Audit Committee

29 June 2009

Minutes



Independent Member:

John Morley (Chairman)

Members Present:

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

Apologies:

None

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), Iain Watters (Financial Management Trainee), Steve Wilkins (Risk & Insurance Manager) and Khalid Ahmed (Democratic Services Manager).

Others Present:

Paul Hutt (Deloitte) and Gus Miah (Deloitte)

At the start of the meeting the Chairman welcomed Councillor Tony Eginton to his first meeting of the Committee.

6. Declarations of Interest:

John Morley and Councillor Liz Kemp declared Personal Interests in Agenda Item 7 – Approval of the 2008/09 Statement of Accounts and Pension Fund Annual Report as they were Members of the Board of Hillingdon Homes.

Councillor George Cooper declared a Personal Interest in Agenda Item 11 – Proposed Audit Committee Work Programme as he was a Governor of St Mary's School, and in Agenda Item 7 as he was a Member of the Pensions Committee.

Councillor Tony Eginton declared a Personal Interest In Agenda Item 11 – Proposed Audit Committee Work Programme as he was a Governor of Abbotsfield School for Boys, Hillside Junior School and Minet Nursery and Infant School.

Councillor Mary O'Connor declared a Personal Interest in Agenda Item 11 – Proposed Audit Committee Work Programme as she was a Governor of Botwell School and Moorcroft School.

7.	7. Minutes of the meetings held on 5 May 2009	
	Agreed as an accurate record subject to an amendment to the in Councillor Mary O'Connor in the list of apologies and to amend N page 6 so that "GCSX, N3 and LPSN" be clarified to read "Gover Secure Extranet, N3 and London Public Sector Network".	/linute No. 5, on
8.	Exclusion of the press and public:	
	It was agreed that Item 13 be considered in private.	
9.	Deloitte Interim Audit Report	Action By:
	Paul Hutt from Deloitte provided Members with an update on the audit which was to take place starting on 6 July 2009. The Council's Statement of Accounts would be looked at in great detail.	
	The interim work had found no specific significant issues.	
	Resolved - 1. That the information reported be noted and those officers involved in the work be thanked for their efforts.	
10.	Interim Use of Resources Report	
	This report detailed Deloitte's interim assessment of the Council's performance under the new Use of Resources assessment which formed part of the Comprehensive Area Assessment.	
	Members were informed that over the last year the Use of Resources assessment had changed and had become more difficult and was now based on outcomes. Under the previous assessment a number of Councils were achieving scores of 3 and 4 for their Use of Resources. All the scores had been rebased essentially moving 4 to 3 and 3 to 2.	
	Details of the interim report findings assessed the Council with an overall score of a strong 2, which was lower than last year's score of 3. Individual section scores could be reassessed if further evidence was supplied.	
	Reference was made to the key lines of enquiry (KLOE) and the key evidence gaps which had been found. These were: • All material income streams have targeted collections rates which were monitored regularly, with mitigating action taken to improve rates of collection which were below target; • Evidence of efficient Council performance in comparison	

	to nearest neighbours in terms of costs across different Council service areas; • The effectiveness of Member training and development; • The Council should present its assessment and demonstration that Hillingdon Partners and other significant partnership arrangements were achieving value for money in what they do; • Members training around risk management through other routes rather than formal training sessions Discussion took place around some of key evidence gaps and Members were informed that in relation to Member training, the Council had not provided any evidence on the effectiveness of Member training and Risk Management training had not been undertaken by all Members. In relation to comparing this Council's performance and costs to its neighbours, subsequent to the meeting, Members were informed that the assessment directed the auditor to compare this Council's costs with those of its 'nearest neighbour' group as defined by the Audit Commission. The 'nearest neighbour' group were all outer London Boroughs. This Council's task was to justify why its costs were at the level they were, compared to these neighbours, and to explain any circumstances which could lead to its costs being higher and to identify these areas and to address these costs. Members noted that officers of this Council needed to review the evidence presented to Deloitte to ensure the Council's	Action By:
	position was fully explained and to provide further evidence as required.	
	Resolved –	
	 That the report be noted and the Committee welcomed the early receipt of the interim report which gives officers the opportunity to submit comments. 	
	That a further report be submitted to the next meeting of this Committee.	Nancy Le Roux
11.	Approval of the 2008/09 Statement of Accounts and Pension Fund Annual Report	
	Members were presented with the 2008/09 Statement of Accounts as required by the Accounts and Audit Regulations 2003 and were asked to approve the annual report of the Pension Fund.	
	The Corporate Accounting Manager provided Members with a	

paper which detailed adjustments which were required to the Accounts.

Issues raised and comments made included:

- Intangible assets the depreciation life was for 5 years.
 These assets did not number that many and were
 software licences for IT equipment. Officers would
 provide Members with details on why the procedure for
 intangible assets was different to tangible assets.
- PFI Contract The Council had entered into a PFI contract for the construction and facilities management of Barnhill Community High School and there was around 15 years left on the contract
- Local Authority Housing HRA Reduction in contribution of housing capital receipts to Government pool caused by "Rights to Buy" dropping because of the economic climate. There had been a movement in the value of the fixed assets
- Long Term Contracts Reference was made to the contract the Council had with Virgin Media for a broadband connection for the Hillingdon Grid for learning which was not included in this section. Officers would investigate this.
- Officer Emoluments The Chairman referred to a possible discrepancy with last year but was informed that these numbers were the same as the audited figures
- Members and Chief Officers The Auditors were asked to check the information on Member and officers declarations to ensure the information in the Statement of Accounts was correct
- Valuation of Fixed Assets Carried at Current Value –
 This had been caused due to changes regarding Fixed
 Asset revaluations and impairments. Previously they
 were posted to the Fixed Asset Reserve Account with nil
 impact on the Income and Expenditure Account.
 Revaluation gains were now posted to a Revaluation
 Reserve and can be reversed at a future date if the
 asset was later impaired due to movement in market
 prices. Members were informed that the evaluation of
 Council dwellings was undertaken every five years and
 the next one would be 2010
- Debtors There had been a fall in the outstanding debtors figure from £61.7m to £41.7m which was due to substantial write-offs of historic National Non Domestic Rate debt
- Investment Income Concern was expressed at the £28,100,000 figure for "Other" as this did not present a true and fair view and it was agreed that an explanation note be added at the bottom of the page of the accounts

