

## Minutes

### Audit Committee

Tuesday 12 March 2013

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



HILLINGDON  
LONDON

	<p><b>Independent Member:</b> John Morley (Chairman).</p> <p><b>Members Present:</b> Councillors George Cooper, Raymond Graham, Paul Harmsworth and Richard Lewis.</p> <p><b>Officers Present:</b> Simon Bailey (Interim Head of Internal Audit), Kevin Byrne (Head of Policy, Performance and Partnerships), Gill Crosbie (Audit Manager), Nancy Le Roux (Head of Corporate Finance), Jay Nandhra (Audit Manager), Paul Whaymand (Director of Finance) and Khalid Ahmed (Democratic Services Manager).</p> <p><b>Others Present:</b> Heather Bygrave (Deloitte).</p>
36.	<p><b>DECLARATIONS OF INTEREST</b></p> <p>Councillors Raymond Graham and Richard Lewis declared Non-Pecuniary Interests in Agenda Item 6– Deloitte – 2012/13 Annual Audit Plan as they were both Members of the Pensions Committee. They both remained in the room and took part in discussions on the item.</p> <p>Councillors Raymond Graham and Richard Lewis declared Non-Pecuniary Interests in Agenda Item 14 – Corporate Services &amp; Partnerships Policy Overview Committee review into the Effectiveness of the Audit Committee and its Terms of Reference as both Members were Members of the Corporate Services &amp; Partnerships Policy Overview Committee. They both remained in the room and took part in discussions on the item.</p> <p>Councillor George Cooper declared a Non-Pecuniary Interest in Agenda Item 7 - Internal Audit Progress Report and Agenda Item 9 - Internal Audit Operational Plan, as his wife was a Governor at Charville Primary School. He remained in the room and took part in discussions on the items.</p>
37.	<p><b>MINUTES OF THE MEETING HELD ON 6 DECEMBER 2012</b></p> <p>Agreed as an accurate record.</p>

38.	<p><b>EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>It was agreed that Agenda Items 15 – Risk Management and Agenda Item 16 – Internal Audit Report which were in Part II of the Agenda be considered in private. The rest of the Agenda was considered in public.</p>	
39.	<p><b>DELOITTE – ANNUAL GRANT LETTER</b></p> <p>Heather Bygrave from Deloitte attended the meeting and provided Members with a summary of the key findings on the grant work undertaken.</p> <p>The Committee was informed that Deloitte was responsible for certifying 6 claims and returns, all of which were certified by the required deadline and their key findings from this work were that as a result of errors identified during the audit, adjustments were made to 3 of the 6 grant claims prior to certification. Qualifications letters were issued in respect of 2 grant claims.</p> <p>The reasons for the qualifications were relating to Housing and Council Tax benefit scheme, where errors had been identified in 10 out of the 80 cases tested. Also a qualification letter was issued in respect of three points relating to the Single Programme and asking the Authority to revisit the capital and revenue split in relation to the costs of Home Energy Advisors.</p> <p>The Committee noted that such qualifications were not unusual, and could be because of very minor errors. The total fees for the grant certification work had reduced to £115,399 which had been due to the considerable testing undertaken by the Internal Audit Team which had helped contain the overall cost.</p> <p><b>RESOLVED:</b></p> <p><b>1. That the contents of the report be noted.</b></p>	
40.	<p><b>DELOITTE – 2012/13 ANNUAL AUDIT PLAN</b></p> <p>Heather Bygrave from Deloitte attended the meeting and introduced the report to Members.</p> <p>Members were informed that the key changes from last year were:</p> <ul style="list-style-type: none"> <li>• Changes to the Housing Revenue Account which was considered an audit risk</li> <li>• The HRA settlement payment no longer being considered a significant audit risk on the basis that this was a one-off transaction in 2011/12</li> </ul> <p>The Committee was informed that for the 2012/13 financial</p>	<p><b>Action By:</b></p>

statements, Deloitte had estimated materiality of £7.5million, which was based on the prior year outturn.

The significant audit risks were identified and the main areas on which specific audit work would focus would be

- Contributions
- Benefits
- Financial Instruments
- Management of Key Controls

Reference was made to the number of identified control deficiencies at the Council in monitoring housing repair and construction contracts. If controls were not designed and implemented correctly the Council would not be achieving value for money for procurement of construction contracts.

The Committee noted that the indicative fee for the audit for 2012/13, excluding the audit of the pension's scheme and certification of claims and returns was £207,090, which was a reduction of £138,000 from last year. Reference was made to the fees payable in relation to the monitoring of a building contract for the expansion of six primary schools. This was £242,231, with £177,808 retained by Drivers Jonas Deloitte, with £64,423 being paid to a sub-contractor.

#### **Audit Plan for the Pension Fund**

Members were informed that the approach was the same as for the last two years.

Reference was made to the number of complexities surrounding the calculation of both benefits in retirement and ill-health and death benefits remained a key area of audit risk.

Deloitte reported that in relation to Financial Instruments, during 2012/13, the scheme had transferred investments between Investment Managers using Nomura as transition managers. The assets were transferred to the equity portfolio from Marathon to both Kempen Global and Newton Global via a holding period at State Street Global Advisors.

Members were informed that the plan would be considered by the Pensions Committee on 27 March 2013.

