

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Havering Town Hall
1 March 2011 (7.30pm – 9.05pm)**

Present:

COUNCILLORS:

Conservative Group Georgina Galpin (Chairman), Osman Dervish, Roger Ramsey and Frederick Thompson

Residents' Group Clarence Barrett

An apology for absence was received from Councillor Paul McGeary.

All decisions were taken unanimously with no votes against unless shown otherwise.

The Chairman advised the Committee of action to be taken in the event of emergency evacuation of the Town Hall becoming necessary.

There were no declarations of interest.

23. MINUTES

The minutes of the meeting held on 7 December 2010 were agreed as a correct record and signed by the Chairman.

24. UPDATE ON OBJECTION TO ACCOUNTS ACTION PLAN

The external auditors PricewaterhouseCoopers (PwC) informed the Committee that the objector who had submitted an objection to the 2009 accounts had submitted a similar objection to the 2010 accounts.

Officers advised the Committee of progress to date in responding to the objection and the recommendations of the External Auditors. The objector had appealed to the Leasehold Valuation Tribunal of the London Rent Assessment Panel on the basis that the charge being levied for the provision of television signalling was unreasonable. He had been successful in his appeal with a charge per annum being fixed for 2008/9 and 2009/10. Officers felt this was an unreasonable decision and were seeking leave to appeal.

The Committee were advised that the objector had claimed that an upgrade of the system to digital in 2001 never took place. This was challenged by the Council and investigations were on-going.

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Officers informed the Committee that negotiations were proceeding with Surtees in respect of the value for money aspects of the contract. Surtees had already agreed to cease charging separately for the two points in the same property. They had also agreed to forego any charges in respect of the Mardyke Estate. This should lead to savings of £150,000 pa.

Officers were exploring ways of breaking apart the contract which included both door entry and TV aerial/satellite installation.

PwC indicated that they were satisfied with the Council's progress in responding to the recommendations.

The Committee **noted** the report and requested a written up date at the next and future meetings until the matter was finally resolved.

25. AUDIT OF PRIVATE SECTOR LEASING

At the last meeting the Committee had considered an Internal Audit report on the work of the Private Sector Leasing Team. The Committee had expressed concern that the audit had identified 228 former tenant arrears, amounting to £487,109, which were not being currently investigated or pursued and had asked for additional information to be presented at this meeting.

Officers reported that as at period 10, 248 former tenant arrears had been identified totalling approximately £504,000. Steps had been taken to identify those debts where there was no prospect of recovery. In these circumstances the debt would be written off. As a result £58,000 of debt had been written off from 2 tenants who were deceased and 7 others where there was no contact. 59 tenants with low level debt had been identified, i.e. those with one week's arrears.

Officers informed the Committee that Homes in Havering had been asked to come up with a programme of recovery. Twelve debt collection agencies had been approached to ascertain if they would be interested in a contract to collect the arrears and none had shown any interest. A full time officer had been appointed on a six month contract to tackle the problem of long term arrears. Sixty cases had now been passed to legal services for action.

Nine tenants were on repayment plans which would eventually recover £27,700. A further 103 tenants with arrears of £240,000 were awaiting action.

The Committee were informed that as part of the restructure staff in the Private Sector Leasing Team were being reduced from 8.5 FTE posts to 7.5 FTE posts. Management needed to ensure staff's work was closely directed to achieve the right results. Officers explained that previously the focus of the Team had been driven by service delivery issues i.e. finding accommodation and dealing with the management issues which arose. Under the new arrangements one day a week would be focussed on arrears collection but as a result there would be less frequent property inspections.

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Early last year, an officer had been appointed on a short-term contract (for 6 weeks) to tackle the current level of arrears. This had resulted in the collection of £50,000 from the current arrears.

Officers stated that they believed that the current activities should make a significant in-road in to the problem but warned that seeking possession in the current economic climate could prove difficult.

The Committee **noted** the report and asked that a further written report be submitted to the next meeting providing details of the current level of total debt and how this is made up. The report should also indicate the age of the debts.

26. EXTERNAL AUDIT INTERIM REPORT

PwC informed the Committee that they were on site completing field work. The audit was substantially complete and they were pleased with the quality of the paperwork. They indicated there were no major surprises.

