

## **AUDIT SUB-COMMITTEE**

Minutes of the meeting held at 7.00 pm on 6 July 2016

### **Present:**

Councillor Neil Reddin FCCA (Chairman)  
Councillor Alan Collins (Vice-Chairman)  
Councillors Ian Dunn, William Huntington-Thresher,  
Keith Onslow and Stephen Wells

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

Apologies for absence had been received from Cllr Peter Fortune.

### **2 DECLARATIONS OF INTEREST**

Councillor Onslow declared a personal interest as a former employee and current pensioner of Zurich Municipal. Cllr Onslow also declared that he currently worked for the Royal Borough of Greenwich for two days a week.

### **3 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 5th APRIL 2016 (EXCLUDING THOSE CONTAINING EXEMPT INFORMATION)**

The minutes of the meeting held on 5<sup>th</sup> April 2016 were agreed, and signed as a correct record.

### **4 QUESTIONS TO THE COMMITTEE FROM COUNCILLORS OR MEMBERS OF THE PUBLIC**

There were no questions.

### **5 MATTERS ARISING FROM THE PREVIOUS MEETING (PART 1)**

#### **CSD16098**

The Committee considered the progress on matters arising from previous meetings.

In relation to the surcharge for the use of consultants, the Chairman requested that an email update from HR be sent to Members of the Committee with the new procedures that would be put in place following the findings of the HMRC audit. The email update should be sent to Members of the Audit Sub Committee as soon as possible, and should not be left until the next meeting.

**RESOLVED:** that progress on matters arising be noted and that an email update concerning the new procedures being put in place for the use of consultants should be emailed to members of the Audit Sub Committee as soon as possible.

## **6 QUESTIONS ON THE REDACTED REPORTS PUBLISHED ON THE WEB**

The Committee had received advance copies of the following redacted reports via email:

- Review of Adult Education College Audit—2015/16
- Follow up review of Agency Staff Audit for 2015/16
- Follow up review of Capital Projects Audit for 2015/16
- Review of Car Parking Income Audit for 2015/16
- Cash and Banking Audit for 2015/16
- Follow up Audit for Domiciliary Care
- Follow up Audit for Transition Team for 2015/16
- Follow up review of Churchfields Primary School for 2015/16
- Review of SLAs for GP Practices Audit
- Review of Housing Benefit Audit for 2015/16
- Review of Legal Costs Audit for 2015/16
- Review of Libraries Audit for 2015/16
- Review of Oak Lodge Primary School Audit
- Review of Pensions Audit for 2015/16
- Review of Riverside School Audit for 2015/16
- Review of Treasury Management Audit for 2015/16
- Follow up review of VAT Audit for 2015/16

No further questions were asked.

## **7 INTERNAL AUDIT PROGRESS REPORT**

### **Report CEO1622**

The Committee considered a report informing Members of recent audit activity across the Council. The report also provided an update on matters arising from the last Audit Sub-Committee. The latest list of priority one recommendations was attached to the report at Appendix A.

The Head of Audit provided an update concerning creditors and reported that the follow up audit covering the three month period March 2016 to May 2016 showed 2,129 retrospective orders being raised. This represented a slight decrease from the quarter to December 2015 when 2,155 were raised retrospectively. However 28% of the orders related to Housing which represented a decrease from 44%. This reflected the streamlining of the payment process. There had been an increase in retrospective orders in other areas that had left the number on similar levels as before. This

recommendation had been left as outstanding and a further follow up would be conducted for the next cycle of the Committee.

A Member queried whether the recent Ofsted Inspection of Children's Services had raised any issues that would impact on the findings in the report that had been presented to the Committee. In response, the Head of Audit confirmed that some of the issues in the Ofsted report had been identified by internal audit two years ago, an example of this was concerns surrounding pathway plans.

Members agreed that the proposed Internal Audit Charter be adopted.

Members noted the list of redacted reports and that in future where applicable, the audit opinion would be stated.

The Committee congratulated the Head of Audit on his nomination for Bromley Auditor of the Year.

In relation to Housing Benefit Fraud Cases referred to the Department for Work and Pensions, the Head of Audit stressed the need to ensure that the Bromley element of some of the cases did not go without investigation given the DWP's reluctance to pursue joint prosecutions. The Committee supported the recommendations set out in paragraph 3.36 of the report. It was agreed that the Bromley element of cases should be investigated and where appropriate, prosecutions should be bought for council tax support where the overpayment exceeded £3,000. In response to a question, the Head of Audit confirmed that there was a financial implication to the Authority if allegations were not followed up, as overpayments may continue to be made whilst the DWP decision was awaited and also no money could be made on cases where the administration penalty could be levied.

