

## **AUDIT SUB-COMMITTEE**

Minutes of the meeting held at 7.30 pm on 12 March 2014

### **Present:**

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

### **Also Present:**

Councillor Peter Fookes

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

No apologies for absence were received.

### **60 DECLARATIONS OF INTEREST**

Councillor Neil Reddin declared an interest as a governor of St Olave's School, and as the parent of a child at Warren Road Primary School.

Councillor Reg Adams declared an interest as a governor of Churchfield and Stewart Fleming Primary Schools.

Councillor Simon Fawthrop declared an interest as the parent of a child at a Bromley School.

Councillor Julian Grainger declared an interest as a governor at St Olave's School and Chelsfield Primary School.

Councillor Will Harmer declared an interest as a member of The Ravensbourne School advisory body.

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

No questions had been received.

### **62 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 6TH NOVEMBER 2013 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION**

**RESOLVED** that the minutes held on 6<sup>th</sup> November 2013 (excluding exempt information) be confirmed.

## **63 MATTERS ARISING**

Report CSD14040

The Sub Committee received a summary of matters arising from previous meetings and considered the following matter in particular:

- In relation to minute 48/1 (6<sup>th</sup> June 2013) regarding the internal fraud and investigation report concerning expenditure on play equipment at Hookwood Road, Pratt's Bottom, it was noted that the investigation was completed and that no issues of concern were found. However Councillor Grainger felt that even though there was no evidence of fraud and tendering procedures were complied with, the play equipment in this case seemed to be of a higher specification and more expensive than those used in similar play areas. Councillor Grainger felt that there might be over specification, and a possible waste of taxpayer's money. It was decided that the specification should be looked into further.

### **RESOLVED**

**(1) That the report be noted.**

**(2) That the reason for the high cost/specification of the play equipment at Hookwood Road, Pratt's Bottom be clarified by internal audit.**

## **64 EXTERNAL AUDIT - ANNUAL AUDIT PLAN 2013-14**

Report CEO1405

This report was written to review the external auditor's annual plan arrangements for 2013-14. It was noted by the Sub Committee that the cost element in auditing the accounts for 2013-14 would be in the region of £196,000. It was further noted that there was a legal requirement to externally audit the accounts and subsequently report back to the Audit Commission.

The Sub Committee was informed of external audit activity for 2013-2014 within the scope of the Annual Audit Plan 2013-14. The Plan had been prepared to inform officers and Members about the responsibilities the external auditors had, and how they planned to discharge them.

Janet Dawson from PwC explained that the audit approach would be based around Risk Management, and the classification of these risks as either "significant" or "elevated". The differences between these terms was explained.

Clarification was sought from the Sub Committee by PwC on their views of the proposed de minimus thresholds; these were proposed at £650,000 in respect of the main accounts and £500,000 with respect to the Pension Fund. The "de

minus” level (proposed at £650,000) had been referred to in the PwC audit report by another term which was the level of “Triviality”. Several of the Committee Members felt that this was not an appropriate term as this was not a trivial amount of money. Members requested assurances that all errors would be highlighted by the auditors to management, and assurances were provided to this effect. It was pointed out that the term “trivial” was terminology used in the International Standards on Auditing.

Clarification was sought by Members with respect to elevated risk regarding Pensions. Councillor Grainger pointed out that there was a 20% average volatility risk associated with core equity funds, but that now the council had agreed to move to a Diversified Growth Fund where volatility was decreased to 14%, so risk should decrease.

A Member noted Appendix C, and the sub heading, “The Local State We’re In.” The question was asked if Bromley was going to be solvent in the future. Janet Dawson responded by stating that the auditors were going to meet shortly with the Chief Executive and Senior Officers to discuss a strategy to understand key risks and long term planning.

PwC assured that they believed fundamentally in the value of audit, and that they were looking to provide value for money and meaningful conclusions.

The Audit Plan would also look at the risk of fraud, identifying fraud, and how detected or suspected fraud could be responded to. The Audit Fees were clarified and noted that they would be £196,668 this compared with £210, 653 for the previous financial year. It was noted by the Committee that the total fee for 2012/13 did not include current work ongoing to respond to an objection to the 2012/13 accounts raised by a local elector. At the time of writing the audit report, the estimated cost of this work was £15,000.

