Public Document Pack

Havering
LONDON BOROUGH

AUDIT COMMITTEE AGENDA

7.30 pm	Wednesday 24 April 2013	Town Hall, Main Road, Romford

Members 6: Quorum 3

COUNCILLORS:

Conservative Group (4)	Residents' Group (1)	Labour Group (1)
Georgina Galpin (Chairman) Frederick Osborne (Vice-Chair) Roger Ramsey Frederick Thompson	Clarence Barrett	Denis Breading

For information about the meeting please contact:
James Goodwin 01708 432432
email: james.goodwin@havering.gov.uk

AGENDA ITEMS

1 CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) – received.

3 DISCLOSURE OF PECUNIARY INTERESTS

Members are invited to declare any pecuniary interest in any of the items on the agenda at this point of the meeting.

Members may still disclose any pecuniary interest in any item at any time prior to the consideration of the matter.

4 MINUTES OF THE MEETING

To approve as correct the minutes of the meeting held on 28 February 2013 and authorise the Chairman to sign them.

5 UPDATE ON SURTEES CONTRACT

To receive an oral report from the Head of Housing and Public Protection.

6 EXTERNAL AUDIT 2013/14 FEE LETTER. (Pages 1 - 8)

Report attached.

7 ACCOUNTING POLICIES (Pages 9 - 26)

Report attached.

8 FRAUD PROGRESS REPORT (Pages 27 - 38)

Report attached.

9 INTERNAL AUDIT REPORT

Report to follow.

10 INTERNAL AUDIT CHARTER AND TERMS OF REFERENCE (Pages 39 - 48)

Report attached.

11 ANNUAL REPORT OF THE COMMITTEE (Pages 49 - 60)

Report attached.

12 URGENT BUSINESS

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specific in the minutes that the item should be considered at the meeting as a matter of urgency.

13 EXCLUSION OF THE PUBLIC

To consider whether the public should now be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972; and, if it is decided to exclude the public on those grounds, the Committee to resolve accordingly on the motion of the Chairman.

Ian Burns
Acting Assistant Chief Executive

This page is intentionally left blank

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Town Hall, Main Road, Romford
28 February 2013 (7.30 - 9.02 pm)

Present:

COUNCILLORS:

Conservative Group	Georgina Galpin (in the Chair) Frederick Osborne (Vice-Chair) and Frederick Thompson
Residents' Group	Clarence Barrett
Labour Group	Denis Breading

An apology was received for the absence of Councillor Roger Ramsey.

Unless otherwise indicated all decisions were agreed with no vote against.

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

32 MINUTES OF THE MEETING

The minutes of the meeting held on 4 December 2012 were agreed as a correct record, subject to an amendment to show an apology from Councillor Osborne, not Councillor Thompson. The amended minutes were signed by the Chairman.

33 MATTERS ARISING FROM THE MINUTES

Further to minute 28 the Group Director, Finance and Commerce confirmed that he had written to Frances Bardsley School regarding the Internal Audit report, however, he was not aware of any reply. He agreed to double check the situation and advise members of the current position.

34 EXTERNAL AUDIT PLAN 2012/13

PricewaterhouseCoopers (PwC) attended the meeting to present details of their proposed External Audit Plan for 2012/13. The Committee were advised that Auditing Standards require PwC to include two fraud risks as Significant. These were:

- Management override of controls: and
- Revenue recognition.

Two other risks identified were:

- Government and non-government grants; and
- Savings targets.

As required the Committee confirmed that:

1. They had no knowledge of fraud, either actual, suspected or alleged, including those involving management;
2. Were happy with the arrangements in place for fraud detection or prevention measures (e,g, whistle-blower lines);
3. They receive regular quarterly reports on the work of the Fraud Team and the Internal Audit and Corporate Risk Manager has access to the Chairman as and when required; and
4. They have in place a number of strategies and policies designed to ensure they were kept in informed of instances of fraud, either actual, suspected or alleged. These include Fraud Risk and Corruption Arrangements, Risk Management, Annual Governance Statement, Housing Fraud and Housing Benefit Fraud.

PwC informed the Committee of the intended timetable for their work and when the Committee could expect to receive an update.

Details of the fees were provided which showed a significant reduction on previous years. Unfortunately the figures provided did not agree with those provided by officers nor the figures for the grants verification work. Officers agreed to investigate and advise members by e-mail.

35 **2011/2012 AUDIT REPORT OF GRANT CLAIMS AND RETURNS**

PricewaterhouseCoopers had submitted their Annual Certification Report in respect of Grant Claims and Returns. The Committee were advised that this year just 6 claims required certification, compared to 10 in 2010/11. Of these three (50%) had been amended, but just one was qualified. The first two amendments were for less than 1% of the total claim. The third claim related to Teachers Pension Return and this had attracted a qualified certification.

Two recommendations had been made in respect of the 2012/13 Management Action Plan. Management had acknowledged problems with the Oracle R12 ledger system and steps had been taken to rectify the problem.

Officers were pleased to advise the Committee that Claim BEN01 had not required amendment this year.

The Committee were advised that being charged by PwC were less than last year and we could look forward to a further reduction in 20112/13.

The report was **noted.**

36 CHILDREN'S CENTRE FOLLOW UP

As requested at the last meeting a follow up report had been prepared on progress in responding to the nine recommendations raised in the original report. Officers advised that just five recommendations had yet to be implemented in full., although significant progress had been made in implementing them A revised implementation date of 31 March 2013 had been agreed. As a result of the follow up work the assurance provided had been amended to a ‘Substantial Assurance.’

The report was **noted.**

37 CLOSURE OF ACCOUNTS 2012/13

Officers advised the Committee of the steps taken to prepare for the 2012/13 closure of accounts. The Council had successfully closed its accounts and prepared its Financial Statements on an IFRS (International Financial Reporting Standards) basis for the second time in 2011/12. Planning for the 2012/13 closedown began in November 2012.

There were a number of technical changes required under The Code of Practice in 2012/13 which would be dealt with during the preparation phase. Many of the risks associated with closure relate to the increasing call on staff time for other project work during the closedown process.

Amongst the key issues to be addressed during the 2012/13 closedown was:

- Infrastructure Assets,
- Homes in Havering,
- Oracle – I-Procurement,
- Public Health Transfer,
- Council Tax Benefit System reform,
- Local Government Financial Settlement. and
- One Oracle Project.

The Committee were informed of progress against the matters raised by the External Auditors in their report to Management (ISA 260).

1. The auditors had requested a list of creditors making up the balance in the accounts split by trade payables and accruals. A report had been prepared and would be discussed with PricewaterhouseCoopers.
2. During the 2011/12 financial year the Authority had been unable to perform monthly payroll reconciliations between the payroll system and the main accounting Oracle R12 system. This report issue had still not been resolved. Separate year end payroll reconciliation had been produced for the purpose of the 2011/12 and the same procedure would be followed this year. The Committee were concerned that the issue was still unresolved.

3. In accordance with regulation 6 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 the Pension Fund should operate its own bank account. It was intended that arrangements would be regularised during 2012/13 but progress was slow due to technical difficulties. A number of sub ledger systems needed to be amended in order to recognise and post Pensions transactions to the relevant bank account and ledger. Progress had been slow and it could not be guaranteed to be implemented by 31 March 2013.

The report was **noted.**

38 INTERNAL AUDIT DRAFT STRATEGY AND PLAN FOR 2013/14

The Committee were asked to consider and approve both the draft Internal Audit Strategy and Plan for 2013/14. The Strategy outlined the means by which Internal Audit would achieve its objectives whilst the Plan detailed the draft risk based Audit Plan for the next financial year. In preparing the Plan consideration had been given to:

- Audit issues raised during 2012/13;
- Requests from Management, and
- Risk Registers.

Officers were asked to respond to a question regarding the issue of duplicate payments in 2009/10, 2010/11 and 2011/12. Approximately £55,500 of duplicate payments had been identified in the first two years, but information was not available for 2011/12. Officers advised the Committee that the introduction of i-procurement would reduce the risk of duplicate payments.

