

Minutes

Audit Committee

Tuesday, 21 September 2010

Meeting held at Committee Room 3a - Civic Centre, High Street, Uxbridge UB8 1UW



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	<p>Independent Member: John Morley (Chairman)</p> <p>Members Present: Councillors Phoday Jarjussey, Richard Lewis and Raymond Graham.</p> <p>Apologies: Councillor George Cooper.</p> <p>Officers Present: Harry Lawson (Corporate Accounting Manager), Nancy Le Roux (Senior Finance Manager – Corporate Finance), Christopher Neale (Director of Finance & Resources), Helen Taylor (Head of Internal Audit and Corporate Governance), Paul Whaymand (Head of Accountancy Services), Steve Wilkins (Risk and Insurance Manager) and Khalid Ahmed (Democratic Services Manager).</p> <p>Others Present: Jonathan Gooding (Deloitte) and Gus Miah (Deloitte) Anthony Dean (Graduate Trainee Auditor), Jay Nandhra (Audit Manager), Seni Odunsi (Principal Auditor), Ramesh Rai (Graduate Trainee Auditor) and Graham Windsor (Auditor).</p>
19.	<p>DECLARATIONS OF INTEREST</p> <p>John Morley and Councillor Raymond Graham declared Personal Interests in Agenda Item 5 – External Audit Annual Governance Report and Agenda Item 6 – External Auditor Report on the Pension Fund Annual Report and 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 Richard Lewis declared a Personal Interest in Agenda Item 6 – External Auditor Report on the Pension Fund Annual Report and Accounts as he was a Member of the Pensions Committee. He remained in the room and took part in discussions on the item.</p>
20.	<p>MINUTES OF THE MEETING HELD ON 28 JUNE 2010</p> <p>Agreed as an accurate record.</p>

21.	<p>EXCLUSION OF THE PRESS AND PUBLIC</p> <p>It was agreed that Agenda Item 13 –. Report for Quarter 1 to 30 June 2010 on Council Risk (and opportunity) register be considered in private.</p>	
22.	<p>EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT</p> <p>Consideration was given to a report which summarised the findings of the External Auditor on the audit of the 2009/10 Statement of Accounts and the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the Value for Money audit).</p> <p>Since the approval of the accounts on 28 June 2010, 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. It had been indicated that the auditor expected to issue unmodified opinion on both the Financial Statements and on the Value for Money audit.</p> <p>Gus Miah of Deloitte attended the meeting and introduced the report to Members and presented the most significant matters which he wanted to bring to the attention of the Committee.</p> <p>The key financial audit risk areas were:</p> <p>Grant income recognition – Reference was made to the specific issue in relation to the Unaccompanied Children's Asylum grant and the overstatement of income which had been based on the historic success of claiming for the full amount of the Council's costs for this.</p> <p>In addition Deloitte had identified a difference of £807k between the housing benefit debtor recorded in the accounts and the debtor recorded on the Council Tax benefit grant claim form.</p> <p>Pension liability – The asset value included in the pension liability at year end was misstated with an overstatement of £600k.</p> <p>Property valuations – Reference was made to the insufficient depreciation which had not been built into valuations, in particular relating to schools' assets which had been valued five years ago.</p> <p>Bad debt provisions – Evidence suggested that estimates could be either under or over stated.</p> <p>Valuation of Icelandic investments – The Council had received a better than anticipated receipt and Deloitte were satisfied that the Council had calculated the correct amount.</p>	<p>Action By:</p>

