

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Committee Room 3A - Town Hall
8 April 2014 (7.30 - 8.15 pm)**

Present:

COUNCILLORS:

Conservative Group Georgina Galpin (in the Chair) Roger Ramsey and
 Frederick Thompson (Vice-Chair)

Labour Group Denis Breading

Apologies were received for the absence of Councillor Clarence Barrett.

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

52 MINUTES OF THE MEETING

The minutes of the meeting held on 19 February, 2014 were agreed as a correct record and signed by the Chairman.

53 CLOSURE OF ACCOUNTS 2013/2014

Officers advised that little had changed since the update provided at the last meeting. We were at the early stages of closure. The delay to the implementation of One Oracle would make things simpler.

We **noted** the oral update.

54 INTERNAL AUDIT SYSTEM AUDIT SUMMARIES

We have considered a report detailing the system audits completed during the period from 29 January, 2014 to 18 March, 2014. Five audits had been completed during this period. These were:

- | | |
|--|-----------------------|
| • Looked After Children – Placements | Limited Assurance |
| • Grants | Substantial Assurance |
| • Compliance with Corporate Policies
Fees & Charges | Substantial Assurance |
| • Carbon Reduction Scheme | N/A |
| • Accounts Payable | Substantial Assurance |

Although the Looked After Children – Placements had only received a limited assurance, all seven recommendations were all considered of only medium priority. The overarching concern was one of efficiency and the lack of supervisory checks. These issues were being addressed by management.

We have raised no concerns with any of the reports and **noted** the report.

55 **INTERNAL AUDIT SCHOOL AUDIT SUMMARIES**

Since the last meeting only one school audit had been finalised, for Scargill Infants School, this received a substantial assurance.

We have **noted** the report.

56 **INTERNAL AUDIT ANNUAL REPORT.**

Officers submitted the draft Annual Internal Audit Report for our approval. The report included a summary of the work undertaken by the Internal Audit Team during 2013/14, as well as communicating key messages and an overall opinion on the system of internal control from the Internal Audit and Corporate Risk Manager.

The report informed us that in the opinion of the Internal Audit and Corporate Risk Manager the system of internal control was satisfactory and processes to identify and manage risks were in place. The system of internal control had been weakened in recent years, as had been previously reported and the reasons were reiterated.

As had been identified in 2011/12 and 2012/13 many of the control weaknesses identified this year could be attributed to the pace of organisational change that had been required to achieve the savings targets. The Self Service model had led to changes in the control environment and gaining assurance regarding compliance continued to be a challenge and often an ad hoc task rather than part of the system of internal control. Compliance work undertaken by audit had indicated non-compliance within systems and processes.

Audit work and investigations into suspected fraud often concluded that basic controls were lacking from processes including lack of segregation of duties or quality checks by management. This issue would be picked up as part of the fraud awareness and training plan.

Various recommendations pertinent to Oracle had been made in years prior to 2013/14; some of which had been implemented by management, the majority, often relating to policy, procedure or system enhancements, had been deferred for consideration as part of the One Oracle implementation. Management had therefore chosen to accept the risks identified in the interim period. The delays to the implementation of One Oracle meant further delays to the actions required to strengthen the system of internal control. Go live for the new system was currently scheduled for summer 2014.

One Oracle and OneSource implementations in 2014/15 both provided opportunities to strengthen the system of internal control; collaborative working with other organisations reduced the input required to update and maintain the Governance Framework and encouraged sharing of best practice.

We have **noted** the contents of the report.

57 **ANNUAL GOVERNANCE STATEMENT**

We have received a report on progress in preparing the Annual Governance Statement. This initial draft had been presented to give us the opportunity to comment on and approve the draft. The final version would be submitted to the first meeting of the Audit Committee following the elections in May.

Since December the following actions had been taken:

- a. Heads of Service had provided signed “mini” governance returns confirming that appropriate governance arrangements were in place across all services of the Council.
- b. Group Directors had reviewed these returns and then submitted a return for their portfolios, having regard to the overall position.
- c. These returns had been reviewed to ensure that all relevant issues had been identified and included in the draft AGS.
- d. The results of the 2013/14 audit work had been formally reviewed as part of the production of the Annual Audit Report and Head of Internal Audit Opinion to identify any additional potential issues for inclusion on the AGS.
- e. An electronic evidence file had been produced documenting the process and evidencing the assurances received.
- f. The Officer Governance Group had discussed the outcome of the above end of year actions and agreed the outcomes.
- g. Senior Management had commented on the draft version.

Having considered the draft report we do not believe that the second significant issue identified, Austerity – having to maintain services with fewer resources adequately reflected governance issues and we have requested officers to review this element of the report.

58 **EXCLUSION OF THE PUBLIC AND PRESS**

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.

59 **SURTEES CONTRACT**

The Chairman indicated that she felt this matter had dragged on too long. A solution should have been reached earlier.

Officers advised that a further meeting had been held with Surtees. They were fairly hopeful on reaching agreement with Surtees. However, there would be no negotiation on the end point of the contract which would remain as 2020.

We have **noted** the oral update.

60 **INTERNAL AUDIT FRAUD INTERIM REPORT**

Officers had submitted an interim report on the work of the Fraud team.

Updates were provided on the G4S Theft of Council Funds. Lessons had been learnt from this incident. Revised controls had been put in place in Planning and Building Control and arrangements made with G4S to allow direct collection. In addition to the theft from Planning and Building Control some of the monies had been stolen from schools. This had highlighted an issue with the failure to undertake regular bank reconciliation.

Processes were in place to cover all these issues but in some circumstances we had not been following our own procedures. All these issues had been raised with schools and departments who deal with cash.

A proactive audit had been undertaken of Direct Payments. This audit focussed on the work of the Commissioning Team. Detailed testing of a sample of ten service users in receipt of a Direct Payment commencing from 1 January, 2013 had been completed. A number of issues had been identified. The review had found that self-managed funds held a higher risk of fraud and therefore additional measures were required to ensure service users or their representatives meet the requirements of the council contract.

For the whole of April Havering would be offering an amnesty from prosecution to anyone who was sub-letting their council or housing association home if they voluntarily handed back their keys. This was a response to the Prevention of Housing Fraud Act 2013 which made sub-letting a criminal offence.

Finally, officers from the Housing Benefit Fraud team had attended an event organised by the Department of Work and Pensions (DWP) regarding the move to the Single Fraud Investigation Service. At this time DWP were stating that TUPE would not apply to any staff transfers.

We have **noted** the report.

Chairman