On the specific issue of utility bills an assurance was given that reminders would not be paid.

The Committee **approved**:

1. The Strategy as submitted to Committee, and
2. The Plan as submitted to the Committee.

39 INTERNAL AUDIT PROGRESS REPORT - QUARTER 3, 2012

Officers provided the Committee with the latest update on the work of the Internal Audit team covering the quarter ending 28 December 2012. During the quarter four systems audits had been completed three receiving substantial opinions, and one a Limited Opinion. The Committee were advised that as the future of traded services was under review no further action was necessary at this time.

In addition to the system audits the section had completed four school audits, all of which had received a substantial opinion.

The report was **noted.**

40 **FRAUD PROGRESS REPORT - QUARTER 3, 2012**

Officers informed the Committee of the work of the Investigations Team and Internal Audit Fraud Team during the quarter ended 31 December 2012. The Committee were advised that the appointment of a permanent Senior Investigator had been completed and the officer would be in post from 1 March 2013.

By the end of the quarter the team had 584 cases on their books compared to 530 at the beginning of the quarter. During the period 7 cases had been concluded with Administrative penalties and 12 resulted in prosecutions.

The Committee received details of a number of cases were successful prosecutions under the proceeds of crime legislation had been concluded and details of successful Housing investigations.

The report was **noted.**

41 **ANNUAL REPORT OF FRAUD AND CORRUPTION**

Officers advised the Committee of the details of the annual review of fraud and corruption arrangements and an update on developments in the year and new initiatives going forward.

A key part of the review was to consider the Councils Anti-Fraud & Corruption Strategy to ensure it remained current and fit for purpose. As part of this years review it had been decided to align the Strategy to the National Local Government Fraud Strategy which promoted Acknowledge, Prevent and Pursue as the three steps to a robust approach.

The Committee **approved** the Anti-Fraud & Corruption Strategy as attached to the agenda, in particular the Council's zero tolerance to Fraud and Corruption.

42 **ANNUAL REVIEW OF AUDIT COMMITTEE EFFECTIVENESS**

The Committee was reminded that best practice guidance suggested that the effectiveness of the Audit Committee was considered on an annual basis. A self-assessment against best practice guidance issued by the Chartered Institute of Public Finance & Accountancy had been completed, with assistance from the Chairman of the Committee. On completion an improvement plan had been drawn up.

The Improvement Plan highlighted areas where the Committee only partially complied with the code. The Plan required the Internal Audit & Corporate Risk Manager to extend the skills analysis information to cover all substitute members of the Committee by March 2013 and in the future to provide relevant circulars to both audit committee members and named substitutes.

The report was **noted.**

43 **EXCLUSION OF THE PUBLIC**

The Committee resolved to excluded the public from the meeting during discussion of the following item on the grounds that if members of the public were present it was likely that, given the nature of the business to be transacted, that there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972 which could reveal information relating to the financial or business affairs of any particular person (including the authority holding that information) and it was not in the public interest to publish this information.

44 **TREASURY MANAGEMENT - QUARTER 3, 2012-13**

The Committee noted details of the Councils investments as held at 31 December 2012. They were pleased to note that in the quarter they had outperformed the benchmark by 54 bp and the budgeted return by 16bp. Officers did advise that this position might not continue in the remaining quarter as the returns were subject to the vicissitudes of the market.

The report was **noted.**

45 **RISK BASED VERIFICATION**

The Committee were provided with a report outlining the purpose of risk based verification and the process in relation to the new benefit claim assessment. This will be embedded into the day to day operational processes of Customer Services.

The Committee listened to officers responses to all their questions and **approved** the Risk Based Verification Policy as attached to the report.

Chairman

Havering
LONDON BOROUGH

AUDIT COMMITTEE

24 April 2013

Subject Heading:	**External Audit 2013/14 Fee Letter**
Report Author and contact details:	Ciaran McLaughlin Engagement Director PricewaterhouseCoopers Tel: (0)207 213 5253 E-mail : ciaran.t.mcLaughlin@uk.pwc.com Andrew Blake-Herbert Group Director Finance & Commerce Tel: 01708 43 2218 E-mail : andrew.blakeherbert@havering.gov.uk
Policy context:	To consider fees.
Financial summary:	N/A

SUMMARY

The attached fee letter, Appendix 1, advises the Audit Committee of the planned External Audit Fees for 2013/14.

RECOMMENDATIONS

1. To note the contents of the fee letter.

REPORT DETAIL

The fee is based on the risk-based approach to audit planning set out in the Audit Commission's Code of Audit Practice and work mandated by the Commission for 2013/14.

The total indicative fee for the 2013/14 audit is £253,059 (excluding VAT). The estimated outturn fee for 2012/13 is £257,359.

The Audit Commission work programme for 2013/14 is essentially the same as the 2012/13 programme, and scale fees remain unchanged. The fee proposed for 2013/14 is in line with the scale fee.

The fee is based on a number of assumptions and a separate plan will be issued in January 2014 and this will set out the audit risks, planned audit procedures and any resulting changes in the fee.

IMPLICATIONS AND RISKS

Financial implications and risks:

The planned audit fee from the 2013/14 plan is £253,059. This is a reduction compared to the estimated outturn figure for £257,359.

The fee does not include any additional time required to audit grants, any additional work requested by the Council, and any additional work generated outside any assumptions on which the fee is based.

There are no other financial implications or risks arising directly from this report.

Legal implications and risks:

None arising directly from this report

Human Resources implications and risks:

None arising directly from this report

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

London Borough of Havering 12/13 Fee Letter – PricewaterhouseCoopers

This page is intentionally left blank

Private & Confidential

Andrew Blake Herbert
Group Director Finance and Commerce
London Borough of Havering
Town Hall
Main Road
Romford
RM1 3BB

11 April 2013

Dear Andrew,

Annual Audit Fee 2013/14

We are writing to tell you about the audit fee for the 2013/14 financial year at the London Borough of Havering. The fee is based on the risk-based approach to audit planning set out in the Audit Commission's Code of Audit Practice and work mandated by the Commission for 2013/14.

The total indicative fee for the 2013/14 audit is £253,059 (excluding VAT) which compares to the estimated outturn fee of £257,359 for 2012/13, as summarised below:

Audit area	**Planned fee 2013/14** **£**	**Estimated outturn fee 2012/13** **£**
Financial statements, local value for money conclusion (including risk-based audit work) and Whole of Government Accounts	199,859	202, 359
Pension fund audit	21,000	21,000
Certification of claims and returns	32,200	34,000
Total audit fees	253,059	257, 359

The Audit Commission work programme for 2013/14 is essentially the same as the 2012/13 programme, and scale fees remain unchanged. The fee proposed for 2013/14 is in line with the scale fee.

PricewaterhouseCoopers LLP, The Atrium, St Georges Street, Norwich NR3 1AG
T: +44 (0) 1603 615244, F: +44 (0) 1603 631060, www.pwc.co.uk

Our audit fee is based on a number of assumptions, including that:

- we will undertake sufficient work to meet the requirements of the Code of Audit Practice and Auditing Standards, based on the risks relevant to the Authority;
- we will undertake sufficient work to conclude on value for money;
- the general level of audit risk is similar to 2012/13;
- you will meet the agreed timetable for the preparation of the accounts;
- you will prepare and review working papers to meet the agreed timetable and our requirements;
- we will be able to rely on the continuing operation of your systems and processes;
- you discuss any unusual, new or complex transactions with us as they occur so that we can understand the detail and agree the necessary accounting treatment;
- your staff are available to answer our questions while we are on site; and
- you will provide us with named contacts for audit queries and respond within an agreed timescale.

A separate audit plan will be issued in January 2014. This will set out the audit risks, our planned audit procedures and any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will discuss the reasons for this with you, and notify the Audit Committee.

Value for money conclusion

Our value for money conclusion is based on our assessment of two criteria: whether the organisation has proper arrangements for:

- securing financial resilience; and
- challenging how it is prioritising resources.