	<p>Accounting for local taxes - only the Council's share of Council Tax arrears would be shown on the balance sheet.</p> <p>The audit plan had also identified two risks to the value for money conclusion:</p> <p>Contract procurement – This was generally robust but reference was made to the Hillingdon House Farm project where there was no formal signed contract in place. Members were informed that the Director of Planning, Environment and Community Services was in the process of reviewing Major Construction Project contracts to address this issue. The Head of Internal Audit and Corporate Governance reported that procurement officers had received an instruction to ensure that all Cabinet or Cabinet Member reports on contracts should seek the advice of Legal Services.</p> <p>Partnership working – The Council had demonstrated that it aligned priorities and achieved value for money in its partnership arrangements.</p> <p>Members were informed of the following other issues which were identified during the course of the audit:</p> <p>International Financial Reporting Standards – The Audit Committee was regularly kept up to date on this.</p> <p>Faster close down – timetable for producing accounts had been brought forward by a month and this would result in the final accounts being signed off quicker.</p> <p>Cost reduction plan – The economic downturn and the resultant impact on public spending. The Council had undertaken a comprehensive process of service review which would result in efficiency plans and savings to be made. Reference was made to the Business Improvement Development programme and that Deloitte had been involved in discussions on this.</p> <p>The announcement regarding the future of the Audit Commission and the demise of the Comprehensive Area Assessment – There would be new audit arrangements for 2012/13 and there would be a new, more targeted and better value approach to the local Value for Money audit. Reference was made to Hillingdon Homes returning back into the Council structure and the implications of this in terms of external auditing.</p> <p>Members expressed their appreciation at the efforts made by both Deloitte and Finance officers on the production of the accounts and the good joint working which had taken place.</p>	<p>Action By:</p>
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	<p>Resolved -</p> <p>1. That the Committee notes the following:</p> <p>(i) The audit adjustments as detailed in the report and in Appendix 1 to the report;</p> <p>(ii) The internal control recommendations as set out in the report and</p> <p>(iii) The progress made and actions being taken to continue to improve the quality and accuracy of the information contained within the accounts.</p>	<p>Action By</p>
<p>23.</p>	<p>EXTERNAL AUDITOR REPORT ON THE PENSION FUND ANNUAL REPORT AND ACCOUNTS</p> <p>Members were reminded that regulations required the auditor's report to be communicated to the Audit Committee as the body charged with governance of the Council's accounts. The report would also be considered by the Pensions Committee on 22 September 2010.</p> <p>Members were informed that on completion of the outstanding matters, the Council would be issued with an unmodified audit opinion.</p> <p>Members asked that the Pensions Committee be asked to consider the recommendation from the external auditors on the issue relating to Review of Fund Managers' internal control reports.</p> <p>Resolved –</p> <p>1. That the auditor's findings contained in the report be noted and the Pensions Committee be asked to consider the recommendation from the external auditors on the issue relating to Review of Fund Managers' internal control reports.</p>	<p>Khalid Ahmed</p>
<p>24.</p>	<p>UPDATE ON REVISED ANTI-FRAUD AND CORRUPTION STRATEGY</p> <p>Members were informed that substantial changes were needed to be made to the strategy due to impending legislative change (Bribery Act 2010) and changes in practice within the Council and the updated strategy would be submitted to the March 2011 meeting after approval by Cabinet.</p> <p>The Head of Internal Audit and Corporate Governance reassured Members that the existing strategy provided</p>	

	<p>sufficient coverage to mitigate against fraud and corruption within the Council.</p> <p>Resolved –</p> <p>1. That the information reported be noted.</p>	<p>Action By:</p>
<p>25.</p>	<p>INTERNAL AUDIT PROGRESS REPORT</p> <p>The Head of Internal Audit and Corporate Governance reported that based on the work undertaken from June 2010 to 31 August 2010, there were no significant causes for concern at this time with levels of assurance.</p> <p>Details of the audits which were deleted and added to the plan were reported. Particular reference was made to Hillingdon Homes, whereby Internal Audit had been involved in the project team which was working on the re-integration of Hillingdon Homes back into the Council.</p> <p>Five audits in the current report had received limited assurance but plans had been put in place to address the weaknesses identified. These were:</p> <ul style="list-style-type: none"> • Mental Health – The areas of concern were being jointly dealt with by Adult Social Care, Health and Housing and by managers within Central and North West London NHS Foundation Trust. • Payroll – All the recommendations of the audit were being addressed. Reference was made to the management comment on audits and it was asked that the relevant Corporate Director be assigned to the management comment. In addition the Head of Internal Audit and Corporate Governance would provide the latest date when all recommendations were expected to be completed in future summary reports of audits, to enable Members to be aware of implementation dates. • Flexi Working Arrangements – Members were informed that the arrangements would be reviewed as part of the BID process. • HR Payroll Changes & Trigger Dates. • Temporary Accommodation – The service had been redesigned following the BID process and there was confidence that there would be full implementation of outstanding actions. <p>Reference was made to the follow up for general audit in relation to Environmental Services Application and the high number of outstanding recommendations. Members were informed that this was on target for full implementation by December 2010.</p> <p>In relation to Private Sector Leasing a Member sought</p>	<p>Helen Taylor</p>

