

## Audit Committee

11 March 2010

## Minutes



**Independent Member:**

John Morley (Chairman)

**Members Present:**

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

**Also Present:**

Councillors Phoday Jarjussey and Mo Khursheed.

**Apologies:**

None

**Officers Present:**

Sarah Harty (Head of Resources, Policy and Performance, Education and Children Services), David Kidner (Interim Manager of Hillingdon Grid for Learning (HGfL) Education and Children's Services), Nancy Le Roux (Senior Finance Manager – Corporate Finance), Rob Mackenzie-Wilson (Policy Officer, Deputy Chief Executive's Office), Christopher Neale (Director of Finance & Resources), Chris Spencer (Director of Education and Children's Services), Helen Taylor (Head of Internal Audit and Corporate Governance), Steve Wilkins (Risk & Insurance Manager), (Head of Accountancy Services) and Khalid Ahmed (Democratic Services Manager).

**Others Present:**

Paul Hutt (Deloitte) and Gus Miah (Deloitte)

42.	<p><b>Declarations of Interest:</b></p> <p>John Morley and Councillor Liz Kemp declared Personal Interests in Agenda Item 10 – Internal Audit Operational Plan 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 George Cooper declared Personal Interests in Agenda Item 8 – Internal Audit Progress Report as he was a Governor of St Mary’s School, and in Agenda Item 5 – Deloitte – 2009/10 – Annual Audit Plan, as he was a Member of the Pensions Committee. He remained in the room and took part in discussions on the items.</p> <p>Councillor Tony Eginton declared a Personal Interest In Agenda Item 8 – Internal Audit Progress Report as he was a Governor of Hillside Junior School and Minet Nursery and Infant School. In addition his wife was a Governor at Harlyn Primary School. He left the room and did not participate in discussion on the item.</p> <p>Councillor Mary O’Connor declared a Personal Interest in Agenda Item 8 – Internal Audit Progress Report as she was a Governor of Botwell School and Moorcroft School. She remained in the room and took part in discussions on the item.</p>	
43.	<p><b>Minutes of the meeting held on 16 December 2009</b></p> <p>Agreed as an accurate record.</p> <p>[During discussion on the item, Councillor Eginton advised the Committee that he would be resigning as a Member of the Committee. Councillor Eginton left the meeting at this point.]</p>	
44.	<p><b>Exclusion of the press and public:</b></p> <p>It was agreed that Items 16, 17 and 18 be considered in private.</p>	
45.	<p><b>Deloitte – 2009/10 – Annual Audit Plan</b></p> <p>Paul Hutt and Gus Miah from Deloitte attended the meeting and introduced the report to Members.</p> <p>Members were informed that the report set out the initial plans for the audit of the Statement of Accounts 2009/10. The plan highlighted the key financial and non-financial audit risks which were:-</p> <p>Financial risks</p> <ul style="list-style-type: none"> <li>• Grant income recognition</li> <li>• Property valuations</li> <li>• Valuation of Icelandic Investments</li> </ul>	<p><b>Action By:</b></p>

	<ul style="list-style-type: none"> <li>• Pension liability assumptions</li> <li>• Accounting for local taxes</li> <li>• Bad debt provisions</li> </ul> <p>Non-Financial risks</p> <ul style="list-style-type: none"> <li>• Contract procurement</li> <li>• Partnership working</li> </ul> <p>In addition the report set out an audit plan for the Pension Fund audit which highlighted three risks:-</p> <ul style="list-style-type: none"> <li>• Contributions</li> <li>• Benefits</li> <li>• Financial instruments</li> </ul> <p>Issues raised by Members were:-</p> <ul style="list-style-type: none"> <li>• An update report be submitted to the next meeting of this Committee on the key financial audit risk relating to the valuation of Icelandic investments</li> <li>• In relation to Contract Procurement and the comment that this was considered a wider risk across the Council, the Head of Internal Audit and Corporate Governance reported that a number of audits had been undertaken and the arrangements around procurement were complex</li> <li>• The next Pensions Committee was prior to the next meeting of this Committee which would mean the Pension Fund Annual Report would be agreed before this Committee received it</li> </ul> <p><b>Resolved -</b></p> <ol style="list-style-type: none"> <li>1. That the information contained in the report be noted.</li> </ol>	<p><b>Action By:</b></p> <p><b>Deloitte</b></p>
46.	<p><b>Deloitte – Annual Grant Audit Letter</b></p> <p>Members were informed that a report by the Audit Commission in September 2009 recommended that auditors should report annually to those charged with governance in order to highlight the errors, adjustments and qualifications arising in claims and returns in relation to grants.</p> <p>There had been a total of 9 grant claims which had been audited. Deloitte reported that all claims had been submitted on time and a number of non significant adjustments had been made to five of the grant claims. Only one grant claim had been given a qualification letter which was a significant improvement on last year which demonstrated the efforts of the Finance Team.</p> <p>An Issue raised by Members was in relation to Deloitte’s testing</p>	