If our audit planning identifies risks in relation to our value for money conclusion, we will consider the arrangements to mitigate the risks, and plan our work accordingly.

Value for money work

We will apply a "light touch" approach to our Value for Money work at the authority, based primarily on a review of the annual governance statement. We will conclude whether there are any matters arising from this work and will include these in the audit report at the end of the audit.

Certification of claims and returns

From 2012/13, the Audit Commission replaced the previous schedule of maximum hourly rates with an indicative fee for certification work for each body. Your indicative certification fee for 2013/14 is £32,200.

Auditors do not certify claims and returns below £125,000. The threshold below which auditors undertake only limited tests will remain at £500,000. Above this threshold, certification work takes account of the audited body's control environment for preparing the claim or return.

Other matters

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

The key members of the audit team for the 2013/14 are:

Engagement Leader – Julian Rickett	+44 (0)1603 883321/julian.c.rickett@uk.pwc.com
Engagement Director – Ciaran McLaughlin	(0)207 213 5253/ ciaran.t.mclaughlin@uk.pwc.com
Senior Audit Manager – Chris Hughes	+44 (0) 7921 107 335/chris.hughes@uk.pwc.com
Team Manager – Amit Patel	+44 (0) 7715 211 544/amit.m.patel@uk.pwc.com

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance.

Alternatively, you may prefer to discuss matters with Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE1 8HW, or James Chalmers, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Yours sincerely

Julian C Rickett
Engagement leader

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	**Indicative date**
Audit plan	January 2014
Annual certification report (relating to claims and returns certified in the previous year)	January 2014
Internal Control Issues and recommendations for improvement	September 2014
ISA (UK&I) 260 report to those charged with governance	September 2014
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2014
Annual Audit letter	October 2014
Report on risk-based work on certification of claims and returns	December 2014

Havering
LONDON BOROUGH

AUDIT COMMITTEE

24 April 2013

Subject Heading:	Accounting Policies 2012/13
	Contact: Mike Board Designation: Corporate Finance & Strategy Manager Telephone: (01708) 432217 E-mail address: mike.board@havering.gov.uk
Policy context:	
Financial summary:	There are no direct financial implications to the report. There are no alterations to the accounting policies which might give rise to a material impact upon the financial position of the Council

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[]
Excellence in education and learning	[]
Opportunities for all through economic, social and cultural activity	[]
Value and enhance the life of every individual	[]
High customer satisfaction and a stable council tax	[x]

SUMMARY

This report presents the accounting policies applicable to the financial year 2012/13 and reflected in the published statement of accounts.
The CIPFA Better Governance Forum has produced a tool-kit for local authority Audit Committees that recommends Members review accounting policies.
Appendix A includes the revised accounting policies for 2012/13.

This report summarises the main contents of the policies and highlights recent changes. Any further changes to accounting regulations may require the policies to be changed during 2012/13 although none are anticipated at this stage . Any significant changes will be highlighted in the statement of accounts report in September 2013

RECOMMENDATIONS

The Committee is asked to note and comment on the accounting policies applicable to 2012/13.

REPORT DETAIL

1. Introduction

1.1 This report tables the revised accounting policies that will be applied during the financial year 2012/13. The full policies are shown in appendix A to this report and will be included in the statement of accounts. The draft policies are, prepared under the international Financial Reporting Standards. Members of the Audit Committee are invited to note these policies and make comment. Reviewing of accounting policies by Members ensures that the Council and Audit Committee complies with the CIPFA Better Governance Forum toolkit for local authority Audit Committees

1.2 Unless there are major changes to accounting rules and regulation, accounting policies do not change significantly between years because the accounts would not be comparable from one year to the next.

1.3 The draft audited Statement of Accounts for 2012/13 will be presented to the September 2013 Audit Committee for approval. The draft accounting policies statement will be included within the accounts and any changes made during the course of the closedown programme and/or audit will be highlighted and explained.

2. Purpose of Accounting Policies

2.1 The Statement of Recommended Practice for Local Authority Accounting defines accounting policies as "the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves".

2.2 The application of accounting policies supports the implementation of the main accounting concepts of best practice. These ensure financial reports:

- are **relevant** - providing appropriate information on the stewardship of authority monies.
- are **reliable** - financial information can be relied upon and without bias, error,
- within the bounds of materiality and has been prudently prepared.
- allow **comparability** - the interpretation of financial reports is enhanced by being able to compare information across other accounting periods and other organisations.
- are **understandable** - though financial reports have to contain certain information, they have to be understandable. For example the Council publishes summary accounts.
- Reflect **material** information - significant transactions must be incorporated in the financial reports.
- Prepared on a **going concern** basis (the assumption that the authority will continue in operational existence for the foreseeable future)
- Prepared on an **accruals** basis (accounts are prepared to reflect the benefit of goods and services received and provided rather than when cash transactions occur when invoices are paid in a later accounting period).

2.3 The accounting policies currently in place are similar in requiring accounts to be prepared on a going concern basis (unless not appropriate), use of accruals, consistent presentation, material items to be shown separate if material and no offsetting of assets and liabilities. There is now a requirement to prepare the accounts on a “true and fair” view rather than a “presents fairly basis”.

3. Contents of Accounting Policies

The appendix contains all of the Council's accounting policies. The more significant policies cover the treatment of the following:

- **Property Plant and Equipment** - the basis for valuing major long-term assets, such as council dwellings and offices is explained..

- **Impairment** – The carrying value of assets is reviewed annually to determine whether there is a material change in value and the basis on which impairment losses are written off.

- **Depreciation** - depreciation is charged to spread the value of an asset over its useful life.

- **Provisions and reserves** - a **provision** is created because the Council will have to make a future payment to settle a financial obligation and a reasonable estimate can be made of the amount payable. .Provisions are charged to the relevant service area. A **reserve** is created for a planned future purpose or maintained as a general contingency, These are recorded separately on the Movement in Reserves Statement.

- **Accruals of Income and Expenditure** - The Council raise these to comply with the accruals concept of accounting to measure when payments or receipts are due rather than where cash is transferred to settle the amount due.

- **Pensions** - This note describes the two pension schemes Council employees contribute to (teachers and Local Government Pension Scheme). The policy includes detail on the investment valuation basis used and the calculations made of future liability.

- **Value Added Tax** - As the vast majority of VAT paid by the Council is recoverable from H.M. Revenue & Customs, recoverable VAT is excluded from the cost of services within the accounts.

4. Changes in accounting policies for 2012/3

4.1 The application of most accounting policies is consistently applied from year to year. Changes are required when new accounting regulations are introduced or updated or if there is a significant change within the financial activities of the Council.

4.2. We must follow the requirements of International Accounting Standard 8 when selecting or changing accounting policies, adopting the accounting treatment and disclosing changes in accounting policies, estimation techniques and correcting errors.

4.3 There is a requirement to disclose expected impact of new standards. They will only result in a change in accounting policy if they are required by the code and will result in the financial statements providing reliable and more relevant information.

4.4 It is for an authority to select the accounting policies that are most appropriate to its particular circumstances. Best practice requires council's to regularly review the accounting policies adopted to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods.

4.5 There are no significant amendments proposed in the draft code of practice on local authority in the United Kingdom 2012/13.The proposed accounting policies for 2012/13 are reflected in **Appendix A**.

5. External Audit Consultation

5.1 As accounting policies form part of the Statement of Accounts document, these are subject to annual external audit review as part of the final accounts audit process.

5.2 Corporate finance liaise with external auditors liaise in regard to proposed changes to in accounting regulations and where these impact on accounting policies.

Financial Implications and risks:
There are no direct financial implications arising from the publication or approval of accounting policies. There are no material changes policy impacting upon the Councils financial position

.
Legal Implications and risks:

Section 21 of the Local Government Act 2003 requires that accounting practices including the Statement of Accounts be undertaken in accordance with proper practices set out in relevant regulations. The Local Authority must also have regard to the code of Practice on Local Authority Accounting for 2012/13 (based upon International Financial Reporting Standards) which sets out the proper practices applicable with effect from 1^{st} April 2011.

