

Audit Committee

28 June 2010

Minutes



	<p>Independent Member: John Morley (Chairman)</p> <p>Members Present: Councillors George Cooper, Phoday Jarjussey, Richard Lewis and Raymond Graham.</p> <p>Apologies: None</p> <p>Officers Present: Kevin Byrne (Head of Policy), Gill Crosbie (Audit Manager), Stephen Cross (E Communications Manager), David Holdstock (Head of Communications), Harry Lawson (Corporate Accounting Manager), Nancy Le Roux (Senior Finance Manager – Corporate Finance), Christopher Neale (Director of Finance & Resources), Helen Taylor (Head of Internal Audit and Corporate Governance), Paul Whaymand (Head of Accountancy Services), and Khalid Ahmed (Democratic Services Manager).</p> <p>Others Present: Paul Hutt (Deloitte) and Gus Miah (Deloitte)</p>
2.	<p>Declarations of Interest:</p> <p>John Morley and Councillor Raymond Graham declared Personal Interests in Agenda Item 5 – Approval of the 2009/10 Statement of Accounts as they were Members of the Board of Hillingdon Homes. They both remained in the room and took part in discussions on the item.</p> <p>Councillor George Cooper declared a Personal Interest in Agenda Item 5 – Approval of the 2009/10 Statement of Accounts as he was a Member of the Pensions Committee and a Trustee of Hillingdon & Ealing Citizens Advice Bureau. He remained in the room and took part in discussions on the item.</p> <p>Councillor Richard Lewis declared a Personal Interest in Agenda Item 5 – Approval of the 2009/10 Statement of Accounts as he was a Member of the Pensions Committee and the Chairman of the Corporate Services & Partnerships Policy Overview Committee. He remained in the room and took part in discussions on the item.</p>

<p>3.</p>	<p>Minutes of the meetings held on 11 March and 13 May 2010</p> <p>Agreed as accurate records.</p> <p>[During discussion on the item, the Chairman informed Members that in relation to the Minutes of the meeting held on 11 March 2010 and Minute No. 48 relating to Internal Audit Progress Report, the outstanding recommendation in relation to Website Content Management had not been implemented. The Chairman agreed to the consideration of this item as urgent business to enable the Committee to be provided with information on the likely target date for completion of the outstanding recommendations.]</p>	
<p>4.</p>	<p>Exclusion of the press and public:</p> <p>It was agreed that Item 17 – Internal Audit Progress Report be considered in private.</p> <p>It was also agreed that Item 16 – Key Financial Audit Risk Relating to the Valuation of Icelandic Investments be moved from Part II of the agenda into Part I.</p>	
<p>5.</p>	<p>Internal Audit Progress Report – Update on Website Content Management</p> <p>The Chairman agreed to consideration of this item as urgent business to enable the Committee to be provided with information on progress on this outstanding recommendation.</p> <p>Members were reminded that at their meeting held on 11 March 2010, Members asked that if the outstanding recommendation in relation to the strategy for standardised access for the website was not implemented that it be brought back to the next meeting of this Committee for consideration.</p> <p>The Head of Communications and the E Communications Manager attended the meeting and provided Members with an update on the progress in implementing this outstanding recommendation. Members were informed that there had been delays in relation to finalising this strategy because of the work which was being carried out in relation to the Council's Business Improvement Delivery programme. It was anticipated that there would be a stand alone strategy by the end of this year. Discussion took place on this and Members asked that this be progressed and implemented by the end of 2010. The Head of Internal Audit and Corporate Governance was asked to progress this issue.</p> <p>Resolved -</p> <p>1. That the information provided be noted.</p>	<p>Action By:</p> <p>David Holdstock Helen Taylor</p>

