

## Minutes

### Audit Committee

Thursday, 26 September 2013

Meeting held at Committee Room 4 - 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, Phoday Jarjussey and Richard Lewis.</p> <p><b>Officers Present:</b> Kevin Byrne (Head of Policy, Performance and Partnerships), Gill Crosbie (Internal Audit Manager), Muir Laurie (Head of Internal Audit), Jay Nandhra (Internal Audit Manager), Nancy Le Roux (Deputy Director of Strategic Finance), Perry Scott (Head of Procurement), Paul Whaymand (Director of Finance) and Khalid Ahmed (Democratic Services Manager).</p> <p><b>Others Present:</b> Jonathan Gooding and Sam Maunder (Deloitte). Harry Lawson (former Corporate Accountancy Manager).</p> <p><b>Apologies:</b> Councillor Paul Harmsworth (Cllr Phoday Jarjussey substituting) and Heather Bygrave (Deloitte).</p>
15.	<p><b>DECLARATIONS OF INTEREST</b></p> <p>Councillor George Cooper declared a Non-Pecuniary Interest in Agenda Item 6 – Internal Audit – Progress Report for 2013/14 Quarter 2 as his wife was a Governor of St Andrews School. He remained in the room and took part in discussions on the item.</p> <p>Councillor Raymond Graham declared a Non-Pecuniary Interest in Agenda Item 8 – 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> <p>Councillor Phoday Jarjussey declared a Non-Pecuniary Interest in Agenda Item 6 – Internal Audit – Progress Report for 2013/14 Quarter 2, the Mental Health Service audit review, as he was a Member of the External Services Scrutiny Committee. He remained in the room and took part in discussions on the item.</p>
16.	<p><b>MINUTES OF THE MEETINGS HELD ON 25 JUNE 2013</b></p> <p>Agreed as an accurate record.</p>

17.	<p><b>EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>It was agreed that Agenda Item 12 – Risk Management Report which was in Part II of the Agenda be considered in private. The rest of the Agenda was considered in public.</p>	
18.	<p><b>CATEGORY MANAGEMENT – STRUCTURE AND BENEFITS</b></p> <p>At the last meeting of the Committee the Director of Finance agreed that the Head of Procurement would attend the meeting to provide Members with information on the Category Management approach to procurement, particularly on the Property / Facilities Management Side.</p> <p>Reference was made to Procurement’s role within the Council being more focussed on Category Management which added value and commercial challenge at all stages of the procurement cycle.</p> <p>The benefits of the Category Management Structure were:</p> <ul style="list-style-type: none"> <li>• A stronger procurement function which would deliver continued cost savings to the Council with total visibility of the category spend contracts and focussed objectives.</li> <li>• Ensuring full compliance to UK &amp; EU Procurement Law.</li> <li>• The development of detailed Category Plans which tracked performance and outcomes.</li> <li>• A more focussed management of the contract and the supplier.</li> <li>• Better managing of financial risk and supply contingency plans.</li> </ul> <p>In relation to Facilities Management / Housing and Construction, the Committee was updated on the progress made. There were currently 98 projects underway which would deliver efficiencies. Building contract overspends were being controlled with the Category Management approach, with various procurement tools and techniques utilised such as traditional tendering, setting up Frameworks and collaborations.</p> <p>The Head of Procurement agreed that he would ensure that the issues raised in various Internal Audit reviews on procurement through various parts of the Council would be revisited.</p> <p><b>RESOLVED:</b></p> <p><b>1. That the information contained in the report and in</b></p>	<p><b>Action By:</b></p>