There are no apparent legal implications in noting the content of the Report.

Human Resources Implications and risks:

None arising directly.

Equalities and Social Inclusion Implications and risks
None arising directly

Background Papers List

This page is intentionally left blank

Notes to the Core Financial Statements

Statement of Accounting Policies

1. Accounting Policies

Going Concern

The concept of a going concern assumes that an Authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

Accounts drawn up under the Code assume that a local Authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an Authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013. The Authority is required to prepare an annual Statement of Accounts by 30th June 2013 (the Accounts and Audit Regulations 2011 require the accounts to be prepared in accordance with proper accounting practices). These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the *Service Reporting Code of Practice 2012/13*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Acquisitions and Discontinued Operations

Acquired operations

The Council has not acquired any material operations (or transferred operations under machinery of government arrangements) during the financial year.

Discontinued operations

The Council has not discontinued any material operations (or transferred operations under machinery of government arrangements) during the financial year.

iv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

v. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vii. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (the Minimum Revenue Provision). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by an adjusting transfer to the General Fund Balance from the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

viii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexitime) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General

Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by the Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the London Borough of Havering Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.8% based on the indicative rate of return on high quality corporate bonds.

The assets of the London Borough of Havering pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions charged to the Pensions Reserve.
- contributions paid to the London Borough of Havering pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits
The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

ix. Events After the Reporting Period
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

x. Financial Instruments
Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets
Financial assets are classified into two types:
- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying

amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xii. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify the future economic benefits or service potential embodied in the asset received in the form of grant or contribution acquired using the grant or contribution that are required to be consumed by the recipient as specified, or future economic benefits or service potential that must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

For all S106 contributions, because of their complex nature and numerous legal conditions all S106 contributions are only recognised through the Comprehensive Income and Expenditure Statement once they have been spent. Only then are we certain all conditions have been met and there is no return obligation.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Un-ringfenced Grant

A general grant allocated by central government directly to local authorities as additional revenue funding. It is non-ring fenced and credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts

The Council is the billing Authority for the London Riverside Business Improvement District managed by Ferry Lane Action Group which provides a cleaner, safer more secure business environment and to promote the interest of the business community within the BID. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

xiii. Heritage Assets

The Council's Heritage Assets are split into 2 categories

- Civic Regalia
- Heritage Buildings

Civic Regalia

The collection of civic regalia includes the mayors and deputy mayors chains which are worn on ceremonial duties and various items with civic insignia. They are valued based on manufacturing costs and do not include any element for rarity or collectable value, retail mark-up or VAT.

Heritage Buildings
The Council owns one building that meets the definition of a heritage asset and this is Upminster windmill. The building has been valued by professional valuers who have stated that the most appropriate means of valuing this building is by its historic cost.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note xxi.

xiv. Intangible Assets
Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv. Interests in Companies and Other Entities
The Council has a material interest in another legal entity, "Homes in Havering," which has the nature of a subsidiary and therefore requires the Authority to prepare group accounts. In the Authority's own single entity accounts, the interest is recorded as financial assets at cost, less any provision for losses.

xvi. Inventories
The Council has a number of small number of Inventories. These are included in the Balance Sheet at the lower of cost and net realisable value.

xvii. Investment Property
Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xviii. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xix. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Leases for the acquisition of vehicles valued at less than £10,000 (£5,000 for plant and equipment) are treated as operating leases on the basis that the impact of incorrectly classifying the lease would not materially impact upon the accounting disclosures.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to [the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xx. Overheads and Support Services
The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

xxi. Property, Plant and Equipment
Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Finance costs are not included in valuations for assets valued at Depreciated Replacement Cost.

Havering has applied the following de minimis criteria for the capitalisation of expenditure, so that schemes which cost less than this are classified as revenue rather than capital: -

- works to buildings £5,000
- infrastructure £5,000
- office and information technology £5,000
- other furniture and equipment £5,000

There are no de minimis limits for the following categories: land acquisition, vehicles and plant, energy conservation work, health and safety improvements, aids and adaptations for the disabled.

These de minimis rules may be waived where grant or borrowing consent is made available for items of capital expenditure below £5,000.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost.
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains.
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e.

assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – Straight line allocation over a five year period unless a suitably qualified officer determines a more appropriate period.
- infrastructure – straight-line allocation over 20 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the Code requires that these components are depreciated separately.

Major components which have a materially different asset lives will be identified in respect of:

- new capital expenditure as it arises, and
- existing assets as they become subject to revaluation.

Assets will not be valued on a componentised basis in the following circumstances on the basis that the impact upon asset valuation and depreciation is not material to the accounting disclosures;

- Capital expenditure of less than £300,000 per scheme.
- Assets valued at less than £3,000,000.

As a consequence of the application of this policy the Council has not identified any major components with materially different asset lives. However, the application of this policy will be reviewed on an on-going basis to ensure that the carrying value of assets is not materially affected.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xxii. Public Private Partnership (PPP) and Similar Contracts

PPP and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PPP contractor. As the Council is deemed to control the services that are provided under its PPP scheme, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Council's PPP scheme, the liability was written down by an initial capital contribution of £3.2 million leaving an initial liability of £1.6 million.

The amounts payable to the PPP operator each year are analysed into the following elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge of 4.8% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- the Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PPP operator (the profile of write-downs is calculated using the same principles as for a finance lease).

xxiii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxiv. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover Contingency Reserves created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxv. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxvi. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxvii. Carbon Reduction Commitment

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption

xxviii. Academies

Academies must prepare accounts under the Charities' Statement of Recommended Practice (SORP). This is a requirement in their Funding Agreements. Academies are required to publish their own accounts, the Council has therefore removed them from the 2012/13 Accounts.

xxix. Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the London Borough of Havering) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

Havering
LONDON BOROUGH

AUDIT COMMITTEE

24 April 2013

Subject Heading:	Fraud Progress Report
Report Author and contact details:	Vanessa Bateman – Internal Audit & Corporate Risk Manager ext: 3733 email: vanessa.bateman@havering.gov.uk
Policy context:	To advise the Committee of the work and performance of the Council's anti fraud and corruption resources.
Financial summary:	This report details information relating to fraud investigations.

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[X]
Excellence in education and learning	[X]
Opportunities for all through economic, social and cultural activity	[X]
Value and enhance the life of every individual	[X]
High customer satisfaction and a stable council tax	[X]

SUMMARY

This report advises the Committee of the work of the Investigations Team and the Internal Audit Fraud Team from 2nd January 2013 to 28th March 2013.

RECOMMENDATIONS

1. To note the contents of the report.

2. To raise any issues of concern and ask specific questions of the officers where required, either with regards the cases highlighted or the performance of the respective teams.

REPORT DETAIL

This report contains two sections; the content of each section is outlined below:

Section 1. Resources & Direction of Travel

Section 2. HB/CTB Fraud Work, Housing Tenancy & Internal Audit Fraud Work
- A) Case Load
- B) Referrals & Fraud Reports
- C) Current Case Load
- D) Outcomes
- E) Case Studies and Proactive Work
- F) HB/CTB fraud overpayments
- G) Savings & Losses

IMPLICATIONS AND RISKS

Financial implications and risks:

Fraud and corruption will often lead to financial loss to the authority. By maintaining robust anti fraud and corruption arrangements and a clear strategy in this area, the risk of such losses will be reduced. Arrangements must be sufficient to ensure that controls are implemented, based on risk, to prevent, deter and detect fraud. The work of the fraud team often identifies losses which may be recouped by the Council. The work of the Benefit Investigation Team regularly identifies benefit to which claimants are not entitled which are to be recovered by the Council. There are however, no direct financial implications or risks arising directly from this report.

Legal implications and risks:

There are no Legal implications from noting the contents of this Report.

Human Resources implications and risks:

There are no HR implications from noting the contents of this Report.

