

## **AUDIT SUB-COMMITTEE**

Minutes of the meeting held at 7.00 pm on 13 March 2013

### **Present:**

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

### **Also Present:**

Councillor Peter Fookes

#### **25 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

Apologies for absence were received from Councillors Reg Adams and Ruth Bennett.

#### **26 DECLARATIONS OF INTEREST**

Councillor Simon Fawthrop declared an interest during consideration of the Annual Internal Audit Plan 2013/14 (minute 34) as his daughter was involved in the Duke of Edinburgh award scheme at the Phoenix Centre.

#### **27 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING**

No questions had been received.

#### **28 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 14th NOVEMBER 2012 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION**

**RESOLVED** that the minutes of the meeting held on 14<sup>th</sup> November 2012, excluding exempt information, be confirmed.

#### **29 MATTERS ARISING** Report RES13050

The Sub-Committee noted the summary of matters arising from previous meetings. Further details were available in the Internal Audit Progress Reports.

**30 EXTERNAL AUDIT - GRANT CERTIFICATION REPORT**  
Report CEO1217

The Sub-Committee considered the External Auditor's report on the annual grant certification for 2011/12. Janet Dawson and Matthew Williams from PricewaterhouseCoopers LLP attended the meeting to present this and the following reports and answer questions. They confirmed that the reference to a duplicate payment for Non-HRA housing benefits was a one-off error. Checking of Housing and Council Tax Benefits was based on sampling, following an approach prescribed by the Audit Commission.

**RESOLVED that the Grant Certification report be noted.**

**31 EXTERNAL AUDIT - ANNUAL AUDIT PLAN 2012-13**  
Report CEO1216

The Sub-Committee reviewed the External Auditor's annual plan arrangements for 2012-13. These were very similar to previous years. Janet Dawson outlined some of the significant risks that had been identified, including valuation of investment properties – a Member commented that with internet shopping putting pressure on traditional retail it would be useful to have a view on this. Ms Dawson commented that they would need to take specialist advice on this, but would be looking for rigorous process. In response to a question about public health, she confirmed that they would look at the preparations for public health transferring fully to Council control.

**RESOLVED that the External Auditor's arrangements for the Annual Audit Plan 2012-13 be noted and the proposed de minimis level of £500,000 for reporting of differences and misstatements to committee be approved.**

**32 EXTERNAL AUDIT - ANNUAL AUDIT FEE LETTER**  
Report CEO1218

The Sub-Committee received a report on the Annual Audit fee. This had reduced significantly as the recharge to the Audit Commission had now been removed.

**RESOLVED that the Annual Audit Fee be noted.**

**33 INTERNAL AUDIT PROGRESS REPORT**  
Report CEO1214

The Sub-Committee considered a summary of recent internal audit activity, and commented as follows.

**(a) Priority One Recommendations** - Debtors: An analysis of debts over a year old was provided in Appendix B. Many of these debts were for invoices under dispute. The Head of Internal Audit was assured that adequate action was being taken, and there would be an audit on debtors in 2013/14.

**(b) Audit Activity and Resources** - The establishment of the Internal Audit Team was now up to 6.4 fte posts, still amongst the lowest in London, but enabling an increase in planned audit days. The Team had lost contracts with two academies, but taken on two new schools. Councillor Wells stated that it was expected that there would be more withdrawals, largely on cost grounds.

**(c) Waivers** - Details of waivers approved from September 2012 to February 2013 were set out in Appendix C. The Council would be inheriting a number of public health contracts in April 2013, many of which expired in March 2014. There was concern about a sexual health services contract that allowed claims for Bromley residents from anywhere in the country, and a special audit of this was being carried out. Other public health contracts would be targeted in the annual audit plan. Training on Bromley's financial regulations and contract procedure rules was being provided for public health staff.

A Member sought information on the Renewal and Recreation waiver of £870,000 relating to an affordable housing payment in lieu; it was confirmed that this concerned Opportunity Site K, and a report on this matter had been considered at the special Executive meeting earlier in the evening.

Information was requested on the payment of £139,000 to Peopletoo for a Council wide management review. It was explained that this was part of an allocation of £300,000 agreed by the Executive – a further report was being prepared for the Executive's next meeting in April.

The Vice-Chairman sought further information by email on the following waivers –

- Bromley Link - £144,000
- Specialist statutory assessments for people with visual impairments - £99,000
- Specialist 4x4 winter maintenance vehicle £153,000

**(d) Future of Public Audit/Audit Committees** - The Government had not amended the draft Local Audit Bill requiring local authorities to have non-elected members for appointing external auditors. The Chairman agreed to write to the Secretary of State, Eric Pickles MP, on this point and to invite him or one of his Team to attend a meeting of the Sub-Committee.

**(e) Housing Benefits** -It was explained that the swings in housing benefit fraud cases were partly due to the bi-annual National Fraud Initiative. The most recent benchmarking comparisons across London were from about a year ago.

**(f) Training – Financial Regulations and Contract Procedure Rules** - 350 officers had attended the mandatory training sessions; the next stage was a web-based training package. This was being piloted and would be rolled out after Easter.

**(g) Risk Management** - The Risk Register was currently being reviewed. The impact of academy status was included in the Corporate Risk Register. It was confirmed that closure audits would be carried out for all schools leaving the Council's control.

The Council's staffing attrition rate was about 10% per annum, although this tended to be higher in children's social work, and the rate would have been distorted by the effect of the scale of redundancies in recent years. It was suggested that the Council should be more creative in allowing staff to reduce their hours and new staff to start on reduced hours – it was confirmed that there were arrangements in place for flexible retirement. Members commented that the Risk Register was still too general and did not do enough to put financial values against the risks.

### **34 ANNUAL INTERNAL AUDIT PLAN 2013/14** Report CEO1213

The Sub-Committee considered the Internal Audit Plan for 2013/14. The Plan targeted all major systems, changes in legislation, issues highlighted by Directors, and issues that had been problem areas in the recent past, such as capital projects, building maintenance, Parks and Green Spaces and the Behaviour Service. Additional contingency time had been allocated for anti-fraud work, and the Chief Executive had agreed that extra funding would be available to bring in assistance from Deloitte if necessary. The Council would also have to carry out an audit of Troubled Families Grant.

Members noted that an audit of IT procurement was planned – this was largely about physical equipment, rather than software. All IT purchasing and licensing was being centralised through the IT Division. The cumulative spend reports now required would help to identify unnecessary spending in this area.

The Sub-Committee noted that an audit of gifts and hospitality and declaration of interests was planned and commented that this should include Councillor's declarations. All Members were urged to ensure that their declarations were up to date. A Member drew a link between contracts and hospitality and expressed concern that officers were benefitting from lunches being provided for them.

(Councillor Simon Fawthrop declared an interest during consideration of this report as his daughter was involved in the Duke of Edinburgh award scheme at the Phoenix Centre.)

**RESOLVED that the Internal Audit Plan for 2013/14 be noted.**

**35 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

**36 EXEMPT MINUTES OF THE MEETING HELD ON 14TH NOVEMBER 2012**

The exempt minutes of the meeting held on 14<sup>th</sup> November 2012 were confirmed.

**37 Internal Audit Fraud and Investigation Progress Report**

The Sub-Committee considered a report updating them on progress with anti-fraud and investigation work.

The Meeting ended at 8.56 pm

Chairman