The Committee **noted** the report.

27. EXTERNAL AUDIT ANNUAL PLAN 2010/11

The Audit Plan submitted by PwC indicated the risks which would be assessed as part of the audit. These included the following significant risks:

- Revenue and expenditure recognition (standard risk)
- Fraud and Management Override of controls (standard risk)
- 2010/11 – the first year of reporting under International Financial Reporting Standards (IFRS),
- Leases, IFRS required building and land elements of leases to be analysed separately,
- Accruals for Employee Benefits.

Other risks included under the plan were;

- Increased pressures on budgets (common to all local authorities)
- Accounting for fixed assets
- Valuation
- Subsequent expenditure
- Assets under construction, and
- Assets held for sale.

Officers advised the Committee that the Council's own audit plan would complement the PwC work especially around system reviews. This would ensure the audit proceeded smoothly.

PwC indicated that for planning purposes, their overall materiality for the authority was estimated as 2% of gross expenditure in 2009/10. Similarly they proposed to treat misstatements of less than £250k as being clearly trivial. However, should a

pattern of misstatements emerge they would be investigated.

The Committee questioned the cost of the audit. PwC advised that the Council were classed as medium risk and this was reflected in the fee. PwC indicated that next year the Council should see a 10% reduction in the fee with a further reduction expected in 2012/13.

The Committee **noted** the report.

28. HOUSING AND COUNCIL TAX BENEFIT FRAUD UPDATE

The Committee received a report on the work of the Benefit Investigation Section during the period 1 April 2010 to 30 September 2010. Officers informed the Committee that in this period there were 20,665 claims for housing or council tax benefit, an increase of 893 when compared to the similar period last year. This could be attributed to the national economic climate.

During the period the Benefits Investigation Team received 334 referrals, an increase of 19 over the same period last year. The number of successful sanctions had increased from the same period last year:

	Qtr 1 & 2 10/11	Qtr 1 & 2 09/10
Administrative Penalties	18	11
Cautions	22	21
Prosecutions	22	8

The largest increase in prosecutions arose from the category "Living Together". Previously it had been difficult to prove fraud in court but a good working relationship between the Metropolitan Police and the Benefit Investigation Section had given rise to great success in this area.

Officers reported that the BBC had filmed the Benefit Investigation Section on two occasions for the documentary series 'Saints and Sinners.' Details of successful prosecutions were provided for the Committees information.

In 2009 the Council had agreed to carry out a review of single person discounts. A specialist company had been employed to carry out the initial work which had identified 5,652 cases which warranted further investigation. The position as at 31 January 2011 was as follows:

Single Person Discount Initiative	
Cases under review with Datatank	52
Non returns	222
Cases under investigation	170
Number of Single Person Discounts withdrawn	598
Value of Discounts withdrawn	£332,105.30

The Committee were also advised that a corporate initiative to review local authority tenancy fraud had been commenced. Working in partnership with Internal Audit and Homes in Havering a pilot of 40 cases had been investigated. This had resulted in two properties being returned to Homes in Havering with two more properties in the process of recovery.

Officers informed the Committee that an accredited Financial Investigations Officer had been recruited. This enabled the Council to seize the assets of people convicted of offences against the Council by use of the Proceeds of Crime Act 2002. Two investigations were in progress.

The Committee **noted** the report and congratulated officers on the good work. They also asked that in future they be provided with details of the amounts recovered following successful sanctions.

29. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit & Corporate Risk Manager submitted her quarterly report for the period ended 31 December 2010. During this period the Audit Team had completed three system audits, all of which were unqualified and none of which merited high recommendations.

The Committee were reminded that Schools Audit work had been brought back in-house last year with the programme starting in October. Three audits had been completed as at 31 January 2011. All had received either a full or substantial opinion. Officers advised that feedback from the schools had been very positive.

As requested at the last meeting (Minute no. 18 – 7 December 2010) officers had undertaken a review of all outstanding Recommendations. The Committee commended officers for the work undertaken to complete the review and were satisfied that they now had a much clearer picture.

The Committee **noted** the report.

