

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
Committee Room 3B - Town Hall  
21 June 2017 (7.00 - 7.45 pm)**

**Present:**

**COUNCILLORS:**

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

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

**1 DISCLOSURE OF INTERESTS**

There were no declarations of interest.

**2 MINUTES OF THE MEETING**

The minutes of the meeting of the Committee held on 9 May 2017 were agreed as a correct record and signed by the Chairman.

**3 TREASURY MANAGEMENT ANNUAL REPORT**

Officers provided details of the final 2016/17 Treasury Position. There had been no new long-term borrowing and external investment income outturn had exceeded the budgeted figure by £0.509m despite the Bank of England cutting the bank rate from 0.5% to 0.25% in August 2016.

Officer advised that they did not believe it would be possible to continue to outperform the budgeted income in the future as inflation was already at 2.9% compared to the Bank of England rate of 2.0%. If the Council are to continue to meet or even exceed the target, there was a need for a change to the Treasury Management Statement to expand the list of instruments the Council could invest in. There would be no investment in these new instruments until a fundamental review had been undertaken of the Authority's capital investment plans in order to develop a 5-year capital programme from 2018/19 to 2023/24.

The Committee noted:

1. The final 2016/17 Treasury Position;

2. The treasury and prudential indicators; and
3. The recommendation to Cabinet and Council to consider the report and approve changes to the 2017/18 Treasury Management Strategy Statement.

#### **4 ACCOUNTS CLOSURE UPDATE**

The Committee was informed that management were reviewing the preliminary draft statement of accounts, and officers were confident of achieving the statutory timetable for publication and approval.

The significant changes to the code of practice affecting the 2016/17 accounts were the amendment to service lines presented within the Comprehensive Income and Expenditure Statement, and the new Expenditure Funding Analysis. Both of these changes aimed to provide a direct and accessible reconciliation between the way local authorities were funded and prepared their budget to the financial information reported within the Statement of Accounts.

In addition to the change brought by the Code, the 2016/17 accounts would include Group Accounts due to the need to incorporate the Council's interest in Mercury Land Holdings Ltd.

In accordance with the Accounts and Audit (England) Regulations 2011. The Completed accounts would need to be approved and signed by the Chief Financial Officer no later than 30 June 2017.

The draft accounts would then be subject to audit by the Council's external auditors Ernst & Young. Following the conclusion of the audit, the accounts must be approved by the Audit Committee and published no later than 30 September 2017.

The Committee were advised that Nigel Foster who had been involved with the preparation of the Accounts for the best part of 10 years would be leaving the Council by the end of June.

The Committee:

1. Noted the report; and
2. Placed on record their appreciation of the work undertaken by Nigel over the last 10 years.

#### **5 ANNUAL GOVERNANCE STATEMENT 2016/17**

Officers advised that the 2015/16 Annual Governance Statement had identified two significant governance issues; these were Schem of Delegation (L B Havering) and Commissioning and Contracts (including compliance with procurement rules) these were considered to be ongoing and were included in the 2016/17 statement.

Three other significant issues had been identified for 2016/17. These were:

- Mercury Land Holdings;
- Projects and Programme Management; and
- Information Technology and Information Governance.

The Committee considered the planned action and timetables for addressing these issues and sought assurance that the Scheme of Delegation review would be completed on time.

Officers gave an assurance that the September deadline was achievable.

The Committee **agreed** the Annual Governance Statement.

## **6 ASSURANCE PROGRESS REPORT QTR 4**

The Committee were provided with details of the work undertaken by the internal audit & counter fraud teams during quarter 4 and the overall outturn for 2016/17. Based upon the work undertaken since the last update no material issues had arisen therefore the Head of Assurance was able to conclude that reasonable assurance could be given that the internal control environment was operating adequately. No limited assurance reports had been issued in quarter four.

The Committee questioned officers with regard those high priority recommendations which had not yet been fully implemented. The Committee were given an assurance that both of these were in hand.

Officers were also asked for clarification with regard to the housing investigations. Officers informed the Committee that initially the Tenancy Fraud Project had targeted council stock, but given its success the scope had been broaden to include PSL stock.

Officers also supplied clarification as to the basis of the figure reached as nominal value for the properties recovered following investigation. A nominal figure had been agreed by the Audit Commission based on the cost of housing a family for a year.

The report was **noted**.

## **7 INTERNAL AUDIT ANNUAL REPORT 2016/17**

The Head of Assurance had provided his Annual Report which brought together all aspects of audit, assurance and counter fraud work undertaken in the 2016/17 financial year, including actions taken by management in response to audit and counter fraud activity, which supported the governance framework of the authority.

The Head of Assurance drew the Committee's attention to the five London Borough of Havering audits which had been given a Limited Assurance rating.

The Committee had some concern at the Limited Assurance given to the Council Tax Collection OneSource audit. Officers gave an assurance that the high risk recommendations all related only to the LB of Newham processes, and did not impact on LB Havering.

Officers advised that in future OneSource audits would be reported to the Local Joint Committee.

Subject to the above the Committee **noted** the report.

**8 URGENT BUSINESS**

Given the recent events in Manchester, Borough Market and elsewhere the committee asked that an audit of emergency planning be undertaken so that an assurance can be given that the processes are adequate for purpose.

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**Chairman**