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MINUTES OF A MEETING OF THE AUDIT COMMITTEE Town Hall, Main Road, Romford 30 June 2016 (6.30 - 7.05 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 Phil Martin (In place of David Johnson)

**Independent Residents
Group** Graham Williamson

Apologies were received for the absence of Councillor David Johnson.

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

1 HEAD OF ASSURANCE FOR ONESOURCE

The newly appointed Head of Assurance for Onesource, David Hogan, was introduced to the Committee. David was currently Head of Internal Audit, Counter Fraud and Risk at the London Borough of Bexley.

The Committee welcomed David to the meeting and looked forward to a long working relationship.

The Committee also placed on record their appreciation for the work undertaken by Sandy Hamburger the Interim Audit and Risk Manager and wished her well for the future.

2 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on 10 May 2015 were agreed as a correct record and signed by the Chairman.

3 STATEMENT OF ACCOUNTS 2015/16

Since the report had been prepared the Statement of Accounts for 2015/16 had been finalised and signed by the Chief Executive. A copy of the accounts had been published on the Council's website.

Officers had highlighted two main issues.

- The launch of the finance transformation review in April 2016 which had led to resources being redirected to that process at key points of the closedown programme;
- A delay in the Capital closedown programme as a consequence of additional testing requirements associated with an upgrade in the Asset Register and staff vacancies in the capital accounting team. Capital remained the most complex year end procedure and had a major impact on the financial statements.

Despite these issues the early cut off dates had been achieved and the Pension Fund accounts completed by 31 May.

The Committee were advised that both Havering and Newham Councils had the services of Ernst & Young as External Auditors, although they were two separate teams, and Bexley used Grant Thornton. In three years time Councils would have the opportunity to choose their own external auditors and there might be an opportunity to reduce costs by all three boroughs employing the same auditors and adopting similar practices.

The Committee noted the report.

4 ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement (AGS) updated the Committee on progress against the significant governance issues monitored during 2015/16, the status of those issues and the new issues arising from the 2015/16 AGS for monitoring in 2016/17.

The Council must review its systems of internal control and governance annually and assure itself that its internal control environment was effective. The assurance framework set out the sources of assurance that were relied upon on to enable preparation of the Annual Governance Statement. These included the work of the internal auditors and of directors and managers within the Council who had responsibility for the development and maintenance of the internal control environment, and also the comments made by the external auditors and other review agencies and inspectorates. The Head of Audit opinion set out in the internal audit annual report formed a key element of the review, as did the Council's work on risk and performance management.

The Annual Governance Statement covered all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure that:

- the Council's policies were implemented in practice;
- high quality services were delivered efficiently and effectively;
- the Council's values and ethical standards were met;
- laws and regulations were complied with;
- required processes were adhered to;
- financial statements and other published performance information were accurate and reliable;
- human, financial, environmental and other resources were managed efficiently and effectively.

The AGS was required to disclose any issues that the Council considered to be significant governance issues. The three issues identified in the 2014/15 Annual Governance Statement, **Scheme of Delegation (oneSource), Declaration of Interest, and Assurance** had been monitored by management and the Governance Group throughout the year with regular updates to the Audit Committee. These issues had now progressed and two new issues had been agreed for inclusion in the draft 2015/16 AGS and monitoring during 2016/17; **Haverling Scheme of Declaration and Commissioning & Contracts (including compliance with procurement rules)**. Actions to address each of these governance issues were set out in the statement and progress would be monitored throughout 2016/17 by the Governance Board, CMT and Audit Committee.

Officers had indicated that as part of the Commissioning and Contracts work consideration would have to be given to the risks around the requirement for local authority employees to be fluent to level 7 English. This would impact on both contractors and commissioners who often employ migrants. This would be a key focus when awarding new contracts.

Officers would be reviewing the Risk Register.

The Committee **agreed** the 2015/16 Annual Governance Statement.

5 **ANNUAL AUDIT REPORT**

The Committee considered the Internal Audit Annual Report, including the Annual Assurance Statement for 2015/16.

Based on the work undertaken during the year the Head of Audit had given an annual 'reasonable' assurance opinion for 2015/16, which supported the review of effectiveness of the Council's governance as reported in the Annual Governance Statement.

Key outcomes for 2015/16 included:

- The Governance and Risk Management arrangements had been strengthened and supported the Council's self-service agenda. Nationally austerity and the pace of change required by councils to innovate, generally saw councils accepting a higher risk appetite.

- The Fraud Service, which had initially been impacted on by the transfer of staff along with the Housing Benefit Investigation function to the DWP, had been significantly strengthened.
- The restructure of the Audit Service between three partner councils had been launched in April 2016 and would be implemented in September 2016. This had achieved the oneSource savings target, whilst ensuring future service resilience.

Austerity and the pace of change had enabled Local Authorities to revisit their risk appetite. The Audit Committee had adopted a roles and responsibilities approach to risk management that was in line with empowering services and embedding risk management across the organisation. This had required a mature attitude to risk management in 2016/17 with the Corporate Risk Register being considered by this Committee twice a year and reviewed by the Governance Group on a quarterly basis.