Nancy Le Roux

Nancy Le Roux Significant Governance Issues – It was noted that a number of control issues had been identified following a review of the effectiveness of the system of internal control Action By:

Notes to Housing Revenue Account – Rent Arrears.
 Officers to include comparative figures from last year.

Members reviewed the Pension Fund Annual Report. They noted this was the first year they had received the report as a separate document, and considered that they did not have sufficient oversight of the pension scheme to approve the Pension Fund Annual report.

Resolved

- 1. That approval be given to the 2008/09 Statement of Accounts for the financial year ended 31 March 2009, with the amendments suggested, and the Chairman be asked to sign and date the Statement of Accounts to formally complete the Council's approval of the accounts.
- 2. That the Annual Report for the Pension Fund for the financial year ended 31 March 2009 be noted
- 3. That officers be thanked for all the effort and hard work which had gone into producing the Statement of Accounts.

12. Head of Audit Annual Assurance Statement

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.

Concern was expressed at the number of audits that had been dropped due to a lack of resources and Members were informed that the investigations had taken up more time than was budgeted for. Reference was made to the loss of an Audit Manager in May 2008 and the difficulties in recruiting to the vacancy, which had impacted on the service.

Discussion took place on the finalised audits and in particular those audits that had been given limited assurance: Email security, payroll expenses procedures and a number of school audits. Concern was expressed at the number of high risk areas within schools and the Head of Internal Audit and Corporate Governance reported that regular meetings were taking place between officers to improve the situation and this

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	would be reflected in the results of audits in the current Internal Audit Plan.	Action By:
	Resolved-	
	That the information contained in the report be noted and Head of Internal Audit and Corporate Governance be asked to submit a report to the next meeting of this Committee, focussing on school audits.	Helen Taylor
13.	Annual Review of the Effectiveness of the Systems of Internal Audit	
	The Accounts and Audit Regulations 2003 (as amended 2006) required a review of the systems of Internal Audit. The Head of Internal Audit and Corporate Governance had undertaken this self assessment and this had been reviewed by the Head of Audit at Southend On Sea Borough Council.	
	The view was that Internal Audit was substantially compliant, however reference was made to the requirement for this Committee to carry out a review of its own effectiveness and that this should be undertaken at the earliest opportunity.	
	Resolved-	
	That the information contained in the report be noted.	
14.	Review of Internal Audit Terms of Reference	
	Members were informed that the Code of Practice for Internal Audit in Local Government required a periodic review of the terms of reference of Internal Audit.	
	Officers apologised to Members for the errors in the paragraph numbering. Reference was made to paragraph 7 under responsibilities, and officers were asked to check whether Internal Audit had the responsibility to prepare the strategic and annual plan for approval by the Chief Finance Officer, taking into account the risks of service departments a detailed in the terms of reference.	
	In addition Head of Internal Audit and Corporate Governance would look at paragraph 8.1 under Resources and who determined Internal Audit resources as it was suggested that the Section 151 Officer acting on behalf of this Committee should determine Internal Audit resources.	
	Discussion took place with regard to Internal Audit's engaging with management during audits and Members asked that this	

	be looked at to include reference to ensure that there was a definite separation of roles of internal audit from management. The Head of Internal Audit and Corporate Governance would	Action By:
	provide suggested amendments to Members via email. Resolved-	
	That the revised terms of reference be approved, subject to Members approving the suggested amendments made by the Head of Internal Audit and Corporate Governance as a result of discussion at the meeting.	Helen Taylor
15.	Proposed Audit Committee Work Programme	
	Members discussed the Committee's work programme for the coming year and whether four meetings a year was sufficient for Members to give full consideration to the items. Officers were asked to plan the next four agendas for this Committee to enable Members to consider the number of meetings which were required to fulfil the work programme.	
	Risk Management was proposed to be reported to this Committee once a year, but Members agreed that it should be programmed to be submitted to this Committee twice during the year, as an update and then as an overview. It was noted that this Committee's role was to ensure that there were robust systems in place.	
	Resolved - 1. That for this Committee's next meeting a work programme be produced based on four meetings for the year.	Khalid Ahmed
16.	Proposed Audit Committee Training Workshop	
	Members gave consideration to a paper which proposed that a training workshop be set up for Members of this Committee.	
	Resolved –	
	That the information contained within the report be noted and preparations be made by officers to organise a training problem. The Marsham of the Constitute before	Khalid Ahmed
	training workshop for Members of the Committee before the next meeting of this Committee.	Helen Taylor
17.	Risk Management Report	
	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	

Meeting closed at: 7.15pm Next meeting: 22 September 2009 at 5.00pm	
1. That the information reported be noted and officers be asked to produce a report to the next meeting on the reporting structure for Risk Management and also consideration be given to submitting reports to Policy Overview Committees.	Steve Wilkins
Members considered the reporting arrangements in place for the most significant risks identified by officers and were asked to note the most recent quarterly report submitted to the Corporate Risk Management Group, Corporate Management Team and Executive Brief.	
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.	

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.