

## Minutes

### Audit Committee

Monday 27 June 2011

Meeting held at Committee Room 3 - 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>Also Present:</b> Councillor Beulah East.</p> <p><b>Apologies:</b> None.</p> <p><b>Officers Present:</b> Fran Beasley (Deputy Chief Executive and Corporate Director for Central Services), Kevin Byrne (Head of Policy, Performance and Partnerships), Harry Lawson (Corporate Accounting Manager), Nancy Le Roux (Senior Service Manager – Corporate Finance), Jay Nandhra (Audit Manager), Helen Taylor (Head of Audit and Enforcement), Paul Whaymand (Deputy Director, Finance) and Khalid Ahmed (Democratic Services Manager).</p> <p><b>Others Present:</b> Heather Bygrave (Deloitte) and Jonathan Gooding (Deloitte).</p>
2.	<p><b>DECLARATIONS OF INTEREST</b></p> <p>Councillor Richard Lewis declared a Personal Interest in Agenda Item 9 – Audit Committee Annual Report to Council as he was a Member of the Pensions Committee and he declared a general Personal Interest as the Chairman of the Corporate Services &amp; Partnerships Policy Overview Committee who would be undertaking a review into the effectiveness of the Audit Committee’s terms of reference. He remained in the room and took part in discussions on the items.</p>

	<p>Councillor George Cooper declared a Personal Interest in Agenda Item 9 – Audit Committee Annual Report to Council, as he was a contributor to the Local Government Pension Fund. He remained in the room and took part in discussions on the item.</p> <p>Councillor Paul Harmsworth declared a Personal Interest in Agenda Item 9 – Audit Committee Annual Report to Council, 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 Raymond Graham declared a general Personal Interest as he was a Member of the Corporate Services &amp; Partnerships Policy Overview Committee who would be undertaking a review into the effectiveness of the Audit Committee’s terms of reference. He remained in the room and took part in discussions on the items.</p>	
3.	<p><b>MINUTES OF THE MEETINGS HELD ON 10 MARCH AND 12 MAY 2011</b></p> <p>Agreed as accurate records.</p>	
4.	<p><b>EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>It was agreed that Agenda Item 13 - Internal Audit Progress Report be considered in private.</p>	
5.	<p><b>DRAFT ANNUAL GOVERNANCE STATEMENT</b></p> <p>Members were informed that since providing an update on the preparation on the Annual Governance Statement (AGS) at the meeting of this Committee held on 10 March 2010, steady progress had been made to deliver the key components feeding into the draft AGS. This included updating the evidence map and collecting cross-council assurance statements.</p> <p>The Head of Policy, Performance and Partnerships reported that the Council had implemented a range of improvement actions to strengthen governance arrangements and control systems. Details of the unresolved internal control issues were reported to Members.</p> <p>The Committee was informed that the AGS had been considered by the Corporate Management Team of the Council and was still a draft until the Statement of Accounts were published in September.</p> <p>Officers were asked to amend “S151 Officer” in paragraph 3.14 to read “Section 151 Officer”, define “Hillingdon Partners” in paragraph 3.16 and make reference to “An Independent Audit Committee” being independent of the Executive in paragraph 3.18.</p> <p><b>RESOLVED –</b></p>	<p><b>Action By:</b></p>

	<p>1. That the information contained in the draft 2010-11 AGS be noted.</p>	<p><b>Action By:</b> <b>Kevin Byrne</b></p>
<p><b>6.</b></p>	<p><b>INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) TRAINING</b></p> <p>Jonathan Gooding from Deloitte provided Members with a brief overview of the changes to the accounts under IFRS. The significant changes were:</p> <ul style="list-style-type: none"> <li>• Lease accounting: under the Code there were differences both in terms of identification and classification of leases</li> <li>• Benefits payable during employment (“holiday pay accrual”): under the Code, authorities were now required to make provision for compensated, short term absences such as annual leave and flexi-time</li> <li>• Accounting for grants: The Code sets out changes to the accounting for grants and contributions which result in significant changes to the face of the Authority’s balance sheet</li> <li>• Investment properties: The Code required all balances in the Revaluation Reserve as at 1/4/2009 relating to Investment Properties to be reclassified to the Capital Adjustment Account, as movements in valuation of Investment properties needs to be recognised in the Income &amp; Expenditure account rather than the Revaluation Reserve</li> <li>• Short term investments: The Code required cash and cash equivalents to be disclosed in the balance sheet</li> <li>• Segment reporting: The Code adopted the provisions of IFRS 8 Operating Segments to require notes to the accounts showing income and expenditure according to the divisions and accounting policies used in the management of the authority.</li> </ul> <p>Reference was made to section 3 of the presentation booklet which detailed areas of the Statement of Accounts which Audit Committees might wish to question and it was agreed that this be reproduced for the next meeting to enable Members to discuss in more detail.</p> <p>The Deputy Director of Finance agreed to circulate the unaudited Statement of Accounts to Members for their information</p> <p><b>RESOLVED -</b></p> <p>1. That the information provided in the presentation be noted.</p>	<p><b>Paul Whaymand / Nancy Le Roux</b></p>

