

## Minutes

### Audit Committee

Thursday 8 December 2011

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



	<p><b>Independent Member:</b> John Morley (Chairman)</p> <p><b>Members Present:</b> Councillors George Cooper, Phoday Jarjussey, Richard Lewis and Raymond Graham.</p> <p><b>Apologies:</b> Councillor Paul Harmsworth (Councillor Phoday Jarjussey substituting).</p> <p><b>Officers Present:</b> Nancy Le Roux (Senior Services Manager – Corporate Finance), Helen Taylor (Head of Audit and Enforcement), Paul Whaymand (Deputy Director of Finance) and Khalid Ahmed (Democratic Services Manager).</p> <p><b>Others Present:</b> Heather Bygrave (Deloitte), Jonathan Gooding (Deloitte) and Zoe Prescott (Deloitte).</p>
26.	<p><b>DECLARATIONS OF INTEREST</b></p> <p>Councillor George Cooper declared a Personal Interest in Agenda Item 6– Internal Audit Progress Report as his wife was a Governor of the Hillingdon Virtual School. He remained in the room and took part in discussions on the item.</p>
27.	<p><b>MINUTES OF THE MEETING HELD ON 28 SEPTEMBER 2011</b></p> <p>Agreed as an accurate record subject to an amendment to Minute No. 14 – Declarations of Interest and the deletion of Councillor Judith Cooper as having a Personal Interest in Agenda Item 13 – Internal Audit Progress Report, as she was not a Trustee of Groundwork Trust.</p>
28.	<p><b>EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>It was agreed that Agenda Item 11 – Internal Audit Progress Report be considered in private and the rest of the Agenda in public.</p>
29.	<p><b>DELOITTE - ANNUAL AUDIT LETTER</b></p> <p>Prior to the meeting, the Committee had met in private with Deloitte, the Council's External Auditor.</p>

	<p>Heather Bygrave and Jonathan Gooding from Deloitte attended the meeting and introduced the report to Members.</p> <p>The Annual Audit letter summarised the key matters which Deloitte had carried out in respect of the year ending 31 March 2011.</p> <p>Members were provided with the main messages of the letter:</p> <ul style="list-style-type: none"> <li>• The Council's Financial Statements – an unqualified opinion was issued on 30 September 2011. The recommendations from the audit were discussed in detail at the last meeting of the Audit Committee held on 28 September 2011</li> <li>• The Local Government Pension Scheme Annual Report – an unqualified opinion was issued on 30 September 2011.</li> <li>• Value for Money Conclusion – an unqualified opinion was issued as part of the main financial statements.</li> <li>• Whole of Government Accounts – an unqualified statement of assurance was issued to the National Audit Office on the Council's consolidation return for the purposes of the Whole of Government Accounts</li> <li>• Grants Certification – This was being considered in a separate report to this Committee</li> <li>• Deloitte reported that a number of control observations and associated recommendations were reported at the last meeting of the Committee. The majority of these had since been implemented.</li> </ul> <p>Members were advised that the potential objections which had been raised in relation to the Statement of Accounts and which were reported at the last meeting of the Committee had not materialised.</p> <p>Reference was made to bad debt provision which had identified a judgemental misstatement relating to the provision of sundry debts. The Deputy Director of Finance reported that this had been accepted for 2011/12 and the methodology for sundry debtors would be looked at.</p> <p>The Committee noted that the professional fees in respect of the certification of grants earned by Deloitte should be updated to take account of the work in relation to the certification of grants.</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li>1. That the Annual Audit Letter be noted and staff in Finance be congratulated for their performance for this year.</li> </ol>	<p><b>Action By:</b></p>
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<p><b>30.</b></p>	<p><b>DELOITTE – ANNUAL GRANTS AUDIT LETTER</b></p> <p>Members were informed that the report for this item had been distributed late because three of the grant audits had required additional testing which had delayed their completion. They had been signed off by Deloitte on 30 November. The Committee noted this explanation and agreed to consider the report.</p> <p>Zoe Prescott from Deloitte introduced the report. The main issues identified in the report were:</p> <ul style="list-style-type: none"> <li>• 8 grants had been certified, 7 of which were submitted and certified by the required deadline. The HRA base data was granted an extension and the grant was submitted and certified by the revised deadline.</li> <li>• As a result of errors identified during the audit, adjustments were made to 5 of the 8 grant claims prior to certification and qualification letters were issued in respect of 4 grant claims. Members were informed that the reasons for the qualifications were as follows: <ul style="list-style-type: none"> <li>• HRA subsidy base data return - the Council was unable to provide an audit trail which supported the classification of housing stock</li> <li>• HRA subsidy return - in respect of two adjustments made on the return</li> <li>• Teachers' pension return – officers had incorrectly classified additional payments as pensionable and thus deducted pension contributions in error. In addition, a school erroneously submitted teachers additional voluntary contributions (AVC) deductions to the Council rather than to the AVC provider and the Council then submitted to the Teachers' pension return</li> <li>• Housing and council tax benefit return – initial testing of 80 cases identified errors on 13 cases, and further testing found a higher than normal level of errors on multiple cases</li> </ul> </li> </ul> <p>Members were informed that Deloitte would be holding a training session with those officers responsible for the completion of grant claims to help them better understand how to complete the claims taking them through the instructions they followed when undertaking the audit. They had also agreed to deliver a specific session targeted at the Housing</p>	<p><b>Action By:</b></p>
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	<p>Benefits claim.</p> <p>In relation to the Teachers' return, new arrangements were being implemented in this area and this work would be transferred to the Schools Finance from Payroll, which should provide additional rigour in future. Concern was expressed at schools opting for a payroll provider based on cost rather than quality. Members were informed that the Schools' Auditor was working with the Schools' Finance Teams on details of what services they should be receiving from a payroll provider.</p> <p>In Housing and council tax benefits a comprehensive set of actions had been developed to address the audit findings. These included system changes to reduce transcription errors, additional guidelines and documents for Housing Benefit and Housing Needs staff, additional checking of individual calculations in a number of areas to reduce the risk of errors, regular support for staff outside of housing benefits responsible for input information for housing benefit processing and further training based on an analysis of audit findings.</p> <p>Reference was made to the Gateway Grant and the issues which had been identified. Officers were working closely together on this.</p> <p>The Deputy Director of Finance reported that grant work was an area of the Council's performance which required improvement. He informed the Committee that a great deal of joint working was taking place with Deloitte across the Council to ensure officers were fully trained.</p> <p>Members expressed some concern at the errors which had been identified but were encouraged at the steps that were being taken to ensure that performance in this area improved.</p> <p><b>RESOLVED -</b></p> <ol style="list-style-type: none"> <li>1. That the Annual Grant Audit Letter be noted.</li> </ol>	<b>Action By:</b>
<b>31.</b>	<p><b>INTERNAL AUDIT PROGRESS REPORT</b></p> <p>The Head of Audit and Enforcement reported that based on the work undertaken from September 2011 to 13 November 2011, there were no significant causes for concern at this time with levels of assurance.</p> <p>Three audits in the current report had received limited assurance but plans had been put in place to address the weaknesses identified. Most other audits had satisfactory assurance, with three, including one school having Full assurance.</p>	



