further action. The table below lists only the issues that arose as needing further clarification or action.

Outcome of self assessment

Issue	Comments/Actions
Terms of Reference and duties	
Are the terms of reference reviewed annually to take into account; <ul style="list-style-type: none"> • governance developments; and • the remit of other committees within the Council? 	No – Should this be put on the agenda – possibly in March?
Can the Committee access other committees and full Council as necessary?	Not clear Review relationship between us and other committees. Include formal calling of members where appropriate
Are changes to the Committee's current and future workload discussed and	No Need to clarify role and who reports and

Audit Committee 16 December 2009
 PART 1 – MEMBERS, PUBLIC & PRESS

Issue	Comments/Actions
approved at Council level?	answers questions.
Meetings and Reporting	
Are Committee papers distributed in sufficient time for members to give them due considerations?	Not always Members require hard copy on time. Important to keep members informed and consider part distributions.
Are minutes received as soon as possible after the meetings?	No often delayed. Committee felt that this was an issued to bring to the attention of Head of Democratic Services.
Do action points arising from the meetings indicate who is to do what and by when?	Not always by when. Having a date would make it easier to track progress. Can a date be included? Actions are included throughout the minutes. Can action points be listed at the end of the minutes? Can agenda then include outstanding action points?
Does the Committee report regularly to Council?	Has reported but not regularly Report to be produced annually in June at the same time as the Head of Audit Annual Assurance statement. It will reflect activities in the previous financial year.
Committee Membership	
Are members, particularly those new to the Committee, provided with training in all areas of its remit?	Insufficient for a member with no relevant background Devise an induction programme for members. Consider intranet web site for members. Consider topical pre meeting sessions to increase knowledge and skills.
Do members have sufficient knowledge of the organisation to identify key risk areas and to challenge both management and the auditors on critical and sensitive matters?	Yes But it was felt that this was very dependent on the selection of experienced councillors to serve on the committee. A discussion issue for the whips?
Compliance with Laws and Regulations	
Has the Committee formally assessed whether the support it receives is sufficient and enables it to ensure that it complies with relevant laws and regulations?	Partly It was felt that Committee support is not always adequate.
Does the Committee have a mechanism to	No

Issue	Comments/Actions
keep it aware of topical, legal and regulatory issues?	Standing item to be put on agenda. – Current issues/information
Internal Control and Risk Management	
Has the Committee considered how its work integrates with the wider performance and risk management responsibilities of other committees / cabinet?	Partly Needs more clarity. How do we close the circle?
Does the Committee receive regular assurance statements encompass all the organisation's responsibilities, that the system of internal control is operating effectively and that it is effective in managing risk?	Partly How to we get assurance on external partnerships?
Does the Committee receive progress reports with regard to the action plan produced to address any significant internal control issues reported in the Statement of Internal Control?	Yes At the year-end. Should the committee get a six monthly report – say in December? For this year it could be included in the interim AGS report already timetabled for March 2010.
Has the Committee satisfied itself that the Council's approach to dealing with fraud and corruption is reviewed annually, is fit for purpose and creates a strong counter fraud culture throughout the Council?	Anti Fraud and corruption strategy has been reviewed regularly but now needs to be completely overhauled to meet the standards set out in CIPA's 'Red Book' Managing the risk of Fraud. This is already timetabled for the March meeting. Note; Southend have offered to share their strategy documents.
Officer Attendance	
Does the Committee have the benefit of attendance of appropriate officers at its meetings?	Yes But request that CEO or DCE attend the June meeting with the Annual Governance Statement is approved with the accounts.
Terms of Reference	
Are the key principles of the terms of reference set out in the Financial Procedure Rules?	Yes Most recent revision to Financial rules sets out the financial role <i>The Audit Committee will provide independent scrutiny of the authority's financial and non-financial performance and oversee the financial reporting process. It will also consider reports from the external and internal auditors and</i>

Issue	Comments/Actions
	<i>approve the annual statement of accounts. The Audit Committee reports to full Council</i>
Audit Planning and Reporting	
Has the Committee established a process whereby it reviews any material objection to the plans and associated assignments that cannot be resolved through negotiation?	No If there were an issue the committee would consider what action to take. Do we need to formalise?
Does the Committee review the adequacy of staffing and resources within Internal Audit to deliver the plan?	No Resources are included in the strategy. Head of audit could do a report on staffing. Is this required?
Independence and Relationships	
Does the Committee hold periodic private discussions with the Head of Internal Audit?	No To be organised at the beginning of a meeting
External Audit & Inspection	
Has the Committee satisfied itself that work in the plan not relating to the financial statements reflects the Council's significant risks?	In part
Does the Committee assess the performance of External Audit?	No Committee to discuss with Deloitte
Does the Committee hold periodic private discussions with the External Auditor / Relationship Manager?	Yes But check future timetable.
Does the Committee receive reports on large write offs, changes in accounting treatment or other significant financial matters arising during the year?	Assurance around budget setting? Large write offs Compliance with contract procedure rules.

BACKGROUND PAPERS

Good Practice Guidance Sources: CIPFA Audit Committees, Practical Guidance for Local Authorities, CIPFA A Toolkit for Local Authorities Audit Committees, NHS Audit Committee Handbook 2005, Accounts and Audit Regulations 2003, The Accounts and Audit (Amendment) (England) Regulations 2006

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

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