

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Committee Room 3A - Town Hall
27 September 2016 (7.00 - 8.00 pm)**

Present:

COUNCILLORS:

Conservative Group	Viddy Persaud (in the Chair) and Frederick Thompson
Residents' Group	Julie Wilkes (Vice-Chair)
East Havering Residents' Group	Clarence Barrett
UKIP Group	David Johnson
Independent Residents Group	Graham Williamson

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

8 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on 30 June 2016 were agreed as a correct record and signed by the Chairman.

9 ANNUAL ACCOUNTS 2015/16

In accordance with Section 100B (4) Of the Local Government Act 1972 the Chairman had agreed that the report should be considered to ensure that the Council was able to meet its statutory deadline and sign off the Statement of Accounts.

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 2016. Following approval by this Committee, the accounts must be signed by the Chairman of the Committee and the Chief Executive.

Back in March the Committee had noted the accounting policies applicable to the financial year 2015/16 and these were reflected in the draft statement of Accounts. As a result of the audit of the accounts, **policy ii: Accruals of Income and Expenditure** was updated to state:

"Outstanding creditors are written out of the accounts if they have not been billed for by the supplier after a period of two years."

The draft accounts had been published in June and with one exception there had only been only minor amendments to the statement. The exception was the

reevaluation of the Council's housing stock. The original figure had been based on an assessment by valuers at the beginning of the year. They had since indicated that changes in the market over the year required an uplift of 10% (£44m) in the value of the Housing stock.

The Committee expressed concern at the late circulation of the Statement of Accounts and asked the External Auditors to explain what had caused the delay.

The External Auditors explained that Havering was a new client which presented them with a challenge to understand how the council worked. Additionally OneSource also presented its own challenges.

As had been explained previously a key tool for Ernst & Young (EY) was their use of analytics. Unfortunately EY had experienced difficulty in downloading data from the Council's systems. There had also been an issue with the treatment of school assets.

In 2 years' time auditors would only have 8 weeks in which to complete the audit. They would need to start work earlier to meet the earlier deadlines.

The Committee had asked what plans were in place for next year.

A fresh challenge for 2016/17 would be the valuation of the Highways Infrastructure assets. The external auditors would be looking for the council to produce a template set of accounts as early as possible. They would look to start testing from month 9. The Chief Executive advised this would be a challenge for OneSource as the assumption was that staff could be moved from one area to another to deal with peak workloads.

If the valuation of assets and the Pension Fund accounts could be completed early this would help.

The Committee had asked a number of questions and where officers were unable to provide a full answer it was agreed that a written reply would be provided to Members.

The Committee:

1. Approved the Statement of Accounts confirming that no amendments to the accounts were required to be made to the accounts in respect of the items set out in the auditors' report;
2. Noted that the audited accounts must be published by 30 September 2016;
3. Noted the amendments to the accounting policies arising from the audit of the accounts;
4. Placed on record their thanks to both officers and the External Auditors for their hard work in finalising the Statement of Accounts on time.

10 REPORT TO THOSE CHARGED WITH GOVERNANCE - INTERNATIONAL STANDARDS OF AUDITING -(ISA) 260

In accordance with Section 100B (4) Of the Local Government Act 1972 the Chairman had agreed that the report should be considered to ensure that the

Council was able to meet its statutory deadline and sign off the Statement of Accounts.

The external auditors EY had submitted their ISA 260 report to the Committee at the beginning of the week. Officers had some issues with the report and had contacted EY who had responded by issuing an amended ISA 260 report. It was the amended report that was presented to the Committee for consideration.

EY had substantially completed their audit of the financial statements of the Council. One issue which had delayed matters was a failure by banks and financial institutions to confirm the receipt of bank, borrowing and investment confirmations. This had finally been completed on 27 September 2016.

EY had indicated that there was a significant delay in the issue of the Whole of Government Accounts (WGA) template that the authority needed to complete. As a result the deadline for completion and audit of the WGA template had been extended to 21 October 2016.