	<p>of the Housing and Council Tax Benefits Scheme grant and the issuing of a qualification letter, Members were informed that an error of £224.91 had been identified in relation to one claim. This was taken from a sample of up to 100 where 3 or 4 errors would be found. This was an immaterial sum on which to base a qualification but Deloitte confirmed that qualification in this context was just a record of errors found and not the same as a set of qualified accounts.</p> <p><b>Resolved –</b></p> <p>1. That the information contained in the report be noted and Internal Audit officers be congratulated for their improved performance in relation to grant claims.</p>	<p><b>Action By</b></p> <p><b>Helen Taylor</b></p>
<p><b>47.</b></p>	<p><b>Delivering the Annual Governance Statement</b></p> <p>Members were informed that the Council was rolling forward the existing framework which had been developed over the past two years to evaluate the management of internal controls, risk and control assurances across all services. The Corporate Governance Working Group would provide the leadership and support to compile the Statement.</p> <p><b>Resolved –</b></p> <p>1. That the information contained in the report be noted.</p>	
<p><b>48.</b></p>	<p><b>Internal Audit Progress Report</b></p> <p>The report provided Members with details of the summary of Internal Audit activity for the period to 19 February 2010.</p> <p>The Head of Internal Audit and Corporate Governance reported there was no cause for concern at this time with the levels of assurance. There was one audit with limited assurance which related to the Customer Relationship Management (CRM) application where weaknesses were identified in relation to password controls. Plans were in place to address these weaknesses.</p> <p>Areas discussed included:-</p> <ul style="list-style-type: none"> <li>• School audits – Haydon Secondary School was limited assurance. The Head of Internal Audit and Corporate Governance would send Members details of the audit on this school</li> <li>• School audits – Holy Trinity and Bourne Primary had achieved Financial Management in Schools Standard, which had to be met every 3 years</li> <li>• School audits – Members noted the full assurance level which Queensmead Secondary School had</li> </ul>	<p><b>Helen Taylor</b></p>

	<p>achieved.</p> <ul style="list-style-type: none"> <li>• Follow up audits – Website Content Management – The outstanding recommendation was partially completed and this related to the strategy for standardised access. Members asked that if this outstanding recommendation had not been implemented before the next meeting, that officers be asked to attend to provide further details and target dates for completion</li> </ul> <p>Members were reminded that at their last meeting it was agreed that a representative from Hillingdon Grid for Learning (HGfL) be invited to provide reassurance on outstanding recommendations. The Director of Education and Children’s Services, the Head of Resources, Policy and Performance, Education and Children Services and the Interim Manager of HGfL attended the meeting to provide Members with details of progress made.</p> <p>Most of the outstanding recommendations contained in the action plan had been implemented but there were still concerns around procurement. Monthly meetings were taking place with the Corporate Procurement Board, but the broader remit was looking at value for money. The Head of Internal Audit and Corporate Governance reported that a formal follow up audit would take place. Members thanked officers of Education and Children’s Services for attending the meeting and it was agreed that sufficient re-assurance had been given that outstanding recommendations should be implemented.</p> <p><b>Resolved-</b></p> <ol style="list-style-type: none"> <li>1. That the in-year progress against the Internal Audit Plan for 2009-10, and the updated position of those audits undertaken in 2007-8 and 2008-9 be noted and the Internal Audit Team be thanked for all their efforts and the results they have achieved.</li> </ol>	<p><b>Action By:</b></p> <p><b>Helen Taylor</b></p>
<p><b>49.</b></p>	<p><b>Internal Audit Strategy</b></p> <p>Members were informed that the report set out the strategy for delivery and development of the Internal Audit Service 2010-11 and the associated Internal Audit Plan. This detailed how the service would be delivered, the assurance that it would provide and how the Head of Internal Audit and Corporate Governance would contribute to corporate governance arrangements, risk management processes and key internal control systems.</p> <p>The Head of Internal Audit and Corporate Governance reported that the audit of IT systems would continue to be contracted out to an outside contractor. A retender of the contract was currently underway which would be in place before the start of</p>	