30. REVIEW OF INTERNAL AUDIT CHARTER AND TERMS OF REFERENCE

Officers submitted a report which reviewed the role of the Committee against best practice guidance issued by the Chartered Institute of Public Finance. An amended version of the Charter and Terms of Reference had been circulated with the agenda. There were minor changes to the Charter and the Committee **APPROVED** the updated Internal Audit Charter and Terms of Reference.

31. ANNUAL REVIEW OF AUDIT COMMITTEE EFFECTIVENESS

The Committee considered a report which reviewed the role of the Audit Committee against best practice guidance issued by the Chartered Institute of Public Finance (CIPFA). A self assessment checklist had been produced by CIPFA, this had been undertaken by the Chairman of the Committee with assistance from the Interim Internal Audit and Corporate Risk Manager.

Officers advised that as a result of the assessment four areas had been highlighted for improvement in the Effectiveness Improvement Plan, these were:

1. Terms and reference should be agreed that cover the roles and responsibilities of the Audit Committee that were separate from the constitution;
2. A skills and knowledge assessment needs to be conducted to inform future training needs for the committee;
3. The Terms of Reference need to set out the frequency of meetings; and
4. A mechanism needed to be established for members of the committee to receive circulars and updates.

The Committee **noted** the report and **approved** the Effectiveness Improvement Plan as set out above.

32. INTERNAL AUDIT DRAFT STRATEGY AND PLAN FOR 2011/12

In accordance with the Internal Audit Charter and Terms of Reference officers had submitted their proposed Strategy and Audit Plan for the forthcoming year. Officers informed the Committee that the proposed Audit Strategy for 2011/12 had been drafted following reference to best practice guidance provided by CIPFA. There were minimal changes needed to the strategy adopted last year.

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The Committee were also provided with details of the Audit Plan for 2011/12 which had been derived by reviewing and updating the Strategic Audit Plan and the list of key systems/areas of risk. Both the Corporate and Service Risk Registers had been considered.

Having considered the report the Committee:

- **Approved** the Internal Audit Strategy 2011/12 as submitted;
- **Approved** the Audit Plan 2011/12 as submitted; and
- **Noted** that any required changes to the Audit Plan arising during the financial year, as considered necessary by the Internal Audit and Corporate Risk Manager.

33. 2009/10 AUDIT REPORT OF GRANT CLAIMS AND RETURNS

The Committee received a report on the grants which required certification in 2009/10. All grants over £125k required certification and similar to last year this related to 10 claims. All had been certified although similar to last year 4 had been amended. A further claim had been qualified, similar to last year. This was the claim in respect of Housing Benefits and Council Tax.

PwC advised that their initial check had revealed 9 claims with errors resulting in the council overpaying benefits totalling £179.49, the largest error being £130. Another 40 cases were checked with a further 9 cases showing errors totalling £49.49. These errors were against a total claim of £90,986,752. As a result refresher training took place for all benefit staff in December 2010.

PwC had identified 5 recommendations to address in the 2010/11 Action Plan. All of these had been agreed by management and action had been taken to implement all the recommendations.

The Committee **noted** the report and acknowledged that the good standard of working papers had continued to contribute to the continued decrease in audit fees. It was anticipated that 9 grants would require certification in 2010/11.

34. INTERNATIONAL REPORTING STANDARDS AND CLOSE-DOWN – PROJECT PLAN UPDATE

Officers advised the Committee of progress to date in preparing for the implementation of International Reporting Standards in Local Authority Accounting and the closure timetable for 2010/11. The report also considered the potential impact of changes in the accounts and audit regulations affecting the process for approving the accounts.

The Committee **noted** that Phase 2 was substantially complete and that Phase 3 was on track.

35. TREASURY MANAGEMENT UPDATE – Quarter 3 2010/11

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.

The Financial Services Manager presented the report that set out the context that was part of the Chartered Institute of Public Finance and Accountancy (CIPFA) revised Code of Practice for Treasury Management.

The revised Code suggested that Members would be informed of Treasury Management activities at least twice a year or preferably quarterly. The report ensured the Council was embracing Best Practice in accordance with CIPFA's revised Code of Practice.

The details of the report were outlined to the Committee, including that the Council had remained within its prudential indicators limits.

The Committee **NOTED** the report

Chairman
16 May 2011