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**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Town Hall, Main Road, Romford
28 February 2013 (7.30 - 9.02 pm)**

Present:

COUNCILLORS:

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

Residents' Group Clarence Barrett

Labour Group Denis Breading

An apology was received for the absence of Councillor Roger Ramsey.

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.

32 **MINUTES OF THE MEETING**

The minutes of the meeting held on 4 December 2012 were agreed as a correct record, subject to an amendment to show an apology from Councillor Osborne, not Councillor Thompson. The amended minutes were signed by the Chairman.

33 **MATTERS ARISING FROM THE MINUTES**

Further to minute 28 the Group Director, Finance and Commerce confirmed that he had written to Frances Bardsley School regarding the Internal Audit report, however, he was not aware of any reply. He agreed to double check the situation and advise members of the current position.

34 **EXTERNAL AUDIT PLAN 2012/13**

PricewaterhouseCoopers (PwC) attended the meeting to present details of their proposed External Audit Plan for 2012/13. The Committee were advised that Auditing Standards require PwC to include two fraud risks as Significant. These were:

- Management override of controls: and
- Revenue recognition.

Two other risks identified were:

- Government and non-government grants; and
- Savings targets.

As required the Committee confirmed that:

1. They had no knowledge of fraud, either actual, suspected or alleged, including those involving management;
2. Were happy with the arrangements in place for fraud detection or prevention measures (e.g, whistle-blower lines);
3. They receive regular quarterly reports on the work of the Fraud Team and the Internal Audit and Corporate Risk Manager has access to the Chairman as and when required; and
4. They have in place a number of strategies and policies designed to ensure they were kept in informed of instances of fraud, either actual, suspected or alleged. These include Fraud Risk and Corruption Arrangements, Risk Management, Annual Governance Statement, Housing Fraud and Housing Benefit Fraud.

PwC informed the Committee of the intended timetable for their work and when the Committee could expect to receive an update.

Details of the fees were provided which showed a significant reduction on previous years. Unfortunately the figures provided did not agree with those provided by officers nor the figures for the grants verification work. Officers agreed to investigate and advise members by e-mail.

35 **2011/2012 AUDIT REPORT OF GRANT CLAIMS AND RETURNS**

PricewaterhouseCoopers had submitted their Annual Certification Report in respect of Grant Claims and Returns. The Committee were advised that this year just 6 claims required certification, compared to 10 in 2010/11. Of these three (50%) had been amended, but just one was qualified. The first two amendments were for less than 1% of the total claim. The third claim related to Teachers Pension Return and this had attracted a qualified certification.

Two recommendations had been made in respect of the 2012/13 Management Action Plan. Management had acknowledged problems with the Oracle R12 ledger system and steps had been taken to rectify the problem.

Officers were pleased to advise the Committee that Claim BEN01 had not required amendment this year.

The Committee were advised that being charged by PwC were less than last year and we could look forward to a further reduction in 2011/12/13.

The report was **noted**.

36 CHILDREN'S CENTRE FOLLOW UP

As requested at the last meeting a follow up report had been prepared on progress in responding to the nine recommendations raised in the original report. Officers advised that just five recommendations had yet to be implemented in full., although significant progress had been made in implementing them A revised implementation date of 31 March 2013 had been agreed. As a result of the follow up work the assurance provided had been amended to a 'Substantial Assurance.'

The report was **noted**.

37 CLOSURE OF ACCOUNTS 2012/13

Officers advised the Committee of the steps taken to prepare for the 2012/13 closure of accounts. 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. Planning for the 2012/13 closedown began in November 2012.

There were a number of technical changes required under The Code of Practice in 2012/13 which would be dealt with during the preparation phase. Many of the risks associated with closure relate to the increasing call on staff time for other project work during the closedown process.

Amongst the key issues to be addressed during the 2012/13 closedown was:

- Infrastructure Assets,
- Homes in Havering,
- Oracle – I-Procurement,
- Public Health Transfer,
- Council Tax Benefit System reform,
- Local Government Financial Settlement. and
- One Oracle Project.

The Committee were informed of progress against the matters raised by the External Auditors in their report to Management (ISA 260).

1. The auditors had requested a list of creditors making up the balance in the accounts split by trade payables and accruals. A report had been prepared and would be discussed with PricewaterhouseCoopers.
2. During the 2011/12 financial year the Authority had been unable to perform monthly payroll reconciliations between the payroll system and the main accounting Oracle R12 system. This report issue had still not been resolved. Separate year end payroll reconciliation had been produced for the purpose of the 2011/12 and the same procedure would be followed this year. The Committee were concerned that the issue was still unresolved.