Equalities implications and risks:

There are no Equalities implications from noting the contents of this Report.

BACKGROUND PAPERS

None.

Section 1 Resources & Direction of Travel

1.1 The Senior Investigator post in the Investigations team was filled as planned in March 2013. The Auditor (fraud) in the Audit Team left the team in March so a recruitment process offering a secondment opportunity has commenced and the closing date for applications is 9th April.

1.2 The forecast outturn for 2012/13 for the investigations team is currently forecast to exceed the allocated budget. This overspend will be offset against an under spend in the internal audit budget. The overspend is caused by increased legal fees from pursuing proceeds of crime cases; increased resources and use of agency workers whilst restructuring the team.

1.3 The Investigations Team has an income target of £51,740 at the end of March and £31,777 had been achieved from payments of administrative penalties. There is income due from proceeds of crime cases but this is likely to be received next financial year.

Section 2 Fraud Cases January to April

A) Case Load

2.1 The table at para. 2.2 provides the total cases at the start and end of the period and referrals, cases closed and cases completed.

2.2

Caseload Quarter 4 2012/13						
Team	**Cases At start of period**	**Referrals received**	**Referrals rejected/ overloaded**	**Cases Fraud not Proven**	**Cases Successful**	**Cases at end of period**
HB/CTB	481	111	133	41	30	388
HT	83	16	3	10	5	81
Corporate	20	10	0	3	13	14
TOTAL	**584**	**137**	**136**	**54**	**48**	**483**

B) Referrals & Fraud Reports

2.3 The table 2.4 provides the sources of fraud referrals for the respective sections.

2.4

Source of Referrals & Fraud Reports Quarter 4 2012/13				
Number of Referrals/ Type	**HB/CTB Referrals**	**HT Referrals**	**IA Fraud Reports**	**Overall Total**
Anonymous	40	-	-	40
External Organisations / Members of the Public	10	7	0	17
Internal Departments Whistleblowers	43	-	10	47
Social Landlords (inc HiH)	13	9	-	22
Data Matching / Proactive initiative	5	-	-	5
Total	**111**	**16**	**4**	**131**

2.5 The table at para. 2.6 shows the categories of the potential Housing Benefit/Council Tax Benefit fraud referrals in the period.

2.6

Referrals by Category	
Potential Fraud	**Quarter 4 12/13**
Capital	3
Contrived Tenancy	2
Income from Other Sources	5
Living Together	56
Non-Dependant	4
Non-Resident/vacated	12
Other welfare benefits	-
Working	16
Non Commercial Tenancy	1
Other	-
Single Person Discount	-
Tenancy Fraud	12
Total	**111**

2.7 The table at para. 2.8 shows the categories of the potential Corporate Fraud reports in the period.

2.8

Reports by Category	
Potential Fraud	**Quarter 4 12/13**
PC – misuse and Abuse	3
Misuse of Council Time	2
Misuse of Council Asset	-
Misuse of Council Vehicle	1
Breach of Code of Conduct	-
Breach of Council Procedures	2
Falsification of Records	
Theft	1
Receipt of Bribe	-
Direct Payment Fraud	1
Safeguarding	-
Overcharging by Supplier	-
Fraudulent use of Credit Card	-
Overpayment Recovery	
Total	**10**

2.9 The table at para. 2.10 shows the categories of the potential Housing Fraud referrals in the period.

2.10

Referrals by Category	
Potential Fraud	**Quarter 4 12/13**
Subletting	5
Not main/principal home	10
Obtained tenancy by deception	-
False claim for Succession	1
Fraudulent assignment	-
Fraudulent RTB	-
Unlawful Mutual Exchange	-
Fraudulent Housing Register Application	-
Fraudulent Homeless Application	-
Total	**16**

C) Current Caseload

2.11 The table at para. 2.12 shows the current benefit caseload by category.

2.12

Current Cases by Category	
Potential Fraud	**As at end of Mar 2013**
Capital	22
Contrived Tenancy	16
Income from Other Sources	22
Living Together	155
Non-Dependant	12
Non-Resident/vacated	55
Other welfare benefits	-
Working	46
Non Commercial Tenancy	3
Other	3
Single Person Discount	14
Tenancy Fraud	40
Total	**388**

2.13 The table at para. 2.14 shows the current non benefit caseload by category.

2.14

Current Cases by Category (non benefit)	
Potential Fraud	**As at end of Dec 2012**
PC – misuse and Abuse	4
Misuse of Council Time	2
Misuse of Council Asset	-
Breach of Code of Conduct	-
Breach of Council Procedures	4
Misuse of Blue Badge	1
Accepting Bribe	1
Theft	1
Safeguarding	-
Direct Payments	1
Overpayment Recovery	-
Total	**14**

D) Outcomes

2.15 The number of successful outcomes for the benefits investigations team from January to March is detailed in Table 2.16 below.

2.16

Successful Outcomes			
Sanction/ Offence Type	**Administrative Penalties**	**Cautions**	**Prosecutions**
Capital	1		1
Working and Claiming	1		
Contrived Tenancy			
Living Together			1
Income from other sources	1	1	
Vacated	1	1	
Other			1
Total	**3**	**2**	**3**

2.17 The following are successful benefit prosecution cases.

2.18 A member of the team appeared in an episode of the Saints & Scroungers TV series in February. The programme featured the case of an H&H tenant who obtained benefit as lone parent from 1992 to 2010 while she was actually living with her husband, a black cab driver. The fraudster was jailed for 15 months for claiming a total of £165,000 in benefit, of which £71,000 was Housing and Council Tax benefit.

A data match exercise showed undeclared capital in an account belonging to Miss H who was in receipt of Income Support and Housing & Council tax benefit. A joint investigation established that she had, in fact, received an inheritance from her father in excess of £81,000. Miss H had put some of this money in other accounts in an attempt to conceal it and continued to claim benefit. In spite of being aware of the investigation, Miss H continued to pursue her claim, insisting that the money belonged to her children. However, further enquiries established that she had placed £50,000 in a 5 year plan in her own name. As a result of this deception Miss H received a total of £50,145.12 in benefits and pleaded guilty at Court. She received a nine month custodial sentence, suspended for 2 years and was ordered to carry out unpaid work.

2.19 The case outcomes for the Internal Audit Fraud Team from January to March are detailed in table 2.20 below.

2.20

Case Outcomes	
Outcome	**Qtr 4**
Management Action Plan	8
Contract ended	-
Resigned	2
Disciplinary	1
Insufficient Evidence	1
Prosecution	2
No case to answer	1
Refund received	-
Property Recovered	-
Cancelled	1
Total	**16**

2.21 The case outcomes for the Housing investigations from October to December are detailed in table 2.22 below.

2.22

Successful Outcomes (Note: Cases may have multiple outcomes)	
Outcome Type	**Q4 12-13**
Tenancy Relinquished voluntarily (keys handed in)	4
Property recovered via court action	-
Succession / assignment / Mutual Exchange prevented	1
RTB stopped	-
Homeless Duty discharged	-
Housing Register application withdrawn	-
Temporary accommodation withdrawn	-
Prosecution	1
Total	**6**

E) Case Studies and Proactive Work

2.23 The 2012/2013 Internal Audit plan includes a Highways Inspection pro-active audit review. A sample of 30 vehicle crossover applications that had not progressed to customer payment or Council construction was selected for testing.

Evidential checks and an admission by a resident identified one case of an illegal implementation of a vehicle crossover out of a sample of 30 applications. The residents preferred course of action is to pay the Council to have the vehicle crossover re-laid in the correct manner/specification following a re-quoted price by the Highways Section.

2.24 Following an Internal Audit investigation and admission of theft by a G4S Guard from three council services, and the subsequent recovery of approximately £9k, a pro-active audit review was undertaken to establish the banking internal checks and controls via the Council's contractor G4S.