The oneSource service transformation restructure had formally been launched on the 15th April; this had included the new partner-Bexley. It was anticipated that the structure would go live late August. This would deliver additional resilience, savings and efficiencies required in line with the Joint Committee Business Case.

The oneSource Audit Service was required to make £1.393m of savings per annum. The proposed structure for three partners would see a net reduction in the service from the 2015/16 combined staffing levels (post Fraud phase one required in April 2015 due to the statutory transfer of Housing Benefit Investigators to the DWP) from 57FTEs to 39FTEs. In anticipation of the restructure vacancies had been maintained.

The proposed Target Operating Model had been agreed by the three partner statutory Section 151 Finance Officers. The combined proposed staffing element cost for 2017/18 was £1,864,000.

The 2015/16 planned audit days was 800, which had reduced by 8% (67 days) compared to 2014/15. This was in line with the 2013/14 London average of 900 days. Looking ahead this would not be adversely impacted on by the restructure.

Post the implementation of the oneSource restructure of Internal Audit, there would be a “One Policy, Strategy and Procedure” approach, in line with the principles in the business case that would ensure duplication was removed and partners would receive the same service standard. The Committee had agreed the Havering/oneSource Anti-Fraud and Corruption Strategy at the September 2015 meeting.

The Committee **noted** the report.

6 FORWARD PLAN FOR THE AUDIT COMMITTEE 2016/17

The Committee received a report setting out the expected agenda items for the next 5 planned meetings. Where appropriate suitable training had been identified.

The Committee agreed the following plan which was subject to change as required:

FORWARD PLAN	AGENDA ITEM	PLANNED TRAINING
27th September 2016	<ul style="list-style-type: none"> • Approval of annual Statement of Accounts 2015/16 (with AGS) • Report to those charged with Governance (External Audit) • Response to Auditors' Report to those charged with Governance (Finance) • Treasury Management Update Q1 • Internal Assurance Report Q1 • Governance update (6 months) • Corporate Risk Register Update (6 months) 	Accounts (training will be separate session before evening of committee).
1 st December 2016	<ul style="list-style-type: none"> • Annual Audit Letter • Closure of Accounts Timetable • Treasury Management Update Q2 • Internal Assurance Report Q2 • Annual Fraud Plan update 	Fraud Awareness
1 st March 2017	<ul style="list-style-type: none"> • 2015/16 Audit Report of Grant Claims and Returns • External Audit Plan 2016/17 • Accounting Policies 2016/17 • Treasury Management Update Q3 • Closure of Accounts Timetable 2016/17 • Internal Assurance Report Q3 • Internal Assurance 2017/18 Draft Plan, Strategy, Charter and Terms of Reference. 	Good Governance & Quality Review Effectiveness (longer session)
9 th May 2017	<ul style="list-style-type: none"> • Treasury Management Update Q4 • Annual Report of the Audit Committee • Annual Governance Statement 2016/17 • Corporate Risk Register Update (12 months) 	Treasury Management
June 2017 (TBC)	<ul style="list-style-type: none"> • Accounts Closure Update • Treasury Management Annual Report • Internal Assurance Annual Report 2016/17 • Committee Forward Plan 2017/18 • Member Training Plan 2017/18 	Risk Management

7 TRAINING PLAN FOR THE AUDIT PLAN

The Council's constitution states:

'(a) In the interests of business continuity, each Group and Group Leader shall ensure that any Member appointed to a place allocated to that Group on each of the Committees referred to in the following table shall have received, or shall within six months of appointment receive, training appropriate to its membership. If a member does not undertake the required training within six months of appointment then that member shall not partake in the decision making of the Committee until their training has been completed.

(b) Each Group and Group Leaders shall strive to avoid making changes to their representation on the Committees referred to in the table for as long as possible and shall accordingly seek to ensure that their members remain on the particular committee for the period indicated:

Committee	Period
Adjudication and Review	At least two years
Audit	Full four year term
Licensing	At least two years
Pensions	Full four year term
Regulatory Services	At least two years

(c) For the Audit, Pensions, Regulatory Services and Adjudication and Review Committees, Groups shall nominate members other than those appointed to the respective Committees to be "designated substitutes", to attend a meeting in the event that an appointed member is unable to do so. "Designated substitutes" shall participate in the same training opportunities as appointed members. Non nominated members may not act as substitutes.

(d) This rule shall operate without prejudice to the ability of the Council and the Adjudication and Review Committee to require changes in membership where to do so is appropriate for other reasons, or to comply with statutory requirements.'

A skills analysis was completed for all members and nominated substitutes in 2014 to identify any specific training needs. Members had the opportunity to review the training programme. Members and substitute members could request at any time a briefing on an agenda item.

The most appropriate method of delivery would be selected based on the development or learning need. This was likely to be officer briefings (verbal or written), e learning or training with external specialists. The Committee would also receive ad-hoc briefings from the relevant officer on new topics relevant to the Committee's role.

Substitute Members would be invited to attend all training and in some circumstances the training might be offered to all Members, where it was considered relevant.

Training was included on the forward plan and presented at each meeting. Details of training provided and undertaken would be included in the Annual Report of the Committee.

The Committee **approved** the proposed training plan.

Chairman

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