

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Town Hall, Main Road, Romford
25 June 2014 (7.30 - 8.00 pm)**

Present:

COUNCILLORS:

| | |
|------------------------------------|--|
| Conservative Group | Frederick Thompson (in the Chair) Viddy Persaud |
| Residents' Group | Clarence Barrett (In place of Ray Morgon) and Julie Wilkes |
| UKIP Group | Philip Hyde |
| Independent Residents Group | Graham Williamson |

Apologies were received for the absence of Councillor Ray Morgon.

Unless otherwise indicated all decisions were agreed with no vote against.

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 8 April, 2014 were agreed as a correct record and signed by the Chairman.

2 CLOSURE OF ACCOUNTS TIMETABLE 2013/14

Officers reported that the accounts were closed as at 31 March, 2014. The draft accounts have to be finalised within 3 months after which they were submitted to the council's external auditors PricewaterhouseCoopers. Officers were on track and were in the process of checking and double checking the data.

The final audited accounts would be submitted to this committee for approval in September.

We have **noted** the report.

3 INTERNAL AUDIT PROGRESS REPORT

We were advised that excluding the Internal Audit and Corporate Risk Manager the established structure contained eight posts comprising:

- Five Internal Auditors carrying out systems, schools and follow up audits. The systems audit team contained two Principal Auditors, two Senior Auditors and a Systems Auditor. One member of the team worked reduced

hours and the total systems audit resource was 4.8 WTE. The Systems Auditor post was vacant as the post holder was on secondment to the fraud team. Due to the implementation of OneSource in 2014/15 that post would not be covered.

- Three auditors undertake proactive and reactive fraud and special investigations. The team contains a Corporate Fraud Manager, a Principal Fraud Auditor and a Fraud Auditor. One of the team works reduced hours and the total resource available is 2.66 WTE.

Six final reports were issued in the period 29 January to 31 May, 2014. The reports and level of assurance provided comprise:

SYSTEMS AUDIT

Housing Benefits
Council Tax
Main Accounting (Pre One Oracle Review)
Debtors (Pre One Oracle Review)
Pensions (Pre One Oracle Review)
Budgetary Control
Payroll

ASSURANCE

Substantial
Substantial
Substantial
Substantial
Substantial
Substantial
Substantial

SCHOOL

Benhurst Primary School
Towers Junior School
Squirrels Heath Infants School

ASSURANCE

Substantial
Substantial
Full

We have **noted** the report.

4 SYSTEM AUDIT REPORT SUMMARIES

We have received details of the seven system audits completed in the period ending 27 May, 2014. All audits had received a substantial assurance and no issues of concern were raised.

We have **noted** the report.

5 INTERNAL AUDIT SCHOOL AUDIT SUMMARIES

We were advised that three school audits had been completed in the period ending 27 May, 2014. Of these two had received a substantial assurance and on, that for Squirrels Heath Infants School a Full assurance.

No issues had arisen and we have **noted** the report.

6 FRAUD PROGRESS REPORT.

We have received a report on the work of the Internal Audit Corporate Fraud Team and the Benefit Investigations Team for the period from 1 January to 31 March 2014.

The Corporate Fraud Team had continued to deliver fraud awareness training to staff to continue developing a fraud aware workforce. In addition during the quarter training was delivered on data protection and money laundering. Additionally the Team worked to raise the Authority's awareness of the risk of fraud and appropriate responses to fraud through the on-going provision of advice and assistance to Directors and Heads of Service.

Finally the Team participated in the learning and sharing of best practice through the National Anti-Fraud Network and actively worked with neighbouring boroughs to share learning and appropriate data.

The Team also undertook proactive fraud work comprising three elements:

- A programme of proactive fraud audit investigations;
- Co-ordinating the Authority's investigation of the National Fraud Initiative (NFI) data; and
- Following up the implementation of recommendations made in previous corporate fraud investigation and proactive audit reports.

The team's data matching work for the National Fraud Initiative (NFI) was on-going and it was anticipated that the results would be presented to the December 2014 meeting of the Committee.