A sample test of eighteen Council banking establishments identified the following:

- Four of the eighteen (22%) council banking establishments reported that the G4S Guard did not use a security box.
- Seven of the eighteen (39%) council banking establishments tested had G4S receipts missing.
- All eighteen (100%) banking establishments admitted to not checking or reconciling the G4S receipt to the bank bag serial numbers issued

- Five of the eighteen (28%) banking establishments did not record the bank bag serial number as such no reconciliation of G4S receipts to bank bag serial numbers could be undertaken at the point of review.
- No fraud/theft was identified from the eighteen establishments tested.
- Following the proactive audit a “Keeping the Council’s Money Safe” Seminar was presented by Internal Audit and G4S and all Council banking establishments were issued with procedures and recommendations to ensure internal check and control is maintained.

2.25 On 1st March, as a result of subletting investigations, Mr H and Mr D pleaded guilty to claiming benefit at their respective council properties when they did not actually reside in them. Mr D has handed back the keys to his property and Mr H has been served a Notice to Quit.

2.26 Successful cases

Enquiries established that Miss G and her young daughter did not reside in her flat but actually lived with her father. An early morning visit was carried out and officers found the tenant’s mother at the property. She claimed to be just staying the night but there was no sign of a child living at the address. A few days later officers visited the tenant’s father and found the tenant there. They took her back to her flat which had been staged with children’s toys and possessions. In spite of Miss G’s complaint to H&H, the investigation officer continued with her enquiries, linking the child to her grandfather’s address. Miss G eventually handed back the keys to the property. She also accepted an administrative penalty for the benefit that she had received when she did not actually reside at the address.

2.27 Investigators carried out a visit with the police to an address in X Road. It was suspected that the tenant, Mrs M, had not been living there for a while. The property appeared unoccupied and vehicle checks linked the tenant to the X area. Enquiries with X Council established that Ms M’s children attended school in the X and that Mrs M was known to them as Mrs S! Further enquiries led the investigator to a holiday camp where Mrs S and her husband owned a caravan. Site records showed that the couple now resided in X and X Council confirmed that they also ran a shop there. Investigators visited the shop in X and served Mrs S with a letter calling her in for an interview under caution. Mrs S failed to attend the interview but handed the keys back to the property. Mrs S is still being pursued for benefit fraud offences.

2.28 An Old Ford tenant was successfully prosecuted in February for obtaining a property by deception when she actually owned her own home. The tenant originally obtained a Council property after declaring that her marriage had broken down and that she was a lone parent of two children. She later moved to an Old Ford property in X Way due to the redevelopment in the area and accepted a Homeless and Disturbance payment of £5,677.53 for the move. Following suspicions that the tenant did not live at the property, an investigation established that the tenant’s daughters attended a school in X and school records showed that they lived with their mother at an address in X. Further enquiries revealed that the tenant had owned the X property since 1999 and was living there while subletting the Old Ford property. The tenant was sentenced to nine months imprisonment, suspended for 18 months, ordered to carry out 200 hours of unpaid work and was given a 12 month supervision order with the probation service.

F) HB/CTB Fraud Overpayments

2.29 The value of fraudulent housing benefit overpayments generated by the team for the fourth quarter of the 2012/13 year to date are contained in table 2.30.

2.30

Fraudulent Overpayment		
Type	**Qtr 4**	**Year to date**
Rent Rebate	67,346.90	296,778.93
Rent Allowance	205,932.74	513,227.04
Council Tax Benefit	47,997.53	148,702.59
Total	**321,277.17**	**958,708.56**

G) Savings and Losses

2.31 There are no savings or losses to report in this period.

This page is intentionally left blank

Havering
LONDON BOROUGH

AUDIT COMMITTEE

24 April 2013

Subject Heading:	Internal Audit Charter and Terms of Reference
Report Author and contact details:	Vanessa Bateman – Internal Audit & Corporate Risk Manager ext 3733
Policy context:	For the Committee to approve the revised Internal Audit Charter and Terms of reference.
Financial summary:	N/a

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[]
Excellence in education and learning	[]
Opportunities for all through economic, social and cultural activity	[]
Value and enhance the life of every individual	[]
High customer satisfaction and a stable council tax	X

SUMMARY

This report details the outcome of the annual review of the Internal Audit Charter and Terms of Reference.

RECOMMENDATIONS

1. To approve the updated Internal Audit Charter and Terms of Reference, appendix A.

REPORT DETAIL

Internal Audit Charter and Terms of Reference

1. The aim of the Internal Audit Charter and Terms of Reference is to formally communicate the role of the Internal Audit Service and how this role should be fulfilled.

2. The review has resulted in only minor changes. The updated version is attached as Appendix A of this report.

IMPLICATIONS AND RISKS

Financial implications and risks:

None directly arising from this report, however by maintaining an adequate audit service, management are supported in the effective identification and efficient management of risks which may prevent financial losses.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

CIPFA – The Excellent Internal Auditor – A good practice guide to skills and competencies 2011.

Appendix A

Havering
LONDON BOROUGH

INTERNAL AUDIT CHARTER & TERMS OF REFERENCE

Version: April 2013

INTERNAL AUDIT CHARTER

1.0 Why do we have Internal Audit?

1.1 The requirement for a local authority to have an internal audit function is implied by s151 of the Local Government Act 1972, which requires that authorities 'make arrangements for the proper administration of their financial affairs'. Regulation 6 of The Accounts and Audit Regulations 2011 makes provision for relevant bodies to maintain an adequate and effective internal audit of their accounting records and system of internal control.

2.0 Definition

2.1 The London Borough of Havering has adopted the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 and its definition of Internal Audit:

2.2 *Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.*

3.0 Internal Audit Service's Role

3.1 The Internal Audit Service is responsible for conducting an objective and independent appraisal of all the London Borough of Havering's activities, financial and otherwise.

3.2 Internal Audit is required to be a continuous service available to all levels of management but its primary responsibility is to give assurance to Members, the Chief Executive, Chief Finance Officer, Assistant Chief Executive and Group Directors on all control arrangements, including risk management and corporate governance.

3.3 Internal Audit will consider the adequacy of the control environment necessary to secure: propriety, strategic management, data quality, compliance with laws and regulations and effectiveness of operations in all areas.

3.4 The role and responsibilities of Internal Audit are specified in more detail later in this document within the Terms of Reference.

4.0 Management's Role

4.1 Internal Audit is not an extension or a substitute for good management although it can advise management on risk and control issues. It is the duty of management to operate adequate systems of internal control and risk management.

4.2 It is for management to determine whether or not to accept the audit recommendations and to recognise and accept the risks of not taking action. They must formally respond giving reasons for their decisions.

5.0 Key Performance Indicators (KPIs)

5.1 KPIs have been devised to measure the performance of the Internal Audit Service.

5.2 KPI 01 – The percentage of the approved audit plan completed, for the period, against target.

5.3 KPI 02 - The total number of audit briefs issued, for the period, against target.

5.4 KPI 03 - The number of audit reviews completed to draft stage, for the period, against target.

5.5 KPI 04 - The number of audit reviews completed to final stage, for the period, against target.

5.6 KPI 05 - Management Satisfaction Survey results above average (%).

6.0 Skills and Expertise

6.1 The Excellent Internal Auditor (2011 edition) document produced by CIPFA is used in conjunction with the Council’s Performance Development Review process to review the skills and expertise of the team.

TERMS OF REFERENCE

7.0 RESPONSIBILITIES of INTERNAL AUDIT

7.1 To provide assurance to elected members and to management that there are arrangements in place for the proper administration of the financial affairs and that generally the system of internal control is adequate and effective in the management of all risks, financial or otherwise, to the organisation.

7.2 To alert the Group Director Finance and Commerce (GDF&C) to any significant areas of internal control weaknesses relevant to his s151 role.

7.3 To report to Audit Committee regarding results of audit work.

7.4 To produce an Annual Report and Head of Internal Audit Opinion.

7.5 To deliver a risk based audit plan that ensures the resources available are used to the maximum benefit of the authority.

7.6 To work with External Audit, in accordance with the Internal and External Audit Protocol in order to maximise the value obtained from the total audit resource and minimise the overall cost of audit to the authority.

