AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 22 September 2011

Present:

Councillor Neil Reddin FCCA (Chairman)
Councillor Simon Fawthrop (Vice-Chairman)
Councillors Reg Adams, Will Harmer and Stephen Wells

61 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillor Nicholas Bennett and Councillor Ruth Bennett.

62 DECLARATIONS OF INTEREST

Councillor Simon Fawthrop declared a personal interest as an employee of BT and that he had a child who attended a school in the Borough.

Councillor Neil Reddin declared personal interests as a non LEA governor of St Olave's and St Saviour's Grammar School, as his wife was a governor of Hayes Primary School and his son attended a primary school in the borough.

63 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 7TH JUNE 2011 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED that the minutes (excluding those containing exempt information) of the meeting held on 7th June 2011 be confirmed.

64 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions were received.

65 MATTERS OUTSTANDING FROM THE LAST MEETING

Report RES11095

Councillors were advised of matters outstanding from previous meetings and the progress made. The items marked "complete" would be removed from the report unless there was a reason for that item to remain.

RESOLVED that progress with matters outstanding from previous meetings be noted.

66 INTERNAL AUDIT PROGRESS REPORT
Report CEO1183

The Chairman welcomed Mr. Brendan Costello, Assistant Director of Finance (Governance & Audit) of the London Borough of Greenwich to the meeting.

The report advised on recent audit activity across the Council and provided updates on matters arising from the last meeting of the Sub-Committee held on 7th June 2011. Letters received from the Department of Work and Pensions relating to housing benefit and a corrected version of Appendix G were tabled. The following matters were considered in particular.

Priority One Recommendations

The latest list of outstanding priority one recommendations was attached to the report at Appendix A. It was noted that monitoring information about malware protection was still awaited from the Council's IT contractor.

Benchmarking

The Sub-Committee considered a table setting out headline benchmark comparisons for Internal Audit with fourteen other London Boroughs. The Bromley results were generally favourable, although the days per auditor figure needed to be improved.

Future Internal Audit Services

Members discussed the importance of having effective corporate and departmental risk registers that identified not only the likelihood of risk (red/amber/green or high/medium/low) but the value of the risk, and prioritising internal audit activity accordingly. It was noted that Internal Audit used a detailed risk assessment to prioritise its work.

Current Matters Relating to Schools and Academies

It was reported that Internal Audit had been engaged by four Academy Schools. Although meetings had already been held for all Head Teachers and Bursars, Members suggested writing to chairmen of governors, emphasising the importance of the Responsible Officer role, the experience of the Internal Audit Team and the risks that Academies faced.

Waivers

The Sub-Committee noted a small number of CYP placement contracts which had required waivers. In view of the very specialist nature of these placements it was necessary to spot purchase. Efforts were being made to increase the range of provision in-borough, which would reduce these costs.

Housing Benefit Update

Members noted the excellent work by Greenwich and Bromley staff in the Mahira Rustam Al-Azawi case which was resulting in £85k being repaid to

Bromley. It was confirmed that the £1m figure quoted in the press was the value of the houses involved, not the amount falsely claimed.

The Sub-Committee considered the options set out by the Department for Work and Pensions in their letter of 16th September for the proposed new Single Fraud Investigation Service (SFIS). The letter stated that option 1 was the most likely outcome, and Members considered that of the options set out this would probably be preferable, as staff would remain as local authority employees and this would allow the Council more flexibility. However, staff would be operating under SFIS powers and procedures, and it was probable that fewer prosecutions would be brought as a consequence. It was likely that legislation would be changed so that the Council would be prevented from taking out its own prosecutions. A further concern to Members was the extent of local democratic oversight and scrutiny under any new regime, which was unknown. The Council's response would be circulated to Members.

Audit Sub-Committee Terms of Reference and New Government Proposals

Revised terms of reference for the Sub-Committee had been drawn up in consultation with the Chairman and Vice-Chairman. These were supported by the Sub-Committee.

Fraud Toolkit and Anti-Fraud and Corruption Strategy

The Chairman stated that these matters on the part 2 agenda should be brought into part 1. The Sub-Committee supported the wider use of the Fraud Toolkit and the changes to the Anti-Fraud and Corruption Strategy to incorporate the changes brought about by the Bribery Act 2010.

RESOLVED that:

(a) the issues set out in the report be noted;

(b) the continuing achievements of the counter fraud benefit partnership with Greenwich Council and, in particular, the commendation received from the Police and the contribution made by the investigator (paragraph 3.36 of the report), be noted;

(c) the proposed new terms of reference for the Sub-Committee be supported and recommended to General Purposes and Licensing Committee (Appendix 1);

(d) the revised anti-fraud & corruption policy, which takes account of the Bribery Act 2010, be approved;

(e) wider use of fraud toolkit across the authority be supported.

67 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000

RESOLVED that the Press and public be excluded during consideration of the items of business referred to below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

The following summaries refer to matters involving exempt information

68 CONFIRMATION OF THE EXEMPT MINUTES OF THE MEETING OF THE SUB-COMMITTEE HELD ON 7TH JUNE 2011

The exempt minutes of the meeting held on 7th June 2011 were confirmed subject to a small amendment.

69 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT

The Sub-Committee considered a report informing Members of recent Internal Audit activity on investigations across the Council and providing an update on matters arising since the last meeting of the Sub-Committee. The report detailed new areas investigated, expanded on cases of interest, detailed the cases on the fraud register and provided a further update on the results of the National Fraud Initiative (NFI).

70 ANNUAL INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT

The Sub-Committee received the annual report on anti-fraud activity for 2010/11.

The Meeting ended at 9.25 pm

Chairman

APPENDIX 1

Audit Sub-Committee: Terms of Reference

- Monitor internal audit's strategy, plan and performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Consider the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements.
- Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.