	audits undertaken in 2007-8, 2008-9, 2009-10 and 2010-11 be noted.	
32.	<p><b>TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY</b></p> <p>Members were provided with an explanatory note on changes to the Treasury Management Strategy and Statement which were made as a result of CIPFA revisions to its Treasury Management Code and changes made by the Council.</p> <p>Reference was made to the Council's increase in borrowing which was due to the Housing Subsidy reform and would result in £192.8m of debt.</p> <p>In relation to the estimates of capital expenditure and financing, the figures detailed in the report would be updated before approval by the Council in February.</p> <p>The Chairman referred to the Treasury Management Policy Statement which stated that the Audit Committee was responsible with Cabinet for ensuring effective scrutiny of the treasury management strategy and policies. He suggested that this should be included in the Committee's Terms of Reference.</p> <p>Discussion took place on whether the Committee required an external adviser in Treasury Management to attend Committee. Officers were asked to investigate this and report back to the next meeting of the Committee.</p> <p><b>RESOLVED –</b></p> <p>1. That the contents of the report be noted and changes to the Strategy and Statement be reported back to the next meeting of this Committee.</p>	<p><b>Action By:</b></p> <p><b>Nancy Roux      Le</b></p> <p><b>Nancy Roux      Le</b></p>
33.	<p><b>WORK PROGRAMME 2011/12 AND DRAFT WORK PROGRAMME 2012-13</b></p> <p>The Chairman reported that the Work Programme had been updated in consultation with the Head of Audit and Enforcement.</p>	<b>Helen Taylor / Chairman</b>
34.	<p><b>CHANGING LEGISLATION AND CURRENT ISSUES</b></p> <p>The Committee noted the Audit Commission publication on Protecting the Public Purse and the Department for Work and Pensions consultation paper on the Future of Local Authority Fraud Investigations</p> <p><b>RESOLVED –</b></p>	