8.0 SCOPE

8.1 All London Borough of Havering's activities fall within the remit of the Internal Audit Service.

8.2 Internal Audit will not restrict itself to the audit of financial systems and controls but will cover all operational and management controls.

8.3 Not all systems will be subject to review each year but they will be included within the overall remit of audit and be subject to the audit needs risk assessment and considered for review as described in the Annual Audit Strategy and Strategic Plan.

8.4 As Audit can give an opinion on the whole of the system of control it may include areas as diverse as equality and diversity, sustainability, staff turnover or performance management etc. The role of internal audit is to confirm the effectiveness of systems and controls in meeting objectives. It will not make academic or other judgements.

8.5 It is not within Internal Audit's remit to question the appropriateness of policy decisions. However, Internal Audit is required to examine the arrangements by which such decisions are made, monitored and reviewed.

8.6 The Internal Audit Service may also conduct special reviews and investigations, (i.e. unplanned work) requested by Members, Chief Executive, Assistant Chief Executive and Group Directors and in particular the GD F&C; provided such reviews do not compromise its objectivity or independence. The impact on the audit plan must be assessed by the

Internal Audit & Corporate Risk Manager (IA&CRM) and, if necessary, the plan must be reprioritised. Any significant changes must be reported back to the GDF&C and Members in the next Audit Committee reporting cycle.

9.0 **ACCESS**

9.1 Internal Audit has a right of access to all premises, personnel, documents and information they consider necessary for the purpose of their audits as specified in Financial Procedure Rules Section L and to obtain such information and explanations from any employee or member as necessary concerning any matter under review/investigation.

9.2 Internal Auditors also have the power to require any council employee, agent or Member to produce cash, equipment, computers or other Council property under their control. Internal Audit can retain or seize these items in order to protect the Council's interest, or to preserve evidence, if a suspected irregularity has occurred.

10.0 **OBJECTIVES of the AUDIT SERVICE**

10.1 To understand the whole organisation, its needs and objectives.

10.2 To add value and assist the organisation in achieving its objectives.

10.3 To be forward looking, innovative and challenging.

10.4 To help to shape the ethics and standards of the organisation.

10.5 To support management in maximising Value for Money in the use of public funds.

10.6 To ensure the right resources are available to deliver the audit plan, recognising changes in capacity, experience, qualifications and specialism.

10.7 To share opportunities for joint working and seek to share best practice with auditors and examiners from other authorities and organisations, in particular the Council's External Auditor.

10.8 To maintain strong and effective relationships with management.

10.9 To report significant issues to the Audit Committee, in a timely fashion, to enable and support the effective completion of their responsibilities.

11.0 **INDEPENDENCE**

11.1 Internal Audit is organisationally independent that is; the Internal Audit Service has no operational responsibilities nor does it have responsibility for the development, implementation or operation of systems. However, it may provide advice on implementation, control and related matters, subject to resource constraints.

11.2 Responsibility for internal control rests fully with management who must ensure that appropriate and adequate arrangements exist without reliance on Internal Audit. To preserve the objectivity and impartiality of the auditor's professional judgement, responsibility for implementing audit recommendations rests with management.

11.3 Internal Audit will be free from interference in setting objectives, scope and priorities for the Audit Plan (although they must have due regard for the Authority's strategic objectives and corporate and service risk registers and consult with Members and Officers charged with governance) and in reporting and carrying out their duties. There must be no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.

11.4 Internal Audit is supported by the organisation and its independence is seen as key to providing the London Borough of Havering with an effective service.

11.5 Internal Audit has direct access to the Chief Executive, the Assistant Chief Executive, all Group Directors, Heads of Services, the Leader of the Council and the Chair of the Audit Committee and report in their own name.

11.6 The IA&CRM should have sufficient status within the authority to facilitate the effective discussion of audit strategies, plan, results and improvement plans with senior management.

11.7 In order to maintain organisational independence, Internal Audit has its own budget and is responsible for providing the Internal Audit service within budget.

12.0 **REPORTING LINES**

12.1 The IA&CRM reports to the Head of Finance & Procurement and GDF&C on the progress with the audit plan and the performance against KPIs. The IA&CRM has direct access to the Audit Committee to ensure the role of Internal Audit is not unduly influenced by the management structure.

12.2 The IA&CRM reports quarterly to the Corporate Management Team, in the month prior to each Audit Committee.

12.3 A progress report is submitted to each of the five Audit Committee meetings held annually. Reports will also be submitted annually for approval regarding the Audit Strategy and Plan, Charter and Terms of Reference, Risk Management and Fraud Strategies. On an annual basis the IA&CRM will present their Annual Report and Head of Internal Audit Opinion to the Audit Committee.

13.0 INTERNAL AUDIT'S ROLE IN FRAUD AND CONSULTANCY WORK

Fraud

13.1 As stated in the CIPFA Code, managing the risk of fraud and corruption is the responsibility of management (for example through maintaining internal controls) to prevent and detect fraud. However, fraud issues are an area where Internal Audit is well placed to offer a lead as a service to the organisation. To enable this an anti-fraud and corruption team exists, which has responsibility for:

- Raising fraud awareness across the Council;
- Carrying out a programme of proactive fraud identification work;
- Dealing with the National Fraud Initiative and other external anti-fraud contacts;
- Acting as a source of expert advice to other internal auditors and officers generally; and
- Leading on any fraud investigations.

13.2 Financial Procedure Rules require that all detected instances of fraud and corruption be reported to the GDF&C and Internal Audit so that lessons arising from the irregularity can be identified.

13.3 Suspicions of fraud or corruption may be reported directly to Internal Audit under the Council's Confidential Reporting (Whistle blowing) policy. In these cases investigations by internal audit will usually be in conjunction with line management but exactly who is informed will depend on the nature of the allegations.

13.4 The proactive audits target specific areas of concern to management, where a short focused review, of controls, is sufficient to provide assurance to management. Where issues are highlighted this may result in a full systems review being undertaken or lessons learned being circulated to management.

Consultancy

13.5 Internal Audit can also provide, to the extent that resources permit, an independent and objective consultancy service designed to help line management improve the Council's internal control environment. This can include reviews of specific problem areas, advice and support on new developments and assistance in the preparation of financial training and documentation and strategic policy documents.

14.0 Review

14.1 This Terms of Reference will be reviewed annually and presented for approval by the Audit Committee.

14.2 The next review will be completed in February 2014.

15.0 **Key Contacts**

Internal Audit & Corporate Risk Manager – Vanessa Bateman ext 3733

Head of Finance & Procurement – Mike Stringer ext 2101

Group Director Finance & Commerce – s151 Officer – Andrew Blake Herbert ext 2218

Havering
LONDON BOROUGH

AUDIT COMMITTEE

25 April 2012

Subject Heading:	Annual Report of Audit Committee
Report Author and contact details:	Vanessa Bateman Internal Audit & Corporate Risk Manager Tel: 01708 - 433733. E-mail : Vanessa.bateman@havering.gov.uk
Policy context:	The Annual report of the work of the Audit Committee
Financial summary:	N/A

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

SUMMARY

In accordance with best practice the Committee submits an annual report to the Council on the work of the Committee. The Draft report is attached at appendix 1.

RECOMMENDATIONS

1. To comment on the draft report.

2. To agree the final report should be presented to the next appropriate Council Meeting.

REPORT DETAIL

Annual Report 2012/13

The report contains the following information

- Information;
- Background;
- Structure;
- Coverage;
- Key issues arising/considered;
- Work to ensure effectiveness; and
- Priorities for forthcoming year.

Key highlights from the report are:

- The Committee maintained its usual work plan based on its Terms of Reference but also considered specific reports and assurances on: the progress with regards the objection to accounts action plan and related update on the outcome of a Leaseholder Valuation Tribunal.

- The Committee received briefings on Fraud and Corruption, Risk Management and Housing Tenancy Fraud.

