

AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 15 December 2011

Present:

Councillor Neil Reddin FCCA (Chairman)
Councillor Simon Fawthrop (Vice-Chairman)
Councillors Reg Adams, Nicholas Bennett J.P.,
Ruth Bennett, Will Harmer and Stephen Wells

71 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

All Members of the Sub-Committee were present.

72 DECLARATIONS OF INTEREST

Councillor Ruth Bennett declared a personal interest in relation to the Internal Audit Progress Report as a governor of Princes Plain Primary School.

Councillor Simon Fawthrop declared a personal interest as his daughter attended a school in the borough.

73 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 22ND SEPTEMBER 2011 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The Sub-Committee's new terms of reference, as agreed by General Purposes and Licensing Committee on 1st December 2011, were tabled. The Committee had added the words "demonstrated and" to the penultimate bullet point.

RESOLVED that the minutes of the meeting held on 22nd September 2011 (excluding those containing exempt information) be confirmed.

74 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

75 MATTERS OUTSTANDING FROM THE LAST MEETING Report RES11138

The Sub-Committee noted the list of matters outstanding from previous meetings.

76 ANNUAL AUDIT LETTER 2010/11
Report CEO1118

The Sub-Committee received the Annual Audit Letter which provided a high level summary of the results of the 2010/11 audit work that had been undertaken. Stuart Brown from PricewaterhouseCoopers LLP (PWC) attended the meeting.

The Sub-Committee discussed the following issues with Mr Brown –

- Low value expenditure items recorded in the wrong financial period. These were two relatively small items totalling £12.5k; this was about process and control, but there were no systematic issues.
- Holiday Pay Accrual. It was confirmed that this issue related to the entire payroll, including teachers and school-based staff. The large figure was down to term-time working, and was affected by when the school holidays fell in relation to the end of the financial year.
- Value for Money (VFM). Audit work was now more streamlined compared to the previous Use of Resources/CAA regime. Mr Brown confirmed that Bromley had always scored well and there were no concerns on this point – the Vice-Chairman suggested that this could be noted in future letters.
- Use of CIPFA statistics. It was explained that PWC focussed on management arrangements, rather than on making detailed comparisons using CIPFA comparative data.
- Balancing resources and risks. Mr Brown stated that all authorities faced a difficult task in balancing audit resources and risks. It was important to understand the risks and ensure that there was focus on key risks.

The report had also been submitted to the Executive the previous night. They had noted the Council's success in meeting the new International Financial Reporting Standards (IFRS) during 2010/11, and Mr Brown confirmed that his team had commended the Bromley accounts. The Executive had asked the Executive and Resources PDS Committee to receive a report on the Councils' disaster recovery plans. Members were also informed that there would be a review of the effectiveness of the Audit Sub-Committee.

Mr Brown also ran through a short presentation for Members on the Future of Local Public Audit. This set out the key milestones for change following the Government's decision to abolish the Audit Commission. Bromley was not affected immediately by most of the proposals, as PWC would remain in place under their current contract. Changes to the composition of Audit Committees were proposed, including a requirement for independent membership. The Chairman commented that this was a fundamental misunderstanding of the

role of Councillors, and he hoped that the Government would be persuaded to change this proposal.

The Chairman thanked Mr Brown for attending and for his helpful comments and presentation.

RESOLVED that the report be noted, and the Sub-Committee's appreciation be recorded for the work of Mark Gibson and other staff in meeting the IFRS requirements.

77 INTERNAL AUDIT PROGRESS REPORT
Report CEO1187

The Sub-Committee received its regular update on internal audit activity across the Council, and discussed the following matters in particular.

- The future of Internal Audit. Following an Aligning Policy and Finance Review, which had been considered by the Improvement and Efficiency Sub-Committee in October, it was proposed to reduce the size of the Internal Audit Team to a Head of Internal Audit and six auditors, four devoted to Bromley work and two to sold services with LB Greenwich and Academy Schools. A 40% reduction in auditor days to around 700 to 750 for Bromley work would be required. Staff were currently being consulted on the proposals. Servicing the Sub-Committee's meetings used considerable management resources, so Members accepted that it would be appropriate to reduce the scheduled meetings to three per annum, with more information briefings being circulated. The Chief Internal Auditor informed the Sub-Committee that he did have reservations about the scale of the reduction, which would leave Bromley with one of the lowest internal audit coverages in London. He had discussed this with the Chief Executive, who had undertaken to buy in additional support in the event of significant fraud cases or other unpredicted levels of unplanned work.
- Academy Schools. It was confirmed that a stand-alone unit was in place to deal with Academies. The fee of £290 per day was considered to be competitive, but Internal Audit needed to market their service effectively. It was also commented that there should be a proper cost-base so that the Council was not under-cutting unfairly other providers.
- Review of ACS Debtors. A report had been submitted to Adult and Community PDS Committee in November setting out the new actions being taken to reduce the level of outstanding debt, including fortnightly arrears meetings. Internal Audit would monitor the situation and report back as necessary.
- Risk Management. The Sub-Committee noted the Corporate Risks set out in Appendix G to the report – a senior officer would be named for each risk, although in some cases they had not yet been allocated. The

Vice-Chairman reminded officers about the need to put values against risks – it was confirmed that this had been attempted where possible.

- Audit Plan Progress (Appendix B) Councillor Nicholas Bennett requested a copy of the Communications Audit report, and noted that there was limited assurance on the HR Agency Staff review. On the Information Requests audit, he stated that it was essential to have a central coordinator for Freedom of Information requests, and that Members needed more information about the pattern of requests. He was concerned that Members were not aware of the decisions being taken by officers about the future of this service, and suggested that this issue needed to be flagged up at the next meeting of the General Purposes and Licensing Committee. The Chief Internal Auditor confirmed that the proposals had arisen out of the need to achieve budget savings in the central departments, and that in some cases the central coordination role might be carried out in other departments.

RESOLVED that

- (1) **The updates in the report and the continuing achievements of the counter fraud benefit partnership with Greenwich Council be noted.**
- (2) **The Sub-Committee notes that Aligning Policy and Finance review of Internal Audit and the budget savings proposed as part of the Council's challenging but necessary savings targets.**
- (3) **The Sub-Committee notes the valuable work of Internal Audit both in conducting "value for money" assessments and in ensuring that the financial information provided to Members and managers is of sufficient quality to make reliable and quality decisions, particularly in the light of the current financial challenges facing all of the Council.**
- (4) **The Sub-Committee also notes the key role played by Internal Audit (in conjunction with the Joint Fraud partnership with LB Greenwich) and in particular the significant increase in reports and cases of fraud seen across the public sector recently, and the call on audit resources that this has required and which will continue to do so in the current economic climate.**

78 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**

**79 EXEMPT MINUTES OF THE MEETING HELD ON 22ND
SEPTEMBER 2011**

The exempt minutes of the meeting held on 22nd September 2011 were confirmed.

**80 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS
REPORT**

The Sub-Committee considered a report updating them on recent Internal Audit activity on investigations across the Council. The report detailed new areas of investigation, detailed cases on the fraud register and expanded on cases of particular interest.

The Meeting ended at 9.07 pm

Chairman