3. In accordance with regulation 6 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 the Pension Fund should operate its own bank account. It was intended that arrangements would be regularised during 2012/13 but progress was slow due to technical difficulties. A number of sub ledger systems needed to be amended in order to recognise and post Pensions transactions to the relevant bank account and ledger. Progress had been slow and it could not be guaranteed to be implemented by 31 March 2013.

The report was **noted**.

38 **INTERNAL AUDIT DRAFT STRATEGY AND PLAN FOR 2013/14**

The Committee were asked to consider and approve both the draft Internal Audit Strategy and Plan for 2013/14. The Strategy outlined the means by which Internal Audit would achieve its objectives whilst the Plan detailed the draft risk based Audit Plan for the next financial year. In preparing the Plan consideration had been given to:

- Audit issues raised during 2012/13;
- Requests from Management, and
- Risk Registers.

Officers were asked to respond to a question regarding the issue of duplicate payments in 2009/10, 2010/11 and 2011/12. Approximately £55,500 of duplicate payments had been identified in the first two years, but information was not available for 2011/12. Officers advised the Committee that the introduction of i-procurement would reduce the risk of duplicate payments.

On the specific issue of utility bills an assurance was given that reminders would not be paid.

The Committee **approved**:

1. The Strategy as submitted to Committee, and
2. The Plan as submitted to the Committee.

39 **INTERNAL AUDIT PROGRESS REPORT - QUARTER 3, 2012**

Officers provided the Committee with the latest update on the work of the Internal Audit team covering the quarter ending 28 December 2012. During the quarter four systems audits had been completed three receiving substantial opinions, and one a Limited Opinion. The Committee were advised that as the future of traded services was under review no further action was necessary at this time.

In addition to the system audits the section had completed four school audits, all of which had received a substantial opinion.

The report was **noted**.

40 **FRAUD PROGRESS REPORT - QUARTER 3, 2012**

Officers informed the Committee of the work of the Investigations Team and Internal Audit Fraud Team during the quarter ended 31 December 2012. The Committee were advised that the appointment of a permanent Senior Investigator had been completed and the officer would be in post from 1 March 2013.

By the end of the quarter the team had 584 cases on their books compared to 530 at the beginning of the quarter. During the period 7 cases had been concluded with Administrative penalties and 12 resulted in prosecutions.

The Committee received details of a number of cases where successful prosecutions under the proceeds of crime legislation had been concluded and details of successful Housing investigations.

The report was **noted**.

41 **ANNUAL REPORT OF FRAUD AND CORRUPTION**

Officers advised the Committee of the details of the annual review of fraud and corruption arrangements and an update on developments in the year and new initiatives going forward.

A key part of the review was to consider the Council's Anti-Fraud & Corruption Strategy to ensure it remained current and fit for purpose. As part of this year's review it had been decided to align the Strategy to the National Local Government Fraud Strategy which promoted Acknowledge, Prevent and Pursue as the three steps to a robust approach.

The Committee **approved** the Anti-Fraud & Corruption Strategy as attached to the agenda, in particular the Council's zero tolerance to Fraud and Corruption.

42 **ANNUAL REVIEW OF AUDIT COMMITTEE EFFECTIVENESS**

The Committee was reminded that best practice guidance suggested that the effectiveness of the Audit Committee was considered on an annual basis. A self-assessment against best practice guidance issued by the Chartered Institute of Public Finance & Accountancy had been completed, with assistance from the Chairman of the Committee. On completion an improvement plan had been drawn up.

The Improvement Plan highlighted areas where the Committee only partially complied with the code. The Plan required the Internal Audit & Corporate Risk Manager to extend the skills analysis information to cover all substitute

members of the Committee by March 2013 and in the future to provide relevant circulars to both audit committee members and named substitutes.

The report was **noted**.

43 **EXCLUSION OF THE PUBLIC**

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.

44 **TREASURY MANAGEMENT - QUARTER 3, 2012-13**

The Committee noted details of the Councils investments as held at 31 December 2012. They were pleased to note that in the quarter they had outperformed the benchmark by 54 bp and the budgeted return by 16bp. Officers did advise that this position might not continue in the remaining quarter as the returns were subject to the vicissitudes of the market.

The report was **noted**.

45 **RISK BASED VERIFICATION**

The Committee were provided with a report outlining the purpose of risk based verification and the process in relation to the new benefit claim assessment. This will be embedded into the day to day operational processes of Customer Services.

The Committee listened to officers responses to all their questions and **approved** the Risk Based Verification Policy as attached to the report.

Chairman