

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Town Hall, Main Road, Romford
4 December 2012 (7.30 - 8.50 pm)**

Present:

COUNCILLORS:

Conservative Group	Georgina Galpin (in the Chair) Wendy Brice-Thompson (In place of Frederick Osborne), Roger Ramsey and Frederick Thompson
Residents' Group	Clarence Barrett
Labour Group	Denis Breading

Apologies were received for the absence of Councillor Frederick Thompson .

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

23 MINUTES OF THE MEETING

The minutes of the meeting held on 25 September 2012 were agreed as a correct record, and signed by the Chairman.

24 JACOBS CONTRACT UPDATE

The Committee were provided with an update on the situation with the Jacobs contracts. They were advised that Jacobs had been provided with the Highways contract in 2010. At that time it was anticipated that any changes suggested by Jacobs could then be included in the Architectural Design Services contract. Unfortunately Jacobs had raised a number of issues and these were dealt with by the exchange of correspondence. This had led to an unacceptable delay.

A final version of the Highways Contract had now been provided to Jacobs and the Architectural Design Services contract would follow shortly.

In the interim period the council had been working to general terms. Officers advised the Committee that lessons had been learnt and procedures tightened up.

The report was noted but officers were advised that the Committee would require a further update if the contracts were not signed by the next meeting.

25 **LEASEHOLDER VALUATION TRIBUNAL UPDATE**

Officers advised the Committee that the Council had won the case against Mt M when it had been referred back to the Leasehold Valuation Tribunal. The Tribunal had found that the charge was fair and reasonable.

PWC advised the Committee that Mr M challenge against them had been dismissed by the Courts and costs had been awarded against him. His only possibility for appeal was if it was in the Public Interest. PWC did not believe this was a viable option.

In the circumstances PWC could finally sign off on the last three years accounts.

The Committee were advised that officers would update the Committee on the situation with the Surtees contract at the next meeting.

The Committee noted the reports.

26 **ANNUAL AUDIT LETTER**

PWC advised the Committee that they had no issues to bring to the Councils attention. The Committee were reminded that PWC had reported their findings to the Committee on 25 September, following which they had issued an unqualified audit opinion, an unqualified value for money conclusion and raised no issues. They had been unable to issue the audit certificate because the Council had not prepared its Pension Fund Annual Report and Accounts.

The Audit Letter identified two significant recommendations. These related to:

- Listing of creditor and accruals from Oracle system: and
- Monthly payroll reconciliations did not operate as intended throughout the year.

The Committee were informed that Management had responded and the second recommendation had already been dealt with. Work was in progress to ensure that ISS could ensure the relevant reports would be available by the end of 2012/13.

The report was noted.

27 ACCOUNTS CLOSURE TIMETABLE

Officers informed the Committee of progress in preparing for the closure of accounts in 2012/13. The Council had successfully closed its accounts and prepared its Financial Statements on an IFRS (International Financial Reporting Standards) basis for the second time in 2011/12. A number of technical changes required under the Code of Practice in 2012/13. The priority for the closure programme was to ensure that all key activities had been captured in the timetable and roles and responsibilities identified and understood.

Officers had identified a number of key issues which would need to be addressed during the closedown, these were:

- Infrastructure Assets – this year this would include roads, highways, bridges and street furniture (including bollards);
- Homes in Havering – the re-integration of the Arms Length Management Organisation would require a number of changes to the accounting disclosures;
- Oracle Phase 2 – I-Procurement;
- Public Health Transfer – Public Health services in Havering were being transferred to the Council in April 2013;
- Council Tax Benefit System reform – the Welfare Reform Act 2012 would abolish the national Council Tax benefit scheme from April 2013;
- Local Government Financial Settlement – major changes in Local Government Funding were expected to be confirmed in the Government's autumn statement including the localisation of Business Rates;

The timetable had been issued and was being monitored.

The Committee were concerned at the extra work involved in accounting for Infrastructure assets, especially bollards and asked officers to draft a letter for the lead member to send to the borough's M.P.'s expressing their concerns.

