

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
Committee Room 3B - Town Hall  
24 June 2015 (7.30 - 8.40 pm)**

**Present:**

**COUNCILLORS:**

**Conservative Group**            Viddy Persaud (in the Chair), 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.

**1        MINUTES OF THE MEETING**

The minutes of the meeting held on 11 March 2015 were agreed as a correct record and signed by the Chairman.

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

Officers had advised the Committee that they would meet the deadline for the closure of accounts and these would be available to the Council's Chief Financial Officer; the Group Director of Communities and Resources by no later than 30 June 2015.

As previously advised there had been no significant changes to the code of practice which had affected the 2014/14 closedown. There had, however, been some matters which had required either a change in process or accounting policy this year. These had been:

- a) Re-consolidation of Foundation and Voluntary Aided schools;
- b) Mid-year launch of the latest version of One Oracle; and
- c) First year of accounting for oneSource.

The Committee had been advised that in 2017/18 the statutory closedown period would be brought forward a month (i.e. closure and production of the statement of accounts by 31 May and conclusion of audit by 31 August. To prepare for this officers had planned to introduce changes to the closedown timetable in 2015/16 in order to 'dry run' the early closedown timescales from that year.

The Committee had **noted** the report.

### 3 FRAUD PROGRESS REPORT 1 JANUARY TO 31 MARCH 2015

The Committee had been informed that the transfer of Havering employees to the Department of Work and Pensions (DWP) had been completed on 31 March 2015. Seven of the eight employees had been transferred. One investigator had been moved into the new oneSource Fraud team. Approximately 100 live benefit cases had also been transferred to the DWP. Officers had advised the Committee that external resources would be available to carry out investigations until the new structure had been fully populated with staff.

The DWP had agreed to release ex-employees involved in the 10 Benefit Fraud cases which had been retained and would be completed by the oneSource team.

The Sub-Committee had asked some questions concerning the numbers shown in some of the tables. Officers had been asked to advise members why the quarter 2 caseload for Reactive Fraud Cases was so high compared to the other quarters.

The Committee had expressed concern that a number of duplicate orders and payments had been identified. Officers had explained the problem and had given assurances that steps had been taken to ensure a similar situation could not reoccur.

The report had been **noted**.

### 4 INTERNAL AUDIT PROGRESS REPORT 5 JANUARY TO 2 APRIL 2015

Officers had submitted a report detailing the work of the Internal Audit team during the period 5 January to 2 April 2015. Officers had advised that vacancies were being held in the team as the audit service was currently pending restructure following the oneSource service review. As a result of this a shortfall of 74 days had been recorded against the 2014/15 plan.

There had been five audits that had not been undertaken during 2014/15 due to timing issues and these had been moved to the 2015/16 Audit Plan:

- Car Pool Scheme;
- Pupil Place Planning;
- Remote Access (Draft Terms of Reference issued);
- Offsite storage (Draft Terms of Reference issued); and
- ID Smart Cards.

Two system audits had been completed during the quarter, both receiving a limited assurance on their systems of internal control. These related to Environment Protection and Housing and Housing Rents.

Having considered the report the Committee **noted** the contents and asked that in future the list of recommendations should be grouped as to high, medium or low risk.

**5 PAYMENT TO CONTRACTORS (ROAD AND PAVEMENT DEFECTS) 2014/15**

As requested at the last meeting officers had reported back on the audit report into the payment to Contractors (Road and Pavement Defects) 2014/15. Significant progress had been made to address the issues and implement the recommendations raised in the audit report.

Officers had confirmed that no other StreetCare contracts had similar problems and no issues had been raised regarding the quality of the work undertaken by Miller Bros. Ltd.

The Committee had been advised that Miller Bros. Ltd. would continue as service provider on the highways maintenance support contract until October 2016 to align with the other highways term maintenance contracts. During this period officers would carry out an option appraisal on the most effective and efficient way in which to package all the term maintenance contracts.

The Committee had **agreed** to sanction the decision to terminate the Miller Bros. Ltd. Contract in October 2016 and **noted** the report.

**6 OUTSTANDING AUDIT RECOMMENDATIONS**

The Committee had **noted** the report.

**7 ANNUAL GOVERNANCE STATEMENT**

Officers had advised that the Accounts and Audit Regulations (England) 2011 required the Council to conduct, at least annually, a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control.

The Annual Governance Statement had been prepared in accordance with 'Delivering Good Governance in Local Government: Framework' produced jointly by CIPFA and SOLACE in 2012, which had been given 'proper practices' status by the Department for Communities and Local Government.

The 2014/15 statement had updated the Committee on the significant governance issues raised in the 2013/14 Annual Governance Statement and the status of those issues and of new issues arising as part of the 2014/15 Annual Governance Statement.

The Committee had **agreed** the draft version of the 2014/15 Annual Governance Statement.

**8 ANNUAL AUDIT REPORT**

Each year the Internal Audit & Corporate Risk Manager was required by the Accounts and Audit Regulations to produce an Annual Report including an overall opinion on the system of internal control. This year's report had summarised the work of the internal audit team and had covered, inter alia, the following issues:

- Organisational Change;
- One Oracle; and
- Declarations of Interest.

The Committee **had noted** that in the Internal Audit and Risk Manager's opinion, the system of internal control was satisfactory and processes to identify and manage risks were in place.