	<p>the new financial year.</p> <p>Reference was made to the Internal Audit team now being fully staffed and officers were asked to look at again the descriptions of the skills in the team detailed on page 122 of the agenda.</p> <p><b>Resolved-</b></p> <p>1. That approval be given to the internal audit strategy.</p>	<p><b>Action By:</b></p> <p><b>Helen Taylor</b></p>
50.	<p><b>Internal Audit Operational Plan 2010-11</b></p> <p>The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government required the Head of Internal Audit and Corporate Governance 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>Reference was made to the planned audit work for the year but changes in service delivery arising from the Business Improvement Delivery process would mean that there was a much greater likelihood that audits would be added or deleted than there had been in previous years. Members were informed that Housing Management would be brought back into the Council. Hillingdon Homes' internal audit services were currently provided by Mazars and the Head of Internal Audit and Corporate Governance was asked to work closely with the Director of Finance of Hillingdon Homes to ensure a smooth transition.</p> <p>Discussion took place on Human Resources – CRB checks and re-checks. Some Members believed there was a possibility that documentation provided to support CRB checks was held for longer than it should be under regulations. The Head of Internal Audit and Corporate Governance undertook to clarify the procedure with HR.</p> <p><b>Resolved-</b></p> <p>1. That approval be given to the Internal Audit Operational Plan 2010-11 and the comments made be noted.</p>	<p><b>Helen Taylor</b></p> <p><b>Helen Taylor</b></p>
51.	<p><b>International Financial Reporting Standards (IFRS)</b></p> <p>Members were reassured that the Council was on track to implement the transition to report its Statement of Accounts under the IFRS based Code of Practice on Local Authority Accounting.</p> <p><b>Resolved –</b></p>	

	<p>1. That the report be noted and consideration be given to providing customised training to newly appointed Members at an appropriate time.</p>	<b>Action By:</b>
<b>40.</b>	<p><b>Treasury Management Strategy Statement and Investment Strategy 2010-11 To 2012-13</b></p> <p>Members were informed that the Treasury Management Strategy was agreed by Council as part of the Budget setting process in February and it was brought to this Committee to allow greater scrutiny of the strategy.</p> <p>The strategy for 2010/11 had been written with the assistance of Arlingclose, the Council's Treasury Advisors and the strategy had been developed to increase the range of permitted investment vehicles to allow greater diversification whilst maintaining a high degree of caution.</p> <p>Reference was made to the impact of interest on balances and Members were informed that this Council had not been too reliant on high interest returns which meant there had not been a huge impact during this difficult economic period. The Council had spent on capital developments rather than looking for active financial management opportunities.</p> <p>Members discussed the role of this Committee in scrutinising the strategies and it was felt it would be more beneficial for this Committee to consider the strategies before they were agreed by the Council. It was agreed that a representative from Arlingclose Ltd be invited to the December 2010 meeting of this Committee to enable Members to be provided with details of the strategies before they were agreed by Council.</p> <p><b>Resolved -</b></p> <p>1. That the information contained in the report be noted.</p>	<b>Nancy Le Roux</b>
<b>41.</b>	<p><b>Budget Setting Process</b></p> <p>Members were reminded that at the last meeting of this Committee a request was made for a report to be submitted providing details on the budget setting process within the Council. An informative report was considered which gave Members assurances that the budget setting process was subject to sufficient scrutiny elsewhere within the Council.</p> <p><b>Resolved –</b></p> <p>1. That the information contained in the report be noted and the report be included in the information pack which was given to new Members of this Committee.</p>	<b>Helen Taylor</b>

		<b>Action By:</b>
42.	<p><b>Review of Internal Audit Terms of Reference</b></p> <p>Minor amendments were suggested to the Internal Audit Terms of Reference and these were noted.</p>	
43.	<p><b>Changing Legislation and Current Issues</b></p> <p>Members were informed that this year's Internal Audit review would be carried out by means of a self review. A report would be submitted to the Committee for information.</p>	
44.	<p><b>Balances and Reserves Statement 2010/11</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>Members were provided with details on the Council's approach to management and measurement of the requirement to hold balances and reserves.</p> <p><b>Resolved –</b></p> <ol style="list-style-type: none"> <li>1. That the information contained in the report be noted.</li> </ol>	
45.	<p><b>Risk Management 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 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>The report provided details of the reporting arrangements in place for the most significant risks identified by officers and the most recent quarterly report.</p> <p><b>Resolved –</b></p> <ol style="list-style-type: none"> <li>1. That the information contained in the report be noted.</li> </ol>	



<p><b>46.</b></p>	<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 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>Consideration was given to a progress report on four Internal Investigations.</p> <p><b>Resolved –</b></p> <ol style="list-style-type: none"> <li>1. That the information contained in the report be noted.</li> </ol>	<p><b>Action By:</b></p>
	<p><b>Meeting closed at: 6.55pm</b>  <b>Next meeting: 28 June 2010 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.