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MINUTES OF A MEETING OF THE AUDIT COMMITTEE Committee Room 3A - Town Hall 10 May 2016 (7.00 - 8.10 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	David Johnson
Independent Residents Group	Graham Williamson

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

40 **MINUTES OF THE MEETING**

The minutes of the meeting of the Committee held on 2 March 2016 were agreed as a correct record and signed by the Chairman.

41 **2015/16 AUDIT PLAN - ERNST YOUNG**

Debbie Hanson, Audit Director from Ernst & Young presented the Audit Plan for 2015/16. She advised the Committee that the auditors had identified 3 significant financial statement risks. These were:

- Risk of fraud in revenue recognition;
- Risk of management override; and
- Valuation of investment property and property, plant and equipment.

She informed the Committee that these were risks which would be identified in any audit and did not indicate a specific problem for Havering.

The Committee was informed that new guidance in respect of the Value for Money risks had been issued. For 2015/16 this would be based on:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.”

Proper arrangements were defined by statutory guidance issued by the National Audit Office. They comprised the Council's arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

The one significant risk identified was 'Sustainable resource deployment: Achievement of savings needed over the medium term. Ernst and Young were still looking at the Council's work with third parties.

In response to questions from the Committee they were informed that the external auditors would not be looking at the Housing Holding Company as part of this audit but it would feature in next year's audit. The Committee were given an assurance the Ernst & Young had experience in dealing with these types of entity.

The external auditors had indicated that they had determined that overall materiality for their audit of the Council's financial statements was £12,191k. Using their norm of 5% they would not be communicating audit misstatements less than £609k to the Council.

The Committee had concern that given the rapid growth in their Government and Public Sector work Ernst & Young might not have sufficient resources to carry out the audit on time. Debbie Hanson had given an assurance that Ernst & Young were aware of a potential issue and had been recruiting at Manager and Executive level to ensure they had adequate resources to meet all their requirements. The next two years would present a greater challenge as the time they had to complete the audit would be reduced from three months to two months. Ernst & Young were already looking at ways to deal with this.

The report was noted.

42 2015/16 AUDIT PLAN FOR HAVERING PENSION FUND - ERNST YOUNG

Steve Bladen, Audit Manager for Ernst & Young presented the Audit Plan for 2015/16 in respect of the Havering Pension Fund. In preparing the Audit Plan Ernst & Young had identified just one significant risk, Risk of management override of controls. Again this risk was not specific to Havering.

The Committee had asked how the Pension Fund's increased participation in the London Collective Investment Vehicle would affect future audits. Steve Bladen advised that Ernst & Young would be looking in to this.

Materiality had been fixed at 1% of net assets, (£5.7m) and Ernst & Young would only communicate uncorrected audit misstatements greater than £287,000 to the Committee.

The report was noted.

43 HEAD OF INTERNAL AUDIT - QUARTER FOUR PROGRESS REPORT: 4TH JANUARY TO 3RD APRIL 2016

The Interim Head of Internal Audit advised the Committee that she had not revised her opinion, based on the work undertaken in quarter four, and could give a reasonable assurance that the internal control environment was operating adequately.

The oneSource service transformation restructure had been formally launched on 15 April; this had included the new partner, London Borough of Bexley. The 45 day consultation period would end at the end of May and it was anticipated that the new structure would go live in late August. This restructure would deliver additional resilience, savings and efficiencies in line with the Joint Committee Business Case.

The 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 from 57 FTEs to 39 FTEs. In anticipation of the restructure vacancies had been maintained.

As part of the proposals all three boroughs would join the London Framework (Bexley was currently part of the framework). This would give access to specialist staff, at favourable rates if required and ensure future resilience..

The next step would be to align the team, policies and procedures of the three boroughs, and report format to help achieve the efficiencies required. HR had harmonised salary bands and grades.

One report had received a limited assurance. The Committee had no concerns with this reports.

The report was noted.

44 OUTSTANDING AUDIT RECOMMENDATIONS

The Committee received an update on the number of outstanding audit recommendations. The Interim Hard of Internal Audit indicated that in future a revised version of the report would be available which would provide the Committee with more pertinent risk focused information.

The Committee asked why Responsive maintenance had not been revisited as no updates were available a progress report would be provided at the next meeting.

The report was noted.

45 ANNUAL REPORT OF THE AUDIT COMMITTEE 2015/16

Officers had prepared the draft annual report summarising the Committee's activities in 2015/16, which once approved would be reported to Council in July. During the year the Internal Audit team had completed 48 audits (19 system audits, 6 follow up audits, 3 computer audits and 20 schools audit.) Only one systems audit and its follow up had received a nil assurance, but this was being resolved.

The Committee had questions regarding IT and were assured that there had been no significant breaches of IT security.

Proposals for the forward plan and training were included in the Annual report.

The Committee have **approved** the Annual Report for submission to Council.

Chairman