

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Committee Room 3A - Town Hall
25 September 2014 (7.30 - 8.10 pm)**

Present:

COUNCILLORS:

Conservative Frederick Thompson (in the Chair) and Viddy Persaud

Residents' Ray Morgon (Vice-Chair) and Julie Wilkes

Independent Residents Graham Williamson

Apologies were received for the absence of Councillor Philip Hyde.

The Chairman reminded Members of the action to be taken in an emergency.

12 MINUTES OF THE MEETING

The minutes of the meeting held on 25 June 2014 were agreed as a correct record and signed by the Chairman.

13 REPORT TO THOSE CHARGED WITH GOVERNANCE - INTERNATIONAL STANDARD OF AUDITING (ISA) 260

The Council's external auditors PricewaterhouseCoopers (PWC) had submitted their draft report summarising their findings. Officers had included their responses in the report.

Since the audit plan had been prepared PWC had made the following changes to their risk assessment:

- A significant risk had been noted for the financial resilience of the authority as part of their consideration of the Value for Money criteria after considering the Authority's medium term financial strategy, which identified a significant budget gap due to cost pressures and funding reductions;
- They had added a new risk in relation to OneSource, the joint committee between the Council and the London Borough of Newham.

PWC had identified a number of issues which they were obliged to raise with the Authority. These had included an issue with 'Property, Plant and Equipment'. According to IAS 16 expenditure should be capitalised if it was for the purchase of tangible fixed assets or enhanced the economic benefits of the asset in excess of its previously assessed standard of performance. In testing they had found several instances in which capital expenditure for Council's schools and highway maintenance service had been incorrectly expensed. PWC had recommended that management should review the controls around capitalisation of expenditure and ensure that clear instructions were provided to schools and other business units outside finance.

In response management had made the following comments:

‘Under Shared Service arrangements, Cost Centre Managers were responsible for ensuring their expenditure was correctly classified. As this capital expenditure would have been financed by revenue contributions, there was no impact on revenue outturn from these errors, but the accounting treatment was incorrect.

Corporate Finance, in conjunction with Operational Finance, would consider training needs and review communication with Services to ensure clear guidance on closure of accounts was disseminated to Cost Centre Managers.

Education Finance would monitor schools building maintenance costs to ensure costs were capitalised as appropriate.’

Having considered the report from PWC and the response of management the Committee have **noted** the contents and the wording of the letter of representation.

The Committee confirmed that their view of fraud risk had not changed nor where there any additional matters which they needed to raise with PWC.

14 ANNUAL STATEMENT OF ACCOUNTS 2013/2014

The Committee were advised that the Council’s Statement of Accounts was required to be published after the conclusion of the external audit of accounts: no later than 30 September 2014. Our auditors, PricewaterhouseCoopers had completed their audit and had issued an unqualified opinion.

The Committee **approved** the Statement of Accounts, without amendment.

15 FRAUD PROGRESS REPORT

Officers had submitted the Fraud Progress report for the period 1 April to 30 June 2014.

The Committee were advised that an approach had been made to the Department of Works and Pensions, on behalf of both the London Boroughs of Newham and Havering to defer the transfer date of officers primarily working on Housing Benefit Fraud work until 31 March 2015. This would enable the oneSource Service Review and restructure to be completed before the transfer.

The Service Review Team had completed the ‘As Is’ stage of the review. This meant the current arrangements in both Havering and Newham, for Fraud, Audit, Insurance and Risk Services, had been captured and extensive analysis completed. The outcome of this stage would be reported to management and used as a basis for the ‘To Be’ phase of the process which looked at the future needs of both organisations. It was still anticipated that this phase would conclude in October at which point options for a new structure would have been designed and costed, and presented to management for consideration. Once approved the LB Havering’s change management procedures would commence. It was envisaged that the implementation of changes following this review would lead to the delivery of savings which contributed towards the achievement of oneSource business case.

Work on Reactive Fraud cases had continued with 13 fresh referrals being received during quarter 1. In 3 cases fraud was not proven but 4 were successful.

This left the team with 19 active cases. The result of the successful cases concluded in quarter 1 showed savings of £51,120, with losses of £24,170.

At the start of Quarter 1 the team had 396 Housing Benefit (HB) and Council Tax (CTS) cases under investigation and 56 Housing Tenancy (HT) cases. An additional 98 cases were referred during the period and 35 were rejected. In 70 cases fraud was not proven with 41 cases being successfully concluded. At the end of the period the caseload stood at 344 HB & CTS and 60 HT.

5 of the Housing Benefit and Council Tax cases had been successfully prosecuted and the three successfully concluded housing investigations had resulted in 2 tenancies being voluntarily relinquished and 1 property recovered via court action.

The Committee **asked** for details of the costs associated with the work of the Fraud teams.

The Committee **noted** the report.

16 **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.

17 **ANNUAL TREASURY MANAGEMENT REPORT 2013/14**

CIPFA'S Code of Practice on Treasury Management required authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity.

The Committee **approved** the final 2013/14 prudential and treasury indicators in the report; and

Recommended the annual treasury management report for 2013/14 to full council.

18 **TREASURY MANAGEMENT UPDATE - QUARTER 1, 2014/15**

The Committee have received an update on the position of Treasury Management for the first quarter 2014/15. The Committee have noted that the Council still have ample cash flow available but that this position would change towards the end of the financial year.

The Committee have **noted** the report.

