

**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, Frederick Thompson and *Melvin Wallace

Observers: Councillors Michael Deon Burton, David Durant and Jeffrey Tucker.

Apologies for absence were received from Councillors Clarence Barrett, Paul McGeary and *Roger Ramsey (substitute Councillor Melvin Wallace).

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.

The Chairman placed on record her appreciation for the support she and the Committee had received from Paula Sissons who had been covering for Vanessa Batemen who was on maternity leave. This was the last meeting Paula would attend and the Committee expressed their own appreciation for the support they had received from Paula and wished her well for the future.

There were no declarations of interest.

36. MINUTES

The minutes of the meeting held on 15 March 2011 were agreed as a correct record and signed by the Chairman.

37. UPDATE ON OBJECTION TO ACCOUNTS ACTION PLAN

Officers informed the Committee of the position on costs and income related to the provision of TV aerials and satellite services for tenants and leaseholders. The contract had not been reviewed since it was awarded in 1992. Since then the contract had been varied in 1997 and 2001. Officers were working with the contractor to ensure the contract offered value for money and legal advice was being sought as appropriate.

The Committee were advised that officers had now completed a complete reconciliation of all addresses and all errors had been corrected with effect from 1st April 2011. Officers were of the opinion that it would be difficult to claim back

any under payment by tenants and/or leaseholders. The Committee **instructed** officers to investigate this and report back to them.

Officers confirmed that Mr MacDonald had lodged an objection to the latest accounts and PricewaterHouse Coopers had indicated that there were some areas on which they would do further investigation, but others have already been dealt with or were the subject of their methods of investigation.

The Committee **noted** that Mr MacDonald had made an application to the Leasehold Valuation Tribunal. This had found that the Council had not made any illegal charges, but found against the Council on the level of those charges. Permission to appeal to the Upper Tribunal had been obtained and officers expected a decision in June/July.

The Committee **requested** that they receive a regular written update to each meeting to monitor progress.

38. PRIVATE SECTOR LEASED ACCOMMODATION

Further to discussions at the last meeting of the Committee officers submitted a written report detailing progress to date in reducing the arrears on the income received from Private Sector Leased Accommodation. Details of the rents charged for the accommodation was provided, these were very much higher than Council rents and therefore arrears would accumulate more quickly. The Chairman requested that she be provided details of the amounts we pay to private landlords for these properties.

Officers advised that in 2010/11 the Council had succeeded in collecting 96.5% which compared favourably with the collection rates for Council Tax and Council Housing rents.

Details of arrears owed by both current tenants and former tenants was provided to the Committee, together with details of the arrangements in place to collect those arrears. The committee asked for details of the write offs agreed in the last two years.

Officers advised that proposed changes to the Universal Credit could result in an increase in the level of arrears as in the future the Council would not be able to deduct rent from benefit, all the credit would be paid to the individual.

In the light of the level of arrears and the growth in arrears over the last three years the Committee have **instructed** officers to provide an update to all future meetings.

39. EXTERNAL AUDIT FEES 2011/12

PricewaterhouseCoopers (PWC) had provided details of the fees they would be charging to undertake the audit in 2011/12. This compared favourably with the fee charged in 2010/11, a reduction of 7.7%. The fee quoted was an estimate and could change to reflect the actual content of the Audit Plan.

PWC indicated that it was possible that the element of the fee relating to the certification of claims and returns could decrease based on the amount of work required.

The Committee **noted** the report.

40. INTERNAL AUDIT PROGRESS REPORT QUARTER 4

Officers advised the Committee that by the end of March 2011 89% of the audit plan had been delivered. Since the last meeting 10 system audits had been completed. The audits in respect of Council Tax and Creditors had been given unqualified opinions and attracted only one recommendation. Officers explained that because of the recent change to Internal Shared Service the audit had been light this time.

The Committee noted certain concerns raised by the system audit of the Tranman Application. Officers were asked to ensure that the process of inputting invoices on the system and their authorisation or review by senior management was separated. Officers were asked to ensure that the next report on the system included a formally documented Business Continuity Plan for the Passenger Transport Services team and that a Disaster Recovery Plan had been developed and documented for the Tranman application.

