

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Town Hall, Main Road, Romford
25 June 2013 (7.30 - 9.00 pm)**

Present:

COUNCILLORS:

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

Residents' Group Clarence Barrett

Labour Group Denis O'Flynn (In place of Denis Breading)

Apologies were received for the absence of Councillors Denis Breading and Frederick Osborne.

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 24 April, 2013 were agreed as a correct record and signed by the Chairman.

2 'SAINTS AND SINNERS'

Further to minute 50 the Committee were advised that officers had contacted the London Borough of Croydon and confirmed that they had not received a fee for appearing on 'Saints and Sinners.' However, they had made a charge for the TV Company to film in their Council Chamber.

Officers were satisfied with the good publicity the Council received from the programme.

3 FRAUD PROGRESS REPORT

Officers advised the Committee that the case of non-benefit fraud identified at the last meeting had proven to be no case to answer.

4 CLOSURE OF ACCOUNTS TIMETABLE 2012/13

Further to minute 49 officers advised the Committee that a new account had been created for the Pension Fund and this was being utilised to make

payments to pensioners. The other elements of the account would be activated once One Oracle was introduced in full.

The Committee were informed that there were no significant changes in accounting policies this year similar to those which affected the 2012/13 closedown. The main risk to this year's closedown process related to competing pressures of other projects such as One Oracle. Staff time had been diverted towards the achievement of other key deadlines with the associated risk that close down activities would be delayed.

Officers informed the Committee that despite a two week slippage it was expected that the deadlines would be met. Officers confirmed that draft accounts would be with the Group Director, Resources for sign off by Friday, 28th June.

The next meeting of the Committee was scheduled for 26 September to allow the Committee to consider and approve the final accounts before they were published, by no later than 30 September 2013.

5 **EXTERNAL AUDIT PLAN 2012/13 - PENSION FUND AUDIT**

PricewaterhouseCoopers (PWC) presented their audit plan for the Pension Fund. This year the cost would be £21,000, as compared to £35,000 last year. This saving reflects the outcome of the Audit Commission's procurement process to outsource the work of the audit practice.

The work in 2012/13 would be to:

- audit the statutory financial statements of the Fund assessing whether they provide a true and fair view;
- check compliance with International Financial Reporting Standards (IFRS);
- check compliance with the code of practice on local authority accounting;
- check whether the other information in the Annual Report was consistent with the Fund's financial statements; and
- bring any significant control issues or other points of interest to the attention of management and the Committee as soon as practicable throughout the year.

In response to a specific question PWC confirmed they would not be looking directly at how the Pension Fund was governed, but would look at what systems were in place to ensure all governance issues were adequately covered.

The Committee **noted** the report.

6 INTERNAL AUDIT INTERIM PROGRESS REPORT

Officers had submitted an interim report covering the final 2012/12 audit plan reports. 10 system audits had been completed in quarter 4 and all but two had received substantial opinions. The two exceptions were Release of Software and Operating Systems, both of which received limited opinions.

In answer to questions from the Committee concerning accounts payable, officers confirmed that controls were now in place to try and prevent duplicate payments and with the move to i-procurement the risk would be reduced even further.

The Committee expressed their concerns at the use of technical terms in the three IT related reports. If they were to find the reports useful they needed to be able to understand all the terms and not require detailed explanations. Officers agreed to relay these comments to the report authors. Surprise was expressed at the number of recommendations in respect of Modern Governance. Officers explained that the London Borough of Newham who undertook the IT related audits for the Council had been using Modern Governance for much longer than the Council and therefore their systems were more fully developed. By responding to the recommendations the Council would be able to better utilise the software.

The report was **noted**.

7 OUTSTANDING AUDIT RECOMMENDATIONS

Officers provided the usual update on outstanding recommendations. There were 42 recommendations on the list:

- 1 relating to 2008/9,
- 1 relating to 2009/10,
- 26 relating to 2011/12, and
- 14 relating to 2012/13.

The Committee asked that officers work with the Head of Service for Cemeteries and Crematorium to bring a report back to the next meeting to clarify the position.

Previously the Committee had been advised that all accounts held, by Appointeeship & Deputies, with the AIB would be transferred to Nat West by the beginning of the year. This does not appear to have been completed yet. Officers have been asked to report back to the next meeting.

Subject to reports back on the items indicated the report was **noted**.

8 ANNUAL INTERNAL AUDIT REPORT

Each year the Internal Audit & Corporate Risk Manager prepares for the Committee's approval a summary of the results of work completed by the

Internal Audit team during the preceding year, as well as an opinion on the system of internal control.