The report was **noted**.

28 INTERNAL AUDIT PROGRESS REPORT QUARTER 2

The Committee received the latest progress report from the Internal Audit and Corporate Risk Manager. During quarter two all posts in the establishment had a permanent post holder in place and by the end of September £40,828 of the £50k income target relating to the systems audit team had been achieved.

The Committee were informed that 4 (four) systems audits had been completed, all had received a limited opinion. It was confirmed that the recommendations for the Ingrebourne Children's Centre applied to the audit reports for the other two Children's Centres visited, i.e. Elm Park and South Hornchurch.

Officers informed the Committee that the budgets for the 13 Children's Centres had not been devolved and there were some problems. There was no risk management of strategic oversight and a lack of direction from the centre. The Committee raised the issue of the failure to arrange CRB checks for cleaners at the centres. Officers explained that the cleaners were provided as a corporate service and the Children's Centres had a reasonable expectation that all the cleaners had been CRB checked.

Given the issues raised the Committee have asked for an update to be submitted to the next meeting.

Details of the follow up audit of the Education Computer Centre were provided for the Committee's information. Given the lack of progress in responding to the initial recommendations a further follow up had been scheduled for April 2013.

The Committee expressed concern that the Council no longer had the authority to follow up the schools audit work for schools which had become academies. Officers advised the Committee that they were approaching all the schools with an offer to continue the work but schools were no longer required to have Internal Auditors when they became academies. Given the number of recommendations raised with regard to Frances Bardsley School for Girls the Committee asked that the Governing Body be reminded that the Council were unable to follow up to ensure that the recommendations were actioned. A copy of the letter would be sent to all members of the Committee and the Department for Education.

29 **FRAUD PROGRESS REPORT QUARTER 2**

The Internal Audit & Corporate Risk Manager provided the Committee with an update of the work undertaken by the Investigations Team and the Internal Audit Fraud Team from 2nd July 2012 to 28th September 2012. The restructure of the Investigations Team had been finalised at the end of September and the process to recruit had been started with agency resources in place to cover the post until a permanent post holder started.

The Committee was advised that funding had been approved to cover the continued establishment of two previously unfunded posts given the generation of more referrals following data matching referrals.

Details of a number of successful cases were provided for the Committee's information. Officers advised that an ex-employee of the Benefits Team had been successfully prosecuted and a long standing case under the Proceeds

of Crime legislation had been concluded with the council probably getting back £140,000 of overpayment.

The Committee asked whether the Council's recovery proceedings were sufficiently robust. The Group Director, Finance and Commerce informed the Committee that the Council's overall debt position was good. Additional capacity was available until the end of December and a request had been made to extend this for a further 9 months.

Where recovery was from an on-going benefits case the process was always lengthy. However, where greed was involved the Council was utilising the Proceeds of Crime legislation as a deterrent.

Officers advised that the changes in the collection of Business Rates from April 2013 could present challenges for the Council and the emerging risks had been recognised.

The report was **noted**.

30 **GOVERNANCE UPDATE INC WHISTLEBLOWING**

The Committee received an update regarding the embedded arrangements with regard to Corporate Governance and the production of the Annual Governance Statement. The process to draft the 2012/13 Annual Governance Statement was underway: the timetable had been reviewed by the Governance Group. The actions planned for the next couple of months included a review of:

- Our governance arrangements against the updated CIPFA/Solace – 'Delivering Good Governance in Local Government framework' which was due to be issued in December 2012;
- Assurances from external bodies;
- Issues coming out of audit work; and
- Mini Assurance Statement templates.

The report was **noted**.

31 **TREASURY MANAGEMENT QUARTERLY REPORT**

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 Committee noted details of the Councils investments as held at 30 September 2012. They were pleased to note that in the quarter they had outperformed the benchmark by 59 bp and the budgeted return by 46bp. Officers did advise that this position might not continue in the remaining two quarters as the returns were subject to the vicissitudes of the market.

The report was **noted**.

Chairman