

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Committee Room 3A - Town Hall
1 December 2015 (7.00 - 8.20 pm)**

Present:

COUNCILLORS:

Conservative Group Viddy Persaud (in the Chair) Frederick Thompson

Residents' Group Julie Wilkes (Vice-Chair)

East Havering Clarence Barrett

Residents' Group

UKIP Group David Johnson

Independent Residents Graham Williamson
Group

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.

22 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on 24 September 2015 were agreed as a correct record and signed by the Chairman.

23 ANNUAL AUDIT LETTER 2014-15

The Committee had received a report which advised that the Council's external auditors PricewaterhouseCoopers (PWC) had issued their annual audit letter to the committee summarising the results of their 2014/15 audit.

The letter included the following:

- PWC issued an unqualified audit opinion for the 2014/15 accounts on 30 September 2015. Their Report to Those Charged with Governance (ISA (UK&I) 260) was presented to the Audit Committee on 24 September 2015.
- PWC would issue their Annual Certification Report for 2014/15 on the Certification of Claims and Returns in December 2015. The Committee had been informed that PWC had signed off the Housing Benefit Claim last week.
- Other Matters Reported to Those Charged with Governance (pages 5 and 6 of the report) included recommendations relating to
 - Bank Reconciliations

- Pension Fund - following up on National Fraud Initiative results on a timely basis
- Financial Resilience

The first two matters had been addressed and Financial Resilience was being addressed as part of the Budget Strategy for reporting to Cabinet in February 2016.

PWC had confirmed that the cost of the non-audit work included in their fees should be £37,750 not £37,500. The fee over and above the scale element was in the process of being agreed with management and Public Sector Audit Appointments Limited and would be reported in due course. The additional fees were £6,123 for the statement of accounts in relation to trial balance reconciliation and £3,000 for the pension fund in relation to audit work on more complex investments held by the fund.

The Committee had noted the report.

The Committee had placed on record their appreciation of the sterling work PWC had undertaken with the Council since being appointed external auditors. Officers stated that they had developed a very good working relationship with PWC which had helped ensure the Council received an unqualified opinion.

24 INTERNAL AUDIT PROGRESS REPORT - QUARTER 2

The Interim Head of Internal Audit presented her report outlining the work undertaken by the Internal Audit Team during the period 6 July 2015 to 4 October 2015. The committee were informed that the oneSource service transformation restructure was due to be formally launched, consulted on and implemented by April 2016. This would deliver the savings and efficiencies required in line with the Joint Committee Business Case. The future Audit Terms of Reference, Charter and Strategy would be brought to the Committee in 2016. Until then the current ones would remain in place.

Previously the Head of Internal Audit had given her opinion that based upon the work undertaken in quarter 1 she had concluded that reasonable assurance could be given that the internal control environment had been operating adequately. Based on the work undertaken since that report, no material issues had arisen which would impact on that opinion. There had been no Nil or Limited Assurance reports issued in quarter 2.

The Committee were advised that delivery of the Audit Plan was progressing as anticipated. In quarter one there had been one Nil Assurance (Manor Green Pupil Referral Unit (MGPRU) and one Limited Assurance report (Members' Allowance Payments). Since the report had been written Internal Audit had undertaken a follow up on the Members' Allowance payments and a substantial assurance had been given.

The follow up audit on the MGPRU showed that progress had been made with 15 of the 27 recommendations having been implemented. One recommendation had been superseded. However, the audit assurance that could be placed on the control environment remained at Nil as six of the eleven outstanding recommendations were high priority recommendations.

The Committee had expressed their disappointment that no one from learning and Achievement was in attendance to brief them on progress as they felt that given the importance of this area, they had not had a sufficient opportunity to seek assurance in line with their role. The Committee had asked that the appropriate officer be instructed to attend the next meeting in March and provide a full update.

A further six system/computer audits had been completed and 12 school audits had been completed in quarter 2. The Committee had sought clarification on two of the reports and were satisfied with the responses from officers.

The Committee had noted the report subject to the areas highlighted above.