During the quarter the team had received 6 referrals to add to the 16 cases already being dealt with. In three cases fraud had not been proven, six cases had been successfully concluded, leaving the team with 13 on-going cases. Of the six successful cases four had been dealt with by a Management Action Plan, one had seen a member of staff resign and in the sixth case a member of staff had been dismissed.

Benefits and Housing Tenancy Investigations had also been on-going during the same period. At the start of the period the team were investigating 471 Housing Benefit (HB) & Council Tax (CT) cases, and 73 Housing Tenancy (HT) cases. A further 112 (HB & CT) cases were referred to the team. 144 HB & CT cases were either rejected or not proven with 25 HB cases not proven. 43 HB & CT cases and 5 HT cases were successfully completed. This left the team with a work load of 396 HB & CT cases and 56 HT cases at the end of the period.

Of the completed cases 7 had led to prosecution and three properties had been either returned to the council or recovered.

We were provided with details of 6 successful prosecutions.

We have **noted** the report.

7 FORWARD PLAN OF THE AUDIT COMMITTEE

The Internal Audit & Corporate Risk Manager presented a draft Forward Plan for 2014/15 for our approval. It was planned that the Committee would meet on four occasions over the next municipal year.

Having considered the officers report we have **agreed**:

1. To move the meeting scheduled for 5 February, 2015 to 3 March 2015., and

2. The Forward Plan and training schedule, for the three remaining meetings, as follows:

| Meeting date | Proposed agenda Item | Planned Training. |
|--------------|--|---|
| 25.09.14 | <ul style="list-style-type: none">• Annual Statement of Accounts• Report to those charged with Governance• Response to Auditors• Audit Progress Report• Fraud Progress Report• Annual Review of Risk Management• Treasury Update Q1• Annual Treasury Report | Treasury Management Note: Accounts training will be provided separately. |
| 02.12.14 | <ul style="list-style-type: none">• Annual Audit Letter• Closure of Accounts Timetable• Internal Audit Progress Report• Governance Update• Fraud Progress Report• Annual Review of Fraud• Treasury Management Update Q2 | Fraud |
| 03.03.15 | <ul style="list-style-type: none">• 2013/2014 Audit Report of Grant Claims and Returns• External Audit Plan (including pensions)• Internal Audit Draft plan and strategy.• Internal Audit progress report• Outstanding Audit Recommendations• Fraud Progress Report• Annual Review of Audit Committee Effectiveness• Treasury Management Update Q3• Annual Report of Audit Committee• Closure of Accounts timetable | Risk Management |

8 REVISED INTERNAL AUDIT PLAN FOR 2014/15

We have considered the revised Internal Audit Work Plan for 2014/15.

The role and objectives of Internal Audit were:

“An assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the

control environment as a contribution to the proper, economic, efficient and effective use of resources.”

The objectives for the Audit Service were:

- To understand the whole organisation, its needs and objectives.
- To add value and assist the organisation in achieving its objectives.
- To be forward looking, innovative and challenging.
- To help to shape the ethics and standards of the organisation.
- To ensure value for money is achieved in the use of public funds.
- To ensure the right resources are available to deliver the audit plan, recognising changes in capacity, experience, qualifications and specialisms.
- To share opportunities for joint working and seek to share best practice with auditors and examiners from other authorities and organisations, in particular the Council's External Auditor.
- To maintain strong and effective relationships with management.
- To report significant issues to the Audit Committee, in a timely fashion, to enable and support the effective completion of their responsibilities.

The purpose of the Internal Audit Plan was to:

- Provide independent and objective overall assurance to Members and senior management on the effectiveness of the London Borough of Havering's control environment.
- Identify the key risks facing the London Borough of Havering in the achievement of its objectives and determine the corresponding level of audit resources.
- Add value and support to senior management in providing effective control and identifying opportunities for improving value for money.
- Support the Director of Resources in fulfilling obligations as the London Borough of Havering's nominated Section 151 Officer.
- Deliver an internal audit service that meets the requirements of the Accounts and Audit Regulations.