<p>7.</p>	<p><b>HEAD OF AUDIT ANNUAL ASSURANCE STATEMENT</b></p> <p>The Head of Audit and Enforcement provided Members with a written report to support the Annual Governance Statement.</p> <p>Members were informed that during the year there were two audits that were issued with no assurance reports; Blue Badges and Chantry School. Details of the actions being taken to rectify the system weaknesses were reported</p> <p>The Deputy Chief Executive and Corporate Director for Central Services outlined to Members the Planning Enforcement role which the Head of Audit had within her responsibilities. This role did not impact on the work of the Audit Team. Members were advised the backlog of outstanding enforcement matters had been reduced since the Head of Audit had assumed management responsibilities for enforcement matters.</p> <p>Reference was made to the recent transfer back to the Council of Hillingdon Homes with the Audit Team providing audit services, within their existing staffing resource. The Deputy Chief Executive and Corporate Director for Central Services advised that the Head of Audit and Enforcement was managing and could cover the extra work, however the situation would be monitored and reviewed to ensure there were no capacity problems.</p> <p><b>Internal Audit Progress Report</b></p> <p>The Head of Audit and Enforcement advised that there were no significant causes for concern at this time with the levels of assurance being reported, although 8 audits, including 2 schools, had received Limited Assurance in the current period.</p> <p>In relation to Records Management, Members were informed of the reasons for Limited Assurance and it was acknowledged that this Council held many paper copy files. The Committee noted management comments that the recommendations would be implemented as part of the scanning and document management work stream of the New Ways of Working Group.</p> <p>In relation to Creditors and Protocol Creditors, this had been given Limited Assurance because the audit had been carried out soon after two payment teams were merged and full procedures and controls had not been fully implemented.</p> <p>Discussion took place regarding Court Costs which had been given Limited Assurance and whether awarded court costs were being recovered effectively, efficiently and economically. The Chairman commented that this should be a basic management control but the Head of Audit and Enforcement</p>	<p><b>Action By:</b></p>
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	<p>explained this had occurred because the Courts had changed the system in relation to awarded court costs.</p> <p>A number of comments were made in regard to Follow Up Audits:</p> <ul style="list-style-type: none"> <li>• IT Disaster Recovery – Members noted that all four actions points from April 2010 had still not been implemented and remained outstanding. In addition in the Internal Audit Plan 2008-9 Progress report, there were still a number of outstanding IT Audits. Members asked that the Head of ICT be invited to attend the next meeting of this Committee to update the Committee on the implementation of these outstanding actions. The IT Audit Plan for this year would be circulated to Members.</li> <li>• Culture and Arts – The Head of Audit and Enforcement would provide Members with details on why there were still four outstanding actions in this audit.</li> <li>• Ruislip High – The Head of Audit and Enforcement would provide Members with further details on the outstanding recommendations in relation to this audit.</li> </ul> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li>1. That the audit opinion and the evidence on which the opinion was based in relation to the Annual Assurance Statement be noted.</li> <li>2. That the in-year progress against the Internal Audit Plan for 2010-11 and the updated position of those audits undertaken in 2007-8, 2008-9 and 2009-10 be noted.</li> <li>3. That the Head of ICT be invited to attend the next meeting of this Committee to update the Committee on the implementation of the outstanding actions relating to IT.</li> </ol>	<p><b>Action By:</b></p> <p><b>Helen Taylor</b></p> <p><b>Helen Taylor</b></p> <p><b>Helen Taylor</b></p> <p><b>Steve Palmer</b></p>
<p>8.</p>	<p><b>ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEMS OF INTERNAL AUDIT</b></p> <p>Members were provided with a review and an action plan for the systems of Internal Audit which had been carried out by Members of this Committee at a workshop which took place on 3 May 2011.</p> <p>Reference was made to the point made at the meeting that for future reviews, Members would determine which audit files they would like to review.</p> <p>The Head of Audit and Enforcement and her team were thanked for their efforts during the review.</p>	

	<p><b>RESOLVED -</b></p> <p>1. That the actions and summary of the outcomes of the review be noted.</p>	<b>Action By:</b>
9.	<p><b>CONSOLIDATED FRAUD REPORT</b></p> <p>The Committee noted the contents of the report and the level of compliance with the Audit Commission checklist. The Committee commented on the impact of the Anti-Fraud Team activity on reducing abuses of the blue badge system.</p>	
10.	<p><b>REPORT TO COUNCIL ON THE WORK OF THE AUDIT COMMITTEE</b></p> <p>Details of the work carried out by the Committee during 2010-11 were contained in the report.</p> <p>The following minor amendments were suggested:-</p> <p>Reference should be made to the Committee having held scheduled private meetings with the Head of Audit and also with the external auditors before a formal Committee meeting and that the Committee set a yearly work programme.</p> <p><b>RESOLVED –</b></p> <p>1. That, with the amendments suggested, the report be noted and Council be asked to approve the report.</p>	
11.	<p><b>BRIEFING NOTE ON THE CONSULTATION ON THE FUTURE OF LOCAL PUBLIC AUDIT</b></p> <p>The report provided details of the key issues and principles contained within the consultation on the future of local public audit.</p> <p>Details of the implications for Audit Committees was reported. Reference was also made to a review which the Corporate Services &amp; Partnerships Policy Overview Committee was to undertake on the effectiveness of the Audit Committee and its terms of reference,</p> <p><b>RESOLVED –</b></p> <p>1. That the information contained in the report be noted.</p>	
12.	<p><b>WORK PROGRAMME 2011/12</b></p> <p>Noted.</p>	

13.	<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><b>RESOLVED –</b></p> <p>1. That the information contained in the report be noted.</p>	
	<p><b>Meeting closed at: 6.50pm</b>  <b>Next meeting: 21 September 2011 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.