#### **RESOLVED -**

- 1. That the information contained in the report be noted.**



	<p>reported that these were located within the UK, at London Docklands and in Woking.</p> <ul style="list-style-type: none"> <li>• Self Directed Support – The Committee was informed that clients were not yet managing their own Personal Budgets so there was no increased risk to vulnerable people.</li> <li>• Commissioning Third Sector Providers – Concern was expressed at the high risk which had been identified in relation to three unsigned contracts. Members were assured that Corporate Procurement was now tightening up procedures to ensure this did not happen in the future.</li> <li>• Caravan Site (Colne Park) – Concern was expressed at the identified high risk recommendation regarding the collection of annual gas certificates from residents at the site. The Committee asked that Members be emailed progress on the implementation of this control improvement, together with the management response.</li> <li>• Golf Courses Follow Up Review – The Committee noted the progress made in implementing the recommendations but officers were asked to provide a further update on progress made at the next meeting of the Committee.</li> <li>• School Audits – The Committee was informed that the Governing Body of schools were sent audit reports.</li> <li>• New Year’s Green Lane Weighbridge – The Committee was informed that there was now only one medium outstanding recommendation and this would be followed up.</li> <li>• Children with Disabilities – Transition – The Committee asked that their concerns at the revised date of May 2013 to implement the outstanding recommendations be communicated back to management.</li> </ul> <p><b>RESOLVED-</b></p> <p><b>1. That the in year progress against the Internal Audit Plan for 2012/13 be noted and the updated position on outstanding recommendations of those audits undertaken in 2009-10, 2010-11 and 2011-12 be noted.</b></p>	<p><b>Head of Internal Audit</b></p> <p><b>Head of Internal Audit</b></p> <p><b>Head of Internal Audit</b></p>
<p><b>42.</b></p>	<p><b>INTERNAL AUDIT STRATEGY AND REVIEW OF THE TERMS OF REFERENCE</b></p> <p>Members were informed that the report set out the strategy for delivery and development of the Internal Audit Service 2013-14 and the associated Annual Internal Audit Operational Plan.</p>	<p><b>Action By:</b></p>

	<p>This detailed how the service would be delivered, the assurance that it would provide and how the Head of Internal Audit would contribute to corporate governance arrangements, risk management processes and key internal control systems.</p> <p>This report also took into account that from April 2013 the current CIPFA Code of Practice was being replaced by new UK standards for internal audit in the public sector. CIPFA was publishing an Application Note for the Local Government sector in April. There would then be a review of how the new standards and Application Note would affect the internal audit framework for 2013/14 and later years, and the results of the review would be reported to the next meeting of this Committee.</p> <p><b>RESOLVED –</b></p> <p><b>1. That approval be given to the Internal Audit Strategy for 2013-14 and it be noted that a review of the Terms of Reference would be reported to the next meeting of this Committee.</b></p>	<p><b>Head of Internal Audit</b></p>
<p><b>43.</b></p>	<p><b>INTERNAL AUDIT OPERATIONAL PLAN</b></p> <p>Members were informed that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government required the Head of Internal Audit to produce a risk based plan, which was fixed for no longer than a year and was designed to implement the Audit Strategy.</p> <p><b>RESOLVED –</b></p> <p><b>1. That approval be given to the Internal Audit Operational Plan.</b></p>	
<p><b>44.</b></p>	<p><b>DELIVERING THE ANNUAL GOVERNANCE STATEMENT (AGS) 2012-13</b></p> <p>The report provided Members with an update on the process to be adopted and the approach to be taken in compiling the Annual Governance Statement.</p> <p><b>RESOLVED –</b></p> <p><b>1. That the sources of management information and assurance used to produce the AGS be noted.</b></p>	

45.	<p><b>REVISIONS TO THE TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2013/14 TO 2015/15</b></p> <p>The Committee had considered the draft Annual Treasury Management Strategy Statement and Investment Strategy for 2013/14 to 2015/16 at the meeting on 6 December 2012.</p> <p>The Committee reviewed the changes from the draft to the final version of the Statement.</p> <p><b>RESOLVED –</b></p> <p><b>1. That the contents of the report be noted.</b></p>	
46.	<p><b>BALANCES AND RESERVES STATEMENT 2013/14</b></p> <p>The report was noted.</p>	
47.	<p><b>CORPORATE SERVICES &amp; PARTNERSHIPS POLICY OVERVIEW COMMITTEE REVIEW INTO THE EFFECTIVENESS OF THE AUDIT COMMITTEE AND ITS TERMS OF REFERENCE</b></p> <p>The Committee was provided with an update on the progress of the implementation of the recommendations of the review.</p>	
48.	<p><b>WORK PROGRAMME 2011/12</b></p> <p>Noted.</p>	
49.	<p><b>RISK MANAGEMENT REPORT – 2012/13 – QUARTER 3</b></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><b>RESOLVED –</b></p> <p><b>1. That approval be given to the risk management arrangements and the information contained in the report be noted.</b></p>	
50	<p><b>INTERNAL AUDIT PROGRESS REPORT</b></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</p>	

	<p>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><b>RESOLVED –</b></p> <p><b>1. That the information contained in the report be noted.</b></p>	
	<p><b>The meeting which commenced at 5.00pm, closed at: 7.00pm</b></p> <p><b>Next meeting: 25 June 2012 at 5.00pm</b></p>	

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