	<p>explanations for an outstanding recommendation from 2008. The Head of Internal Audit and Corporate Governance reported that this recommendation required the cooperation of three external agencies before it could be completed. She drew attention to the most recent audit outcome which was reported in the main summary of the report. It recorded that substantial progress had been made towards completing this recommendation.</p> <p>Members discussed the follow up audit for Northwood School and noted that significant progress had been made, with only 5 recommendations outstanding.</p> <p>A Member raised a concern regarding Blue Badges and the Head of Internal Audit and Corporate Governance reported that there was already an audit underway in this area, which would be reported to the next meeting of this Committee.</p> <p>Discussion took place on the work of Internal Audit and it was agreed that for the purposes of training and to enable a full understanding of the role of Internal Audit, Members would be briefed on a full audit process at the next meeting.</p> <p>Resolved-</p> <ol style="list-style-type: none"> 1. That the in year progress against the Internal Audit Plan for 2010/11 and the updated position of those audits undertaken in the previous three years be noted 	<p>Action By</p> <p>Helen Taylor</p>
<p>26.</p>	<p>INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)</p> <p>Members were informed that the transition to IFRS was a major change to financial reporting and represented a challenge to the whole organisation.</p> <p>The Council was on course to meet the deadlines for the preparation of the accounts under IFRS, working closely with Deloitte on the transition.</p> <p>Resolved-</p> <ol style="list-style-type: none"> 1. That the report be noted. 	
<p>27.</p>	<p>AUDIT COMMITTEE REVIEW OF ITS OWN EFFECTIVENESS</p> <p>Discussion took place on the progress made on the actions identified on the Committee's self assessment form which emanated from a workshop which the Committee held on 30 November 2009. Overall good progress had been made in the issues raised.</p>	

	<p>Members re-iterated the importance of either the Chief Executive or the Deputy Chief Executive attending the meetings of this Committee when the Annual Governance Statement was discussed.</p> <p>It was agreed that the Committee would hold a private meeting with Deloitte prior to this Committee's meeting in December 2010. This would fulfil one of the outstanding issues from the self assessment.</p> <p>Resolved-</p> <p>1. That the report and the information provided at the meeting be noted.</p>	Action By:
28.	<p>REVISED TREASURY MANAGEMENT PRACTICES</p> <p>Members were provided with details of the changes in Treasury Management Practices since the Committee's review in 2009.</p> <p>Reference was made to Internal Audit conducting yearly reviews of the treasury management function and Members asked that there should be occasions when no notice was given when these inspections were to take place.</p> <p>Officers were also asked to follow up on why no formal contracts were in place with brokers and to provide additional information on how the brokers earned their commission.</p> <p>Resolved-</p> <p>1. That the report be noted.</p>	Nancy Le Roux
29.	<p>WORK PROGRAMME 2010/11</p> <p>Discussion took place on this Committee's work programme and a number of changes were agreed which would be reflected in the work programme for the next meeting of this Committee.</p>	
30.	<p>REPORT FOR QUARTER 1 TO 30 JUNE 2010 ON COUNCIL RISK (AND OPPORTUNITY) REGISTER</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>	

	Resolved – 1. That the information contained in the report be noted.	
	Meeting closed at: 7.00pm Next meeting: 15 December 2010 at 5.00pm	

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.