	<p>of £535,000 and Members were informed that this cost would be reduced with the Comprehensive Area Assessment and Use of Resources work having been abolished</p> <ul style="list-style-type: none"> • Under summary of Treasury Management Policy, Members noted the sentence which referred to the speculative procedure of borrowing purely in order to invest being unlawful • Fund Balances and Reserves – Reference was made to two new earmarked reserves relating to Schools Earmarked Reserves and Grant Funded Reserves and Members were informed that the Schools Earmarked Reserves included reserves from Building Schools for the Future and Grant Funded Reserves were grant payments received in advance that had previously been held in creditors • Events after the Balance Sheet Date – Members noted that Hillingdon Homes would be transferring back to the Council on 1 October 2010. The Chairman informed Members that he had contacted the Borough Solicitor regarding his membership of the Board of Hillingdon Homes and he had been advised that he would only have a conflict of interest as Chairman of the Audit Committee if there was to be any disagreement between the parties involved • Section 65 – Agreement for Learning Disability Services – reference was made to the agreement the Council had with the Primary Care Trust (PCT) which provided support to 660 clients at a gross cost of £34m which included approximately 105 PCT clients for which the Council received £10.4m • Equal Pay – Back Pay Provision. The Head of Accountancy Services reported that most of the Council's staff that had been affected by this had negotiated a settlement. • Pensions Schemes Basis of Estimation – Financial Assumptions. The Chairman noted that the expected return on equities had increased from 7.0% to 7.8%. Members were informed that this was partly offset by a decrease in the discount rate used to measure future liabilities. <p>The Chairman referred to the Annual Governance Statement and the Members agreed that it would be good practice if the Chief Executive or the Deputy Chief Executive attended the Committee next year to introduce the statement.</p> <p>Members noted that in relation to Member Training, two Risk Management training sessions had taken place for Members.</p> <p>Resolved –</p>	<p>Action By:</p> <p>Nancy Roux Le</p>
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	<p>1. That approval be given to the unaudited Statement of Accounts for the financial year ended 31 March 2010 and the Chairman be asked to sign and date the Statement of Accounts to formally complete the Committee's approval of the accounts.</p> <p>2. That the Annual Report for the Pension Fund for the financial year ended 31 March 2010 be noted.</p>	Action By:
7.	<p>Indicative Stage Use of Resources</p> <p>Members were informed that the report prepared by Deloitte detailed the assessment of the Council's performance under the Use of Resources assessment, which formed part of the now abolished Comprehensive Area Assessment.</p> <p>The significant improvements made by the Council in terms of the Key Lines of Enquiry (KLOEs) resulted in the Council's overall score improving from a score of 2 last year, to a score of 3 for this year.</p> <p>Members noted this substantial improvement in the KLOE scores, particularly the sustained performance in financial management, with the value for money KLOE increasing to a score of 3.</p> <p>Gus Miah and Paul Hutt from Deloitte attended the meeting and presented the report to Members. The assessment comprised three themes:</p> <ul style="list-style-type: none"> • Managing finances, focusing on the sound and strategic financial management of the local authority; • Governing the business, focusing on the strategic commissioning and good governance of the local authority; and • Managing resources, focusing on how the local authority manages its natural resources, assets and people <p>Members were informed that most of the recommendations for improvement related to procurement. Particular mention was made of the recommendation relating to the 'Annual Questionnaire for Councillors' which recommended this should include a question on how Members had used their Personal Development Toolkit. This was to enable the Council to monitor the use and effectiveness of these Toolkits.</p> <p>The Director of Finance and Resources reported that this recommendation would be taken forward as part of the improvement plan for the BID process</p>	