	<p>2012/13 Internal Audit Plan had had a negative impact on the progress made with the 2013/14 Plan, with only seven 2013/14 Internal Audit assurance reviews having been completed to final report stage. Follow up work in this area had indentified 6 high risk recommendations from 2012/13, with only 3 now outstanding. Added to outstanding high risk recommendations in the three previous years, there were now in total 7 outstanding high risk recommendations.</p> <p>Reference was made to audits which had been deferred and Members were informed that audits had been prioritised to clear the backlog.</p> <p>The Committee praised the new format of reporting internal audit activity and the changes in the future which would be made to the Plan, which would include changing the terminology used for assurance levels.</p> <p><b>RESOLVED-</b></p> <p><b>1. That the Internal Audit Progress report for 2013/14 Quarter 2 be noted.</b></p>	
<p>20.</p>	<p><b>APPROVAL OF THE 2012/13 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2013</b></p> <p>Consideration was given to a report which summarised the findings of the External Auditor on the audit of the 2012/13 Statement of Accounts.</p> <p>The Deputy Director of Strategic Finance reported that there was an overall decrease on the Balance sheet of £40.2m which had been mainly caused by the writing out of £38.4m of community schools as a result of them acquiring academy status.</p> <p>Deloitte reported that, subject to completion of some minor procedures, an unmodified opinion would be given and the Statement of Accounts would be given a ‘true and fair’ view. In addition an unqualified conclusion would be issued on the Council’s arrangements for securing value for money.</p> <p>Deloitte reported that the audit process for 2012/13 was efficient and rigorous and commenced in June and was carried out by auditors familiar to Hillingdon which required less officer input and time.</p> <p>Reference was made to a number of significant audit risks where no significant issues had been identified by Deloitte.</p> <p>Issues raised by Members on the identified audit risks were as</p>	

follows:

- Risk Management and Internal Audit Control Systems – Reference was made to the Council’s Capital Budgeting process and Deloitte’s comment that a capital monitoring system should be designed which was risk focussed and highlighted where projects were not progressing against agreed milestones. The Director of Finance reported that the issue was around how much time and effort was put into Capital Budgeting and that most Capital works were tied to school years and not to the financial year. Officers were working closely on financial year phasing for Capital Budgets.
- Audit Committee Terms of Reference – Reference was made to Deloitte’s comment regarding recommending that the Council reviews the CIPFA guidance around the right of access to individuals for Audit Committees. Members noted that the Audit Committee had to work within the rules of the Constitution of the Council and the impact of the changes brought about by the changes in the Committee’s Terms of Reference could be evaluated in the annual review of this Committee’s effectiveness which would take place at the end of this Municipal Year. The Chairman noted that the change would thus affect the whole of the current financial year, and may be referred to again by Deloitte in their 2014 Audit Report.
- Annual Governance Statement (AGS) – A revised AGS was circulated at the meeting. Discussion took place on paragraph 18 of the AGS, particularly in relation to the recent changes which had been made to the Audit Committee’s Terms of Reference. The Chairman considered that the Committee was no longer independent, and it was agreed that paragraph 18 be amended to read “**An independently chaired Audit Committee**” rather than “**An independent Audit Committee**”.
- Google Apps – Mail archives and back ups – Concern was expressed at this oversight which had since been rectified. It was noted that Internal Audit would be carrying out a review in this area.
- Pensions Schemes Basis of Estimation – Concern was expressed at financial assumptions in relation to the significant reduction in the discount rate used by the actuary for the LPFA Pension Fund for 31 March 2013. It was agreed that an explanation for this be emailed to Members.

**RESOLVED -**

1. **That the Committee considered and approved the Statement of Accounts for 2012/13, subject to the**

**Action By:**

**Nancy Le Roux**

	<p><b>amendment made to the AGS.</b></p> <p><b>2. That the Auditors findings and adjustments as outlined in Appendix 1 to the report be noted.</b></p> <p><b>3. That officers be congratulated for presenting an excellent Statement of Accounts.</b></p>	
<b>21.</b>	<p><b>EXTERNAL AUDITOR REPORT ON THE PENSION FUND ANNUAL REPORT AND ACCOUNTS</b></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 had also been considered by the Pensions Committee on 24 September 2013.</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 reviewed the Pension Fund Annual Report &amp; Accounts, and noted that these had been approved by the Pensions Committee.</p> <p><b>RESOLVED –</b></p> <p><b>1. That the auditor's findings contained in the report be noted and agreed.</b></p> <p><b>2. That the Committee considered and approved the Accounts of the Pension Fund.</b></p>	
<b>22.</b>	<p><b>DELOITTE – ANNUAL AUDIT LETTER – DRAFT</b></p> <p>Deloitte's Draft Annual Audit Letter provided a summary of the expected conclusions from their audit work undertaken for the year ended 31 March 2013.</p> <p>Details of the key areas of Deloitte's work over the year, together with their findings in each area and the focus of their work going forward were contained in the letter.</p> <p><b>RESOLVED –</b></p> <p><b>1. That the report be noted.</b></p>	
<b>23.</b>	<p><b>WORK PROGRAMME 2013/14</b></p> <p>The Work Programme was noted with one minor amendment, and it was agreed to change the date of the next meeting to</p>	