In 2012/13 two key issues were identified. The first related to Organisational Change. As in 2011/12 many of the control weaknesses identified could be attributed to the pace of organisational change. The pace of change had been fast in some areas and although this had brought benefits to the organisation the changes had impacted on the system of internal control. Significant savings had been achieved in 'back office' or Corporate teams where control activity historically occurred.

While more reliance was being put on Managers to ensure controls were adequate and compliance was being adhered to there was a reasonable expectation that managers could, in turn, rely on a solid infrastructure of information to guide them in the right direction. However due to the pace of change in the organisation this had often meant that this infrastructure was out of date and / or difficult to navigate. A number of audit recommendations had been raised in this regard in 2012/13.

For example;

- The Intranet was not always as up to date or the information required could be difficult to locate;
- Policies, procedures and guidance in some areas were out of date and reference to processes that were no longer relevant;
- Corporate expectations were not always clear, outlined or enforced and consequences for non-compliance were not made explicit or acted upon;
- Where there were corporate expectations these were not always supported by enforcing mandatory training;
- Lack of clarity surrounding roles and responsibilities; and
- The move to self-service and the reduction in resources as a result of restructures/savings had led to quality checks being removed that were previously considered key controls.

The second key issue was Oracle. Various recommendations pertinent to Oracle had been made during 2012/13; some of which had been implemented during the year. However a number of these recommendations had not been implemented due to the One Oracle programme. As One Oracle covered a number of the key financial systems, which were material to the Statement of Accounts, management were advised that there were risks within the current control environment and management had accepted these risks.

Efficiency of the control environment had been a focus for 2012/13 for the team as reduced capacity meant that efficiency would be key to maintaining a robust system of internal control. The One Oracle programme had provided some opportunities to develop system controls within modules as well as via a new module called Governance Risk Control Compliance. Although the implementation of new systems in 2013/14 would impact the

systems of internal control in the short term this should be outweighed by longer term benefits.

The issues detailed above had been considered as part of the process to produce the 2012/13 Annual Governance Statement. These issues had been considered during the Annual Audit Planning Process and would also be picked up within individual audits as applicable during 2013/14.

The Committee **noted** the report.

9 **ANNUAL GOVERNANCE STATEMENT**

The Committee received a report updating them on the completion of the year end processes and the impact of this on the draft Annual Governance Statement. In December the Committee had received an update. Since then 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. A review had been completed against CIPFA’s 6 Principles of Good Governance.
- e. The results of the 2012/13 audit work had been formally reviewed as part of the production of the Annual Audit Report and the Head of Internal Audit Opinion had identified any additional potential issues for inclusion on the AGS.
- f. An electronic evidence file had been produced documenting the process and evidencing the assurances received.
- g. The officer Governance Group had discussed the outcome of the above end of year actions and agreed the outcomes.
- h. Senior Management had commented on the draft version.

The 2011/12 Annual Governance Statement had highlighted four issues. Of these only one had been fully addressed, i.e. that relating to fraud. The three remaining issues: Information Governance, Austerity and the Pace of Organisational Change all had wide reaching implications and although significant progress had been made in each area it was felt, by officers, that these issues remained open.

One new issue relating to compliance had been included for 2012/13.

The Committee **approved** the draft version of the 2012/13 Annual Governance Statement as submitted.

10 **ANNUAL REVIEW OF RISK MANAGEMENT**

Officers had carried out the annual review of risk management arrangements as well as providing an update on developments during the last year and new initiatives going forward.

The Committee questioned the change in risk as identified in Risk 9 – Information Governance. Officers explained that this was a recognition that there were potentially 2,500 points of failure, i.e. members of staff, and that the penalties for failure had increased significantly.

The Committee:

1. **Noted** the work continuing to take place on Risk Management;
2. **Noted** the updated Corporate Risk Register; and
3. **Approved** the Risk Management Strategy.

11 **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.

12 **SURTEES CONTRACT**

Officers informed the Committee that Notice to Terminate the contract had been served on Surtees. In response Surtees had started High Court proceedings for a determination as to the end date of the contract. The Council and Surtees were now going to arbitration to resolve matters.

The Committee asked that they be regularly updated on progress.

13 **ANNUAL TREASURY MANAGEMENT REPORT 2012/13**

The Committee noted details of the Councils investments for the year ended 31 March, 2013. They were pleased to note that the Council had complied with its legislative and regulatory requirements.

The report was **noted**.

Chairman