An update on progress in responding to the recommendations was requested for submission to the next meeting.

The Committee **noted** the report.

41. ANNUAL FRAUD REVIEW

Officers had undertaken a review of the Anti Fraud and Corruption Strategy. There were very few changes to the Strategy and the Review had revealed no problems.

The Committee:

- (1) **Noted** the findings of the review of anti fraud and corruption arrangements, and
- (2) **Approved** the revised Anti Fraud and Corruption Strategy.

42. FRAUD PROGRESS REPORT

Officers informed the Committee that in the period from 31st October 2010 to 31st March 2011 15 reports had been received from the Fraud Hotline. All these reports had been investigated and investigations were on-going in a number of the cases.

During the same period 338 cases had been closed. At the end of March 2011 there were 16 cases in progress. In the case of overpayment of pension to a deceased member officers assured the Committee that this was dealt with sensitively by the Pensions team.

Officers provided details of the monies which management could take action to recover.

The Committee were advised of the outcomes associated with the Council's involvement with the National Fraud Initiative. The exercise had proven successful with overpayments, fraud and financial savings having been identified. The overall summary was as follows;

- Cases processed – 5,135
- Investigated – 829
- Cleared – 5089
- Frauds – 23
- Errors – 23
- Total - £264,318.90
- Cases for recovery – 10
- Amount recoverable - £65,557.73

The Committee **noted** the report.

43. ANNUAL REVIEW OF THE COUNCIL'S WHISTLEBLOWING ARRANGEMENTS

The Committee were advised that the Interim Internal Audit & Corporate Risk Manager had undertaken the Annual Review of the Council's Whistleblowing arrangements in March 2011. No specific actions had arisen from the review.

Officers informed the Committee that 10 Whistleblowing reports had been received in the period 1 April 2010 to 31 March 2011. In the previous 12 month period only 6 reports were received. All the reports had been investigated, action taken where appropriate and some investigations were on-going.

The Committee **noted** the report.

44. ANNUAL REPORT OF AUDIT COMMITTEE

Officers had drafted an Annual Report on behalf of the Committee. This would be submitted to Council by the Chairman. Key highlights from the report were:

- The Committee maintained its usual work plan based on its Terms of Reference but also considered specific reports and assurances on:
 - Treasury Management,
 - International Financial Reporting Standards (IFRS);
 - An objection to the council's accounts, and
 - Former Tenant arrears on PSLs.
- The Committee had received training on Treasury Management, Risk Management, Fraud and Corruption, the role of Audit Committee and Accounting Principles.

The Committee approved the Annual Report for submission to Council.

45. FUTURE OF LOCAL PUBLIC AUDIT – GOVERNMENT CONSULTATION

Officers informed the Committee that details of the consultation had been reported to the Governance Committee on 11 May 2011. The Head of Finance and Procurement provided Members with a summary of the consultative document produced by the Secretary of State for Communities and Local Government concerning the future of local public audit which came about after the abolition of the Audit Commission. The proposals concerned the make-up, scope and authority of audit committees.

The Governance Committee had expressed astonishment at the proposals contained within the document and across the Groups, there was agreement that they were, by and large, unworkable in their current format. Members also considered that the draft response, as presented to them, was too weak and did not adequately reflect the strength of feeling about those proposals.

The principal areas of contention were those relating to the appointment of Independent Persons to Chair and fill the Audit Committee, the appointment periods proposed (which, at five years did not reflect council cycles and the apparent restriction placed on the appointment of external auditors which, Members felt, was too prescriptive and limited choice to the few major practices and ignored the possibility of appointing local firms.

It was observed by more than one Member that the proposals looked as though – instead of saving money, they could cost the Authority a good deal more than the current procedures.

RESOLVED:

1. To note the Government's consultation document "The Future of Local Public Audit" and to authorise the Head of Finance and Procurement to present their comments on it.
2. To authorise the Head of Finance and Procurement to amend the Council's draft response to the consultation to reflect the Committee's concerns as expressed.
3. To delegate to the Cabinet Member for Value authority to approve the final version of the Council's response.

Chairman
21 June 2011