**RESOLVED that**

**(1) The external auditor’s arrangements for the Annual Audit Plan 2013-14 are noted.**

**(2) A de-minimus level of £650,000 for the reporting of differences and misstatements to the Sub Committee is agreed.**

**(3) The proposed audit fees for 2014/15 are agreed.**

**(4) Members of Audit Sub Committee were satisfied with the arrangements for fraud detection, fraud monitoring and fraud prevention procedures.**

**65 EXTERNAL AUDIT - ANNUAL CERTIFICATION AUDIT**

**Report CEO1406**

This document had been submitted to inform members of the findings of the external auditor's report on the annual certification for 2012/13.

The auditors requested that:

- Members note and comment on the attached report from themselves covering their findings in respect of the annual certification of Housing and Council Tax Benefits, National Non Domestic Rates, and the Teachers' Pension Return.
- Members were asked to consider the adequacy of the proposed Management Action Plan for 2012/13.
- Members were also asked to note and comment on the adequacy of progress made in implementing the 2011/12 action plan.

It was noted that with the certification audit discrepancies had to be reported on down to the last £1.00; hence the £4,344.00 discrepancy reported on with respect to Housing Benefit.

Attention was drawn to a matter on page 61 of the agenda with respect to the testing of the teacher's pension return. It was stated by the Head of Audit that those issues had now been resolved and would be tested in the pensions audit planned for 2014/15.

**RESOLVED that**

**(1) The contents of the report are noted**

**(2) The proposed Management Action Plan for 2012/13 is adequate, and that satisfactory progress has been made in implementing the plan.**

**66 ANNUAL INTERNAL AUDIT PLAN 2014/15**

**Report CEO 1402**

This report was drafted to inform Members in relation to the Internal Audit Plan for 2014-15. Members agreed that they were happy with the internal audit plan.

**RESOLVED that the report be noted.**

## **67 INTERNAL AUDIT PROGRESS REPORT**

Report CEO 1403

This report was written to inform members of recent audit activity across the Council, and to provide an update on matters arising from the previous meeting.

Members discussed waivers as outlined in the appendix attached to the report, and commented as appropriate. Members were concerned that waivers should be reported to PDS Committees for scrutiny. It was agreed that verification be sought that the Care Services PDS Committee scrutinise placement waivers and if this was the case, to be reported back to Audit Sub Committee to allow members to decide if care services placements need to be included on the waiver list presented to this committee. It was confirmed by Cllr Wells that Education placements are reported to Education PDS but these were just a few.

Cllr Harmer raised an issue on value for money and Cllr Grainger raised the report commissioned from CIPFA in 2008 that members found very useful. This was discussed at the previous meeting when it was agreed that the Director of Finance would explore this option.

The update on financial impact on high risks was noted.

### **RESOLVED that**

**(1) The contents of the report be noted**

**(2) The waivers approved from October 2013 to February 2014 be noted; the Committee is content with the revised format for reporting waivers, but felt that another column may need to be added to indicate details of PDS scrutiny.**

**(3) The Committee notes the list of Internal Audit Reports on the web, and approves the reports where exemptions are sought. In future members wanted more detail for exemptions sought for reports not to be published within Part 2 of the agenda to include exemption reasons for reports already indicated within the Progress report. This will be reviewed every six months.**

**(4) The Sub Committee notes the continuing achievements of the counter fraud benefit partnership with the Royal Borough of Greenwich.**

**(5) The Committee agrees that placement waivers should in the future be scrutinised by PDS Committees and this should be reported to the Audit Sub Committee.**

**(6) That the Director of Finance pursues the Value for Money study offered by CIPFA.**

**68 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.

**69 EXEMPT MINUTES OF THE MEETING HELD ON 6TH NOVEMBER 2013**

**RESOLVED** that the exempt minutes of the meeting held on November 6<sup>th</sup> 2013 be agreed.

**70 INTERNAL AUDIT FRAUD & INVESTIGATION REPORT**

Report CEO 1404

The report was drafted to update Members regarding recent internal audit activity on fraud and investigations across the Council. The report also provided an update on matters arising from previous meetings, and provided a further update on results of the 2012 National Fraud Initiative (NFI).

**RESOLVED** that the contents of the report be noted.

The Meeting ended at 10.30 pm

Chairman