	<p>Resolved –</p> <p>1. That the information contained in the report be noted.</p>	
8.	<p>Head of Audit Annual Assurance Statement</p> <p>The Head of Internal Audit and Corporate Governance reported that based on the work undertaken during the year, Internal Audit could provide satisfactory assurance that the systems of internal control within the Council were operating adequately and effectively. Overall there were 9 limited assurance opinions including 4 schools, and 4 audits had received no assurance.</p> <p>Reference was made to the audit outcome for Asylum Finance and the area of concern relating to only two officers having the required skills and knowledge to carry out the necessary tasks. The Head of Accountancy Services reported that the tasks relating to Asylum Finance were technical and detailed, however the Head of Finance in Education and Children’s Services had knowledge of the processes around this task.</p> <p>The Head of Internal Audit and Corporate Governance referred to the follow up audits. Members noted that although 82% of recommendations had been implemented at follow up, 18% had not been implemented.</p> <p>In relation to the use of shared Oyster Cards, the Head of Internal Audit and Corporate Governance was asked to provide an update on this if the action points had not been implemented before this Committee’s next meeting.</p> <p>The Director of Finance and Resources commented on the limited assurance level which had been given for IT Disaster Recovery. A generator was to be installed in the Civic Centre which would alleviate the problem of the Council’s IT network crashing during power cuts.</p> <p>Resolved-</p> <p>1. That the audit opinion and the evidence on which it is based as detailed in the report be noted.</p>	<p>Action By:</p> <p>Helen Taylor</p>
9.	<p>Annual Review of the Effectiveness of the Systems of Internal Audit</p> <p>The Accounts and Audit Regulations 2003 (as amended 2006) required a review of the systems of Internal Audit.</p> <p>Resolved-</p>	

	<p>1. That the actions and summary of outcomes detailed in the report be noted.</p>	
10.	<p>Fraud Awareness Survey 2010</p> <p>The report provided Members with details of a Fraud Awareness Survey which had been carried out to measure the success of a survey which had taken place in 2007.</p> <p>Members noted that the survey had indicated that those staff that were confident that action would be taken if fraud was detected had risen from 59% to 78%. Officers were congratulated for achieving this increased confidence in the Council dealing with fraud.</p> <p>Resolved-</p> <p>1. That the contents in the report and the general improvements made in raising awareness since 2007 be noted.</p>	<p>Action By:</p> <p>Helen Taylor</p>
11.	<p>Consolidated Fraud Report</p> <p>Reference was made to the point in the report which stated that there was a good culture of managers approaching Internal Audit when they thought they had a problem area.</p> <p>Resolved –</p> <p>1. That the contents of the report and the level of compliance with the Audit Commission checklist for those charged with Governance be noted.</p>	
12.	<p>Review Progress on Implementing Actions Arising from Committee Self Assessment</p> <p>The report was deferred to the next meeting of the Committee.</p>	
13.	<p>Update on International Financial Reporting Standards (IFRS)</p> <p>The report was deferred to the next meeting of the Committee.</p>	
14.	<p>Work Programme 2010/11</p> <p>The report was deferred to the next meeting of the Committee.</p>	
15.	<p>Report to Council on the Work of the Audit Committee</p> <p>Details of the work carried out by the Committee during 2009-</p>	

	<p>10 were contained in the report.</p> <p>Minor amendments were suggested and in particular it was suggested that an amendment be made to paragraph 2 – Membership – to indicate that Councillor Eginton had resigned from the Committee on 11 March 2010.</p> <p>Resolved –</p> <p>1. That, with the amendments suggested, the report be noted and Council be asked to approve the report at their meeting in September.</p>	<p>Action By:</p> <p>Khalid Ahmed</p>
16.	<p>Changing Legislation and Current Issues</p> <p>The Head of Internal Audit and Corporate Governance would email Members with details of the changing legislation and current issues detailed in the agenda.</p>	<p>Helen Taylor</p>
17	<p>Key Financial Audit Risk Relating to the Valuation of Icelandic Investments</p> <p>This tem was moved into Part I of the agenda.</p> <p>The report provided Members with details of the Council's current position in relation to the valuation of Icelandic investments.</p> <p>Resolved –</p> <p>1. That the report be noted.</p>	
18.	<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>Consideration was given to a progress report on two Internal Investigations.</p> <p>Resolved –</p> <p>1. That the information contained in the report be noted.</p>	
	<p>Meeting closed at: 7.10pm</p> <p>Next meeting: 21 September 2010 at 5.00pm</p>	

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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.