

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
Committee Room 3B - Town Hall  
11 March 2015 (7.30 - 9.15 pm)**

**Present:**

**COUNCILLORS:**

|                                       |  |
|---------------------------------------|--|
| <b>Conservative Group</b>             | Frederick Thompson (in the Chair), Viddy Persaud |
| <b>Residents' Group</b>               | Julie Wilkes (Vice-Chair)                        |
| <b>East Havering Residents' Group</b> | Clarence Barrett                                 |
| <b>UKIP Group</b>                     | Philip Hyde                                      |
| <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.

**27 MINUTES OF THE MEETING**

The minutes of the meeting held on 2 December 2014 were agreed as a correct record and signed by the Chairman.

**28 2013/2014 AUDIT REPORT OF GRANT CLAIMS AND RETURNS**

The Committee received an update on the position regarding the final version of the 2013/14 audit report of grant claims and returns and subsequent Action Plan for the 2014/15 process. There were only 2 grants which required audit certification in 2013/14. Both grants had now been certified with no amendment but the BEN01 claim had been subject to a qualification.

The Committee questioned the qualification given the degree of materiality of the extrapolated error. PWC explained that the Department of Works and Pensions required any grant to be qualified where an error had been found.

Officers explained that in addition to the two grants on the Audit Commission Index for 2013/14 two other Grant Funding Bodies had required grantees to engage an external auditor for 2013/14. These were the Teachers Pensions and the Decent Homes Grant. Officers had negotiated a fee with PWC for these two grants.

It was not possible to estimate how many grant funding bodies would require external audit certification from 2014/15 on wards so the council would be exposed to the risk of increased audit fees.

The Committee had:

1. **Reviewed** the outcome of the 2013/2014 grants claims process;
2. **Noted** the year-on-year grant claims performance: and
3. **Noted** the report.

29 **INTERNAL AUDIT PROGRESS REPORT - 29TH SEPTEMBER 2014 TO 4TH JANUARY 2015**

Officers informed the Committee that in quarter 3 ten system audits had been concluded together with seven school reports. A further eight were in progress. This work had been undertaken even though the team had been missing two full time members of staff. One auditor had been seconded to undertake fraud work and a second member of the team was on maternity leave. The vacancies had been held within the team as the audit service was undergoing an oneSource service review. It had, however, been necessary to procure some specialist computer audit for OneOracle which had reduced the shortfall.

The Committee expressed concern at the shortcomings highlighted in the system audit of the Team responsible for Payments to Contractors (Road & Pavement Defects). They were particularly concerned that that approval to extend the Miller Brothers contract had been given by the Head of Service but this approval had not been documented nor had an exception to Contract Procedure Rules been completed and approved by a Cabinet member.

The Committee also had questions concerning Long Term Sickness. The report suggested that between March 2013 and September 2014 there had been 366 instances of long term sickness, accumulating a total of over 38,000. The Committee were concerned that much of this could be a result of stress related to the pressures on staff following reorganisation and transformation. Officers advised that whilst stress was a major factor, it was more likely to be personal stress rather than work related.

The Committee was informed that changes had been introduced over the last four years which had ensured all line managers were trained in procedures.

As a result of this audit the Head of Service had requested a follow up audit in 2014/15.

The Committee has:

1. **Noted** the reports: and
2. **Requested** a report back on the Highway DSO' response to the recommendations following the Payments to Contractors (Road and Pavement Defects) system audit.

30 **FRAUD PROGRESS REPORT - 1ST OCTOBER TO 31ST DECEMBER 2014**

The Committee received a report detailing the work of the Internal Audit Corporate Fraud Team and Investigations Team from 1 October to 31 December 2014. In preparation for the transfer to the Single Fraud Investigation Service and the outcome of the oneSource service review officers had begun a process of cleanse and close on all active cases.

Officers had provided details of six successful cases for the Committee's information.

The Committee **noted** the report and the Corporate Fraud Proactive Audit Plan for 2014/15.

31 **BLUE BADGE AND NATIONAL FRAUD INITIATIVE 2012/13 - FINAL SUMMARY REPORT**

Officers had provided a report which gave an update regarding work performed as part of the National Fraud Initiative and the results of the matching exercises and investigations undertaken. The report also provided information regarding blue badge fraud.