Members noted that a further update on Local audit contracts for local authorities would be provided to the Committee.

In relation to Risk Management, the Committee noted the excellent work that had been undertaken on risk management. Members discussed the risks associated with the outcome of the recent referendum and the decision to leave the European Union--such as possible increases in wages, the ability to demonstrate value for money, and changes in legislation relating to contracts. Members agreed that it would be prudent to do some work around these issues but it was too early to consider.

The Committee noted and endorsed the Code of Corporate Governance.

**RESOLVED: that**

- a. the Progress Report and comment upon matters arising be noted;**
- b. the list of Internal Audit Reports publicised on the web be noted;**

- c. the Chief Executive's nomination for Auditor of the Year be approved;**
- d. the updated Internal Audit Charter be approved;**
- e. the review of value for money arrangements in SEN be noted;**
- f. the latest on cases referred to the DWP be noted and council tax cases where overpayments exceed £3,000 be prosecuted where possible;**
- g. the latest position on the options to appoint a local auditor be noted; and**
- h. the updated high and significant risks be noted.**

## **8 ANNUAL AUDIT REPORT**

### **Report CEO1634**

The Committee considered the annual report of audit activity in 2015/16 which was intended to assist the Council in meeting the financial management and internal control requirements of the Accounts and Audit Regulations 2015. Part of the overall arrangements requires the Chief Executive and Leader to sign an Annual Governance Statement.

Internal Audit's main objective remained 'assisting management and Members in minimising risks, maintaining high standards and continuously improving service delivery through independent appraisal, review and advice.' This was carried out in 2015/16 by:

- independently reviewing, appraising and providing assurance on the systems of control throughout the Authority assisted in part by LB Wandsworth
- ascertaining the extent of compliance with procedures, policies, regulations and legislation
- facilitating good practice in managing risks working with insurers
- working in partnership with the external auditors and other external providers
- identifying fraud and carrying out investigations working in partnership with RB Greenwich
- continuing to host the interactive web training for officers in Financial Regulations, Contract Procedure Rules and fraud awareness. Developing a web based interactive training packages on audit controls on key audit findings and risk management.

The purpose of the 2015/16 Internal Audit Plan was to:

- Optimise the use of audit resources available, given that these were significantly limited and utilise the audit services of the London Borough of Wandsworth.
- Identify the key risks facing the Council in achieving its objectives and determine the corresponding level of audit resources.
- Ensure effective audit coverage and a mechanism to provide Members, and senior managers with an overall opinion on the auditable areas and the overall control environment.
- Add value and support to senior management in providing effective control and identifying opportunities for improvement.
- Support the Director of Finance in fulfilling obligations as the Council's nominated Section 151 Officer.
- Deliver an Internal Audit service that meets the requirements of the Accounts & Audit Regulations 2015 and the Code of Practice.
- Carry out major investigative work and adopt the lessons learnt by utilising these in other audits particularly in relation to cumulative spend.
- Provide adequate assurances on our work so that our external auditors can place reliance on our work.

The Committee noted the outcome of the Peer Review that had been undertaken.

Members also noted and endorsed the Annual Governance Statement.

**RESOLVED: that the draft Annual Governance Statement be approved.**

**9 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 listed below as it was 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.**

**10 EXEMPT MINUTES OF THE MEETING HELD ON 5th APRIL 2016**

The exempt minutes of the meeting held on 5<sup>th</sup> April 2016 were agreed, and signed as a correct record.

**11            MATTERS ARISING-PART 2**

**Report CSD16099**

The Committee considered an update on progress with Matters Arising (Part 2) from the previous meeting.

**RESOLVED: that the exempt matters arising be noted.**

**12            INTERNAL AUDIT FRAUD & INVESTIGATION REPORT**

**Report CEO1623**

The Committee considered a report which provided an update on recent Internal Audit activity on fraud and investigations across the Council. The report detailed updates on previously reported cases, expanded on new cases of interest, detailed cases on the fraud register and, provided information on a pro-active exercise.

**13            ANNUAL FRAUD REPORT**

**Report CEO1635**

The Committee considered and noted the sixth annual fraud report summarising all fraud and investigations undertaken for 2015/16.

**RESOLVED: that the report be noted.**

The Meeting ended at 8.55 pm

Chairman