It was stated that EY would not be able to issue their audit certificate closing the 2105/16 audit until they had completed their work on the Council's Whole of Government Accounts. They would conclude their work before the 21 October deadline and report any significant findings to the Council in their Annual Audit letter.

Members noted that EY had identified one unadjusted audit difference within the draft statements which management had chosen not to adjust as management consider it to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The Committee had considered and approved managements' rationale as to why the correction was not made.

Two other issues were raised by EY:

- The Council had used an internal valuer to undertake the valuation of certain property assets in 2015/16. The audit work had identified that the Council had not issued formal instructions to its valuer.
- In testing expenditure EY had noted that the transactions recorded in the adult social care system were not reconciled to the general ledger.

In response management had indicated:

- The requirement had been well established for a number of years and they were clarified verbally on an annual basis. They accept that these instructions should be documented and this matter would be incorporated within the 2016/17 timetable.
- Management were seeking a response from the department concerned, however, they understood that the reconciliations were being undertaken and steps would need to be taken to ensure that these were evidenced for 2016/17 closure and audit purposes.

The Committee noted the contents of the EY Report to Those Charged with Governance (ISA 260), the draft letter of representation and management's response.

A second Report to those Charged with Governance (ISA 260) was also issued in respect of the Havering Pension Fund accounts. No issues were raised.

The Committee noted the contents of the EY Report to Those Charged with Governance (ISA 260) and the draft letter of representation.

The EY representative had indicated that they would be issuing an unqualified opinion on the accounts and on the value for money conclusions.

11 ANNUAL GOVERNANCE STATEMENT

At the meeting on 30 June the Committee had agreed the draft Annual Governance Statement. The draft statement had subsequently been signed off by the Leader of the Council and Chief Executive, without change.

The Committee noted the contents of the final 2015/16 Annual Governance Statement.

12 HEAD OF ASSURANCE QUARTER 1 PROGRESS REPORT: 4TH APRIL 2016 TO 3RD JULY 2016

The Committee received a report on the work of the internal audit team during the period 4 April to 3 July 2016. The main driver had been the launch of the one Source service transformation on 15 April, which had closed on 31 May, this had included the new partner Bexley. The new oneSource Assurance Service restructure had been completed in August.

Given the challenge of the restructure this was not yet fully populated with 4 positions vacant in audit and 3 in insurance. These were being held pending the completion of the Finance transformation.

Following the restructure, it was considered that the number of days in the plan was ambitious and needed to be reviewed to reflect the actual position.

Based on the work undertaken since the last update to Members, no material issues had arisen which would impact on the previous opinion. No Nil or Limited Assurance reports had been issued, therefore the Head of Assurance had been able to conclude that a reasonable assurance opinion could be given that the internal control environment was operating adequately.

The Committee considered the list of Outstanding Audit recommendations and sought clarification on the outstanding recommendation from the 2012/13 review of transport. Officers would provide the information following the meeting.

Officers informed the Committee of the work of the Tenancy Fraud Project which was supported by the Lead Member for Housing. This had started last October and

was scheduled to finish this October. As a result of its success the Lead Member was looking to continue the good work going forward.

The project had achieved net savings of £2.3m. Twenty-six Properties had been recovered and 23 Right to Buy applications had been stopped. The estimated savings was based on averages across England.

Officers were working with Media and Communications to arrange coverage of the project both locally and regionally. A letter would be sent to all tenants advising them of the work and an article would appear in the next edition of At the Heart.

Officers advised that there were three cases waiting to be passed to Legal Services for prosecution.

The Committee noted the report and congratulated officers on their good work.

13 **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.

14 **TREASURY MANAGEMENT UPDATE QTR 1**

The Committee noted details of the treasury management activities as set out in the report. Officers had reported that in quarter one the Council had achieved a return on investments ahead of both the benchmark and the Budgeted Rate of Return. Officers did warn that given the Bank of England's decision to reduce the base rate to 0.25% it was likely that we might not achieve the budgeted rate of return over the full year.

Chairman