The methodology used for developing the Annual Internal Audit Plan would be focused on the quantification of the risks associated with the Council's objectives in consultation with key officers. The Plan was indicative and it might be that changes would be made during the year as the risk profile of the Council changed.

The Plan had been developed to provide maximum assurance using the internal audit resource available. Due to risk and commitments made to management in developing the previously approved version a larger plan was being submitted for approval and decisions around resource priority would be made during the year to maximise the completion of the plan.

We have **approved** the draft plan as submitted.

9 INTERNAL AUDIT CHARTER AND TERMS OF REFERENCE

An Annual review of the Internal Audit Charter and Terms of Reference had been undertaken by officers. Few changes were required to the document and we have **approved** the updated Internal Audit Charter and Terms of Reference.

10 MEMBER TRAINING PLAN

Under the Council's constitution:

'Part 4 – Committee Procedure Rules

Para 17 Training and continuity of membership of certain committees

(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.

All members and substitute members would be required to complete a skills analysis to identify any specific training needs. Members and substitute members could request at any time a briefing on an agenda item.

Having considered the report we have **approved** the training plan set out below and **noted** that it will be reviewed annually.

| Frequency | Contents | Method of Delivery | Timing |
|------------------|--|---|----------------------|
| Once during term | Role of Audit Committee Role of Internal Audit Role of External Audit | One to one or Group session | On joining Committee |
| Once during term | Corporate Governance | Group session (Yr 1 & 3) | June |
| Annual | Accounts and IFRS | Group session or one to one (Yrs 1) Drop in sessions (Yrs 2,3 & 4) | September |
| Annual | Treasury | Group session | September |
| Annual | Fraud & Corruption <ul style="list-style-type: none"> • Bribery • Money Laundering • Whistle blowing Housing Fraud Housing Benefit Fraud | Group session | December |
| Annual | Risk Management & Internal Control | Group session (Yrs 1&3) E Learning or off-line briefing (Yrs 2&4) | February |

11 ANNUAL GOVERNANCE STATEMENT

We were advised that each year the Council must produce an Annual Governance Statement (AGS). The Chartered Institute of Public Finance and Accountancy (CIPFA) had published a 'Delivering Good Governance in Local Government' framework to encourage authorities to review and report on the effectiveness of their own governance arrangements by reference to best practice and the use of self-assessment. This framework advocated that local authorities prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they had monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. Key good practice features of an AGS included:

- The statement had been properly approved;
- It was easily accessible by authority members;
- It reflected the vision of the authority;
- It demonstrated ownership by the authority;
- It was a key document for showing how the authority was achieving its strategic objectives;

- It demonstrated challenge;
- Issues were clearly articulated and it communicated a clear and concise message;
- It clearly communicated what had been done to resolve significant control issues and what remained to be done;
- Actions identified were SMART; and
- It was a 'living' document, i.e. it was not focused exclusively on year end and communicated significant issues which may change from year to year.

The Council's constitution delegated the responsibility for approving the AGS to this Committee. The Audit Committee were required as part of their role to consider any Corporate Governance related issues that needed to be referred to the Governance Committee for review. There was an Officer Governance Group chaired by the Group Director Resources in place to monitor and review all aspects of corporate governance and drive the AGS process.

Although significant progress had been noted in relation to the four issues highlighted in the 2012/13 Annual Governance Statement, each remained a significant issue for 2013/14. All have been refreshed to ensure the issue was clearly understood and so that the action plan and monitoring could be focused and effective. These were:

- Information Governance – protection of personal data, data sharing and quality;
- Austerity – having to maintain services with fewer resources;
- Pace of Organisation change – ensuring governance arrangements were revised and remained appropriate given the significant changes in the organisation and through partnership arrangements with third parties; and
- Compliance – ensuring that policy, procedure and roles and responsibilities were fit for purpose, appropriately approved, clearly defined and communicated to and understood by all and that compliance levels were maintained during periods of significant change and reduced capacity.

We have **approved** the draft version of the 2013/14 Annual Governance Statement without change.

Chairman