The National Fraud Initiative (NFI) is a data matching exercise designed to help participating bodies identify possible cases of fraud and detect and correct any consequential impact or loss. The core of the NFI is the matching of data to help reduce the level of housing benefit fraud, payroll and occupational pension fraud, housing tenancy and blue badge fraud

As at 31 December 2014 these had amounted to £262,393 of which £172,266 had been recoverable by the Council.

In October 2013 data relating to Blue Badges had been supplied to the Audit Commission and the data matched to Department of Works and Pension deceased persons. Following investigations of the 632 matches, 438 badges had been cancelled and letters sent to the executors asking for the badges to be returned.

There were 11,455 blue badges on issue from the 1<sup>st</sup> January 2012 till the 31<sup>st</sup> December 2014. Since 1<sup>st</sup> April 2014, 3,536 blue badges had been issued.

The Council had undertaken two exercises since last August which had resulted in 10 badges being seized. It was intended that parking services would continue this clampdown on a daily basis from now on.

The Committee:

1. **Asked** officers to arrange for publicity of the successful exercises; and
2. **noted** the report.

32 **INTERIM AUDIT PLAN 2015/16**

Officers had prepared an interim audit plan for 2015/16. The service review for internal audit had been completed, but the restructure had not been launched for consultation. The interim plan had been developed based on the actual internal audit resources available at the time the plan had been developed. This could be subject to change as part of the restructure.

The Committee have approved the interim plan but instructed officers to ensure a full year plan was submitted to the next meeting in June.

### 33 ANNUAL REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

Each year a review of the effectiveness of the Audit Committee had been undertaken. The results of the Review had been reported and the Committee:

1. **Noted** the outcome of the review;
2. **Agreed** that the reporting on risk once a year was sufficient for their needs;
3. **Agreed** that members of the Committee would consider their individual training needs and highlight to officers any areas where additional training was required;
4. **Agreed** that as a minimum an additional meeting of the committee be scheduled each year;
5. **Agreed** that a briefing note and link to the whistleblowing policy be provided to all members;
6. **Agreed** that assurance that appropriate actions had been taken following all audit work;
7. **Agreed** that a private meeting with both the external and Internal auditors, without management be arranged annually;
8. **Agreed** to consider any additional contents required in the annual report; and
9. **Agreed** that an independent review of effectiveness be undertaken next year.

### 34 ANNUAL REPORT OF THE AUDIT COMMITTEE

The Committee received the draft Annual Report which would be submitted to the next appropriate Council meeting. The Annual Report was in the usual format and there were no areas which required change.

The Committee had, therefore, agreed the report for submission to Council.

### 35 CORPORATE RISK REGISTER

The Committee had received a report with an update on the Strategic Risks the organisation currently faced, the ratings applied to them, and the mitigations and planned actions identified and documented through the risk management activity of the council.

The Committee have **noted** the contents of the report and the risk register.

### 36 ACCOUNTING POLICIES 2014/15

The Committee received a report which presented the accounting policies applicable to the financial year 2014/15 and reflected in the published statement of accounts. Officers had advised that there were no significant changes this year. Some minor changes had been made to the policies including the deletion of the policy on Carbon Reduction Commitment, as Havering was no longer required to participate in Phase 2 of the Government scheme.

The other change on which the Committee had questions was the policy to disclose a de-minimus for accruals being raised manually to £25,000. Officers had confirmed that this would reduce the number of transactions but not affect the bottom line.

PWC informed the Committee that officers would have to prove that the changes were not material to them.

The Committee **noted** the report.

**37 CLOSURE OF ACCOUNTS TIMETABLE 2014/15**

Officers reported on progress in closing the accounts for 2014/15.

PWC had presented their external audit plan for 2014/15. They advised that although it was not included in the plan they may need to consider Complex Supplier Arrangements as regulators had highlighted this as a priority.

The Committee **noted** the report.

**38 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.**

**39 TREASURY MANAGEMENT UPDATE - QUARTER 3 2014/15**

The Committee have received an update on the position of Treasury Management for the third quarter of 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.

**40 SURTEES CONTRACT**

Officers advised that a full report would be submitted to the next meeting in June.

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**Chairman**