- The Committee approved accounts compiled in accordance with the International Financial Reporting Standards.

- The Committee approved the Annual Governance Statement.

- The Committee requested follow up work or briefings from Head of Service regarding: Jacobs Contract; Iexpenses and Purchase Card, Oracle System and Children's Centres.

- Appendix A of the report details agenda items considered at each meeting, Appendix B outlines training and Appendix C contains a forward plan.

IMPLICATIONS AND RISKS

Financial implications and risks:

None directly arising from this report, however the existence of an effective Audit Committee is fundamental in ensuring the Council maintains a robust system of internal control. Failure of the Audit Committee to undertake its duties in an effective manner may result in issues that arise not being addressed.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

2012/13 Audit Committee Agendas.

This page is intentionally left blank

ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE

April 2013

1. Introduction

1.1 This report covers the period April 2012 to March 2013 and outlines:-

- Information relating to the Audit Committee;
- The coverage of work undertaken by the Audit Committee;
- Key issues arising;
- Actions taken during the year, including training, to ensure the effectiveness of the Audit Committee; and
- Future planned work and challenges.

2. Background

2.1 The Audit Committee has been in place for a number of years and has as its terms of reference:

- To consider and monitor the Authority's risk management and internal control environment;
- To focus audit resources;
- To receive and approve the Annual Statement of Accounts
- To monitor performance of internal and external audit; and
- To monitor proactive fraud and corruption arrangements.

3. The Audit Structure

Audit Committee	Cllr Georgina Galpin (Chair from May 2010) Cllr Frederick Osbourne Cllr Roger Ramsey Cllr Frederick Thompson Cllr Clarence Barrett Cllr Denis Breading
Internal Auditors	Internal Service
External Auditors	PricewaterhouseCoopers (PwC)

4. Audit Committee coverage

4.1 The Audit Committee has received the reports as set out in Appendix A. The coverage can broadly be categorised as regular and specific. More information on both is set out below.

4.2 <u>Regular Work</u>

The Committee has regularly reviewed:

- Progress against the audit plan and performance;
- Key findings/issues arising from each audit undertaken;
- Progress against implementation of the recommendations;
- Anti fraud and corruption activity, including frauds investigated and outcomes;
- Treasury Management activity; and
- The Accounts closedown timetable and progress reports.

4.3 Specific Review / Reports

There were several during the year including a review and approval of:

- the Risk Management Strategy;
- the Anti Fraud and Corruption Strategy;
- the Statement of Accounts;
- the Annual Governance Statement;
- the Internal Audit Strategy; and
- the Annual Audit Plan.

The Committee also received assurances via:
- Annual Report from Internal Audit; and
- The work of External Audit (PwC).

5. Key issues arising

5.1 The Committee requested follow up audits or received updates from the relevant Head of Service regarding areas where audit assurances had not improved or recommendations not implemented in line with planned timescales.

6. Work to ensure effectiveness of Committee

6.1 The Committee has received dedicated training and awareness sessions on Risk Management, Risk Based Verification, Fraud and Housing Tenancy Fraud.

6.2 In February the annual review of the Committee's effectiveness was undertaken. There were no significant issues from this exercise.

6.3 The Committee now has identified substitute members who are invited to attend all training, this aims to ensure the Committee is always fully equipped to deal with the agenda items presented.

7. Priorities and work plan for the forthcoming year

7.1 The Audit Committee is currently planned to meet on four occasions over the next municipal year. There are specific reports planned throughout the year, running through a mix of quarterly progress reports and annual reviews of specific strategies and policies within the remit of the Committee, together with progress reports from the Council's external auditor.

7.2 There are new Public Sector Audit Standards being introduced for 2013 and compliance with these will require oversight of the Committee.

7.3 Officers will continue to ensure all members on the Committee, and their nominated substitutes, are adequately trained.

7.4 The Committee will continue to focus on ensuring Value for Money and challenging weak areas that have been highlighted by the work of Internal Audit.

7.5 The Committee will focus on the Risk Management arrangements being while they continue to be embedded and seek assurances that robust arrangements are in place.

7.6 Fraud prevention and detection will continue to be high on the Audit Committees agenda going forward.

7.7 The Committee will continue to promote their work to all members of the Council be inviting them to attend their briefing sessions.

APPENDIX A

AUDIT COMMITTEE AGENDA ITEMS FROM APRIL 2012 TO DATE

April 2012

- Jacobs Contract Follow Up
- Closure of Accounts Timetable 11/12
- Oracle Report Follow Up
- Internal Audit progress report
- External Audit Plan 11/12 Pension Fund Audit
- Training Requirements for Committee
- Draft Audit Plan Update
- Demise of The Audit Commission
- Annual Report of the Committee
- Urgent Business

June 2012

- Appointeeships and Deputyships Update
- Update of objection to accounts action plan
- Internal Audit Progress Report
- Fraud Progress Report
- Annual Head of Internal Audit Report
- Annual Governance Statement
- Closure of Accounts Timetable
- External Audit Update
- Annual Review of Fraud & Corruption
- Annual Review of Risk Management
- Member Training
- Urgent Business
- Annual Treasury Report

September 2012

- Annual Statement of Accounts
- International Standards of Auditing – Report to those charged with Governance (ISA 260)
- Response to ISA 260
- Internal Audit progress report
- Fraud progress report
- Iexpenses and Purchase Card Follow Up
- Outstanding Audit Recommendations
- Urgent Business
- Treasury Update

December 2012

- Jacobs Contract Update
- Leaseholder Valuation Tribunal Update
- Annual Audit Letter
- Accounts closedown timetable
- Governance Update
- Internal Audit Progress Report
- Fraud Progress Report

- Urgent Business
- Treasury Update

February 2013

- External Audit Plan 12/13
- 11/12 Audit Report of Grant Claims and Returns
- Children’s Centre Follow Up
- Annual Review of the Audit Committees Effectiveness
- Internal Audit Progress Report
- Fraud Progress Report
- Draft Internal Audit Plan 13/14 and Strategy
- Annual Review of Fraud
- Closure of Accounts Timetable
- Urgent Business
- Treasury Update

APPENDIX B

AUDIT COMMITTEE MEMBERS TRAINING / AWARENESS

Timescale	Session	Coverage	Attendance
June	Fraud	Housing Fraud	Cllr Georgina Galpin Cllr Fred Osborne Cllr Linda Hawthorn Cllr Roger Ramsey Cllr Frederick Thompson Cllr Denis O'Flynn Cllr Ron Ower
December	Fraud	General Fraud Update	Cllr Georgina Galpin Cllr Clarence Barrett Cllr Denis Breading Cllr Wendy Brice-Thompson Cllr Roger Ramsey Cllr Frederick Thompson
February	Risk Based Verification	New approach to Benefits assessment	Cllr Georgina Galpin Cllr Denis Breading Cllr Frederick Osborne Cllr Frederick Thompson

APPENDIX C

AUDIT COMMITTEE – FORWARD PLAN / TRAINING

FORWARD PLAN	AGENDA ITEM	PLANNED TRAINING
June 2013	• Closure of Accounts Timetable • External Audit Progress Report • Annual Audit Report • Annual Governance Statement • Annual Treasury Report • Annual Review of Risk Management • Member Training Plan	N/a
September 2013	• Annual Accounts • Report to those charged with Governance • Response to Auditors • Internal Audit Progress Report • Outstanding Recommendations Report • Fraud Progress Report • Treasury Update	TBC – separate plan to June Committee
December 2013	• Annual Audit Letter • Closure of Accounts Timetable • Internal Audit Progress Report • Governance Update • Fraud Progress Report • Treasury Management Report	TBC
February 2014	• External Audit Plan • Internal Audit Draft plan and strategy. • Internal Audit progress report • Fraud Progress Report • Annual Review of Audit Committee Effectiveness • Internal Audit Charter and Terms of Reference • Annual Grants review • Demise of Audit Commission • Treasury Management Report • Annual Report of Audit Committee • Close down Accounts timetable • External Audit Pensions Plan	TBC