25 **CORPORATE GOVERNANCE UPDATE**

The Committee were informed that in accordance with Regulation 6(1) of the Accounts and Audit Regulations 2015 all relevant bodies were required to prepare an Annual Governance Statement (AGS). The purpose of the AGS was to communicate to stakeholders the standards of corporate governance the organisation demonstrates and identify any significant issues that have arisen in year, and what was planned to address these issues.

Currently the Council had an Officer Governance Group which was chaired by the Deputy Chief Executive, Communities and Resources who reported to Corporate Management Team on outcomes from the group's work. This group considers a range of governance related matters, e.g. risk, decision-making, audit, etc., and escalates significant issues into the Corporate Leadership Team (CLT) for corporate action. The Group also oversaw the AGS and monitored progress on behalf of CLT.

There was a perpetual need for activities to become more outcome focused and ensure that they were efficient in terms of resource utilisation. This raised challenges around balancing empowerment, compliance and governance. In 2014/15, the Officer Governance Group had been created to form a network of Governance Champions.

During 2015/16, the role and approach of the officer Governance Group had been reviewed and refreshed. Two meetings had been held to date: the September meeting had considered emerging governance issues and the updated 2015/16 Corporate Risk Register. Additionally they had considered whether there were any new emerging areas for possible recommendation to CLT for inclusion or status changes and concluded that there were none. The Group had also reviewed the 2014/15 Annual Governance Statement and the progress made on addressing the highlighted significant governance issues.

At the September meeting, the group had also received the CIPFA/SOLACE consultation paper on '*Delivering Good Governance in Local Government*'.

The Public Sector Internal Audit Standards defined the Assurance Service as "*an objective examination of evidence for the purpose of proving an independent assessment on governance, risk management and control processes for the organisation*". Going forward, the oneSource internal audit service would adopt an

assurance focus/approach and the reporting flowing from this would be the primary tool used by this Committee to ensure that it was properly informed on governance, risks and the internal control environment.

With the oneSource shared service and the establishment of innovative delivery models and an increased self-service culture, the revised *CIPFA/SOLACE Delivering Good Governance in Local Government* framework, when available, would be used to inform and strengthen the Council's governance arrangements.

The Governance Group would also review and consider the future Risk Management Strategy and arrangements that would be undertaken post implementation of the new assurance service; until then the existing agreed Risk Management Strategy would remain in force. The Strategy would be reported to the Audit Committee in 2016/17.

The significant issues raised in the 2014/15 Annual Governance Statement were identified as:

- **The Scheme of Delegation** - Issues with the scheme of delegation were identified following the amendments to include oneSource
- **Declarations of Interest** - There have been instances identified of failings by officers to comply with expectations regarding declarations.
- **Assurance** - as a result of reduced capacity the organisation's approach to ensuring compliance with policy and procedure had to shift. Compliance issues had identified gaps in this assurance framework that needed to be addressed.

Officers informed the Committee that an update would be provided to the next meeting of the Committee covering the revised Framework for Delivering Good Governance in Local Government by CIPFA/SOLACE when this became available.

The Committee noted the report and the steps already taken to address these issues.

26 **RISK MANAGEMENT UPDATE**

The Committee were informed that the Corporate Risk Register was owned by the Corporate Leadership Team to ensure that links to risks within services and directorates as well as projects were robust.

Previously the Committee had been advised the annual review of risk management had been delayed due to review of the Audit and Risk Service. As part of the implementation phase of the restructure, the Strategy and Procedures for Risk Management would be updated for approval by this Committee and then re-launched across both organisations. Staff consultation on the restructure was currently scheduled to be formally launched in December 2015. Risk Management would also be considered as part of the current CIPFA/SOLACE consultation on 'Delivering Good Governance in Local Government'. An audit of Risk Management could assist in the review. This would inform the future pragmatic risk management approach that would be adopted as part of an Assurance approach.

The Committee noted that the current Risk Management Strategy would remain in place and be reviewed following the restructure.

27 **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.

28 **SEMI-ANNUAL TREASURY REPORT 2015-16**

Prior to the commencement of the meeting the Committee had received training from Arlingclose Ltd, the Council's Treasury Management advisors. The report before the Committee provided details of both the Council's borrowing and investments.

The Committee noted that all the performance indicators were as expected and noted the report.

Chairman