The Committee **noted** the report.

## 9 **TRAINING PLAN FOR AUDIT COMMITTEE**

Officers had produced a proposed training plan for members of the Committee and named substitutes. The proposed plan was as set out below:

<b>Frequency</b>	<b>Contents</b>	<b>Method of Delivery</b>	<b>Timing</b>
Annual	Statement of Accounts	Drop in sessions	September
Once per term unless significant changes	Treasury	Group session	n/a for 2015/16
Annual	Fraud & Corruption <ul style="list-style-type: none"><li>• Bribery</li><li>• Money Laundering</li><li>• Whistle blowing</li><li>• Housing Fraud</li></ul>	Group session	December 2015
Annual	Risk Management & Internal Control	E Learning or off-line briefing	February 2016
Twice during term	Corporate Governance	Group session	May 2016

The Committee had **approved** the Training Plan.

## 10 **FORWARD PLAN FOR THE AUDIT COMMITTEE 2015/16**

Officers had produced a summary of the expected agenda items for each of our next five planned meetings.

FORWARD PLAN	AGENDA ITEM	PLANNED TRAINING
25 <sup>th</sup> September 2015	<ul style="list-style-type: none"> <li>• Approval of annual Statement of Accounts 2014/15</li> <li>• Report to those charged with Governance</li> <li>• Response to Auditors' Report to those charged with Governance</li> <li>• Internal Audit Progress Report Q1</li> <li>• Fraud Progress Report Q1</li> <li>• Update of Corporate Risk Register</li> <li>• Treasury Management Update Q1</li> <li>• Internal Audit Charter and Terms of Reference <i>(usually presented in March but delayed awaiting restructure)</i></li> <li>• Internal Audit Strategy (as for Charter)</li> </ul>	Accounts (training will be separate session before evening of committee).
1 <sup>st</sup> December 2015	<ul style="list-style-type: none"> <li>• Annual Audit Letter</li> <li>• Closure of Accounts Timetable</li> <li>• Internal Audit Progress Report Q2</li> <li>• Governance Update</li> <li>• Fraud Progress Report Q2</li> <li>• Annual Review of Fraud &amp; Corruption</li> <li>• Treasury Management Update Q2</li> <li>• Annual Review of Risk Management</li> </ul>	Fraud specific topic TBC
2 <sup>nd</sup> March 2016	<ul style="list-style-type: none"> <li>• 2014/15 Audit Report of Grant Claims and Returns</li> <li>• External Audit Plan 2015/16</li> <li>• Update Corporate Risk Register</li> <li>• Internal Audit Draft Plan and Strategy.</li> <li>• Internal Audit Charter and Terms of Reference.</li> <li>• Internal Audit Progress Report Q3</li> <li>• Fraud Progress Report Q3</li> <li>• Annual Review of Audit Committee Effectiveness</li> <li>• Treasury Management Update Q3</li> <li>• Closure of Accounts Timetable 2015/16</li> <li>• Accounting Policies 2015/16</li> </ul>	Risk Management
10 <sup>th</sup> May 2016	<ul style="list-style-type: none"> <li>• Fraud Progress Report Q4</li> <li>• Internal Audit Progress Report Q4</li> <li>• Treasury Management Update Q4</li> <li>• Outstanding Audit Recommendations</li> <li>• Annual Report of the Audit Committee</li> </ul>	Fraud specific topic TBC
June 2016	<ul style="list-style-type: none"> <li>• Internal Audit Annual Report 2015/16</li> <li>• Annual Governance Statement 2015/16</li> <li>• Committee Forward Plan</li> <li>• Member Training Plan</li> <li>• Accounts Closure Update</li> </ul>	Corporate Governance

	<ul style="list-style-type: none"><li>• Treasury Management Annual Report</li></ul>	
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The Committee had **approved** the forward plan.

**11 AUDIT PLAN 2015/16**

Following on from the interim plan presented to the March meeting of the Committee officers had drawn up a proposed audit plan for 2015/16. At the time the report had been produced the service review for internal audit had been completed but the restructure had not been implemented.

Officers had informed the Committee that the Audit Strategy needed to be reviewed once the resources available to deliver the plan were confirmed.

The Committee noted that under the suggested plan the London Borough of Newham would be receiving the majority of the support. Officers had explained that this had been based on existing resources. Once the resources available to deliver the plan had been agreed, and the strategy reviewed, a revised plan would be produced.

On the understanding that a revised plan would be produced once the Audit Strategy had been reviewed the Committee had **approved** the plan.

**12 ANTI-FRAUD AND CORRUPTION STRATEGY 2015**

Officers had submitted for our information the Anti-Fraud and Corruption Strategy which had been last up dated in February 2015. Officers informed the Committee that once the new structure had been staffed the Strategy would be revised. The Acting Director of Finance confirmed that the revised strategy would be submitted to the next meeting of the Committee in September.

The Committee had **noted** the report.

**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 **ANNUAL TREASURY MANAGEMENT REPORT 2014/15**

The Committee had received the Annual Treasury Management report for 2014/15. Although the Council had failed to achieve the budgeted Rate of Return on Investment, the U K Bank Rate had been maintained at 0.5% since March 2009, we had earned just £13k below budget due to higher cash levels deposited by the authority.

The Committee have **noted** the report, prudential and treasury indicators..

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**Chairman**