

## **AUDIT SUB-COMMITTEE**

Minutes of the meeting held at 7.00 pm on 29 November 2016

### **Present:**

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

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

Apologies for absence were received from Councillor Peter Fortune.

### **15 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **16 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 6th JULY 2016 -- EXCLUDING THOSE CONTAINING EXEMPT INFORMATION**

**RESOLVED** that the minutes of the Audit Sub-Committee meeting held on 6<sup>th</sup> July 2016 be agreed.

### **17 QUESTIONS FROM COUNCILLORS OR FROM MEMBERS OF THE PUBLIC**

No questions had been received.

### **18 MATTERS OUTSTANDING FROM THE LAST MEETING - PART 1**

#### **Report CSD16166**

The Sub-Committee considered progress on matters outstanding from previous meetings.

In considering the item on the HMRC audit that had resulted in a surcharge to the Local Authority for the use of consultants, the Chairman noted that the Director of Human Resources had provided an e-mail update to Members of the Sub-Committee outlining the new procedures that would be put in place to ensure this issue did not recur.

**RESOLVED** that matters outstanding from previous meetings be noted.

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

The Audit Sub-Committee Information Briefing comprised nineteen reports:

- Redacted Stray Dogs Final Follow Up Audit
- Environmental Protection Final Audit-2016-2017
- Redacted CIL Final Internal Audit Report
- Redacted Final Report for Document Retention
- Redacted Final Internal Audit for Creditors
- Redacted Learning Disabilities Final Audit Report
- Redacted Confirm System Final Audit
- Redacted Payroll Final Audit Report-2015-2016
- Redacted Children with Mental Health Needs Audit-2015-2016
- Redacted Final Internal Audit Report for St Georges Primary School
- Redacted Final Internal Audit Report for Troubled Families
- Redacted Final Care Link Report-2016-2017
- Redacted Biggin Hill and Glades Final Audit Report-2016-2017
- Redacted Building Control Final Report-2016-2017
- Redacted Dorset Road Infants School Final Audit Report-2016-2017
- Redacted NNDR Final Report-2016-2017
- Redacted St Anthony's School Final Internal Audit Report-2016-2017
- Redacted Final Internal Audit Report for Insurance-2015-2016
- Redacted Exchequer Contractor Follow Up Report-2016-2017

**RESOLVED that the Information Briefing be noted.**

## **20 INTERNAL AUDIT PROGRESS REPORT**

### **Report FSD16075**

The Sub-Committee considered a report informing Members of recent audit activity undertaken across the Council and providing an update on matters arising from previous meetings of Audit Sub-Committee.

Progress had been made across existing Priority One recommendations comprising Domiciliary Care, Creditors, Manorfields, Stray Dogs Contract Follow Up, Blenheim Primary School and Penalty Charge Priority Notices. The Priority One recommendations for the Transition Team and Extra Care Housing were still outstanding following follow-up audits. The Rent Arrears Priority One had now been subsumed in the Temporary Accommodation audit reported in Part 2 of this agenda. A number of new Priority One recommendations had also been identified comprising NNDR (Business Rates), Community Infrastructure Levy, Document Storage and Retention and Learning Disabilities.

In considering the Priority One recommendations relating to Domiciliary Care, a Member noted that at the time of the initial audit, a sample of 44 cases had

been selected for review, with issues identified in 14 cases relating to the dates of service and, in one case, non-closure. The Member requested clarification around the sample size in relation to the total number of Domiciliary Care cases and this would be provided to Members following the meeting.

With regard to the significant number of orders that were found to be raised retrospectively as part of the original Internal Audit report on Creditors, Members were informed that 1366 retrospective orders had been raised between June 2016 to August 2016, which was a significant drop of 36% on the previous Quarter, and would again be followed up in the Creditors Audit 2016/17 due in Quarter 4 2016/17.

The follow-up review on Stray Dogs Contract had been undertaken and concluded that of the five outstanding Priority One recommendations, two had been fully implemented relating to waivers and value for money. The three recommendations relating to contract monitoring, payment of invoices and collection of income had been partially implemented and it had been acknowledged that the service had made significant progress in all three areas and warranted a Priority Two recommendation. Details of the follow-up review would be reported to Contracts Sub-Committee in connection to lessons learned and the way the contract had been handled.

In relation to the second Priority One recommendation for Manorfields on compliance with Contract Procedure Rules, Members were advised that the monitoring of the final account for this work would shortly be completed and would be audited, and that an update would be provided to the next meeting of Audit Sub-Committee in April 2017. The recommendation would be kept open until the work had been completed and reviewed by Internal Audit. In response to a question from a Member around Officer training, the Head of Audit reported that Internal Audit had recently met with the Corporate Leadership Team to outline three training awareness packages around Audit Controls, Fraud and Corruption and Risk Management that would be rolled out to all Officers in early 2017. Members underlined the need to ensure that temporary or locum Officers were also given access to this training. The Head of Audit confirmed that whilst contractual requirements for continuing professional development were limited to certain roles across the Local Authority, the training awareness packages would be accessible to all staff, including locum and temporary staff, and there would be an expectation that Officers involved in contracts monitoring and management would undertake the training. A Member suggested that a licensing system be used and that only Officers who had completed the relevant training should be authorised to undertake contracts work. Another Member emphasised that following a change in law, the Chief Executive was responsible for ensuring that all staff had an understanding of Fraud and Corruption and to meet this requirement, training should be mandatory for all staff.

In discussing the audit of the Community Infrastructure Levy, the Chairman highlighted the importance of identifying all new dwellings, buildings and extensions proposing additional floor space of 100 square metres and above

where the Community Infrastructure Levy would be liable, as there was a risk that this charge would rest with the Local Authority if building work had already commenced. The Principal Auditor reported that training had been delivered across the Planning Service in relation to the Levy, and that all planning applications from 1<sup>st</sup> April 2015 were being reviewed to ensure that any funds due were identified. Further information on the checks undertaken when an applicant applied for a waiver, such as self-build relief would be provided to Members following the meeting.

In considering work regarding Blenheim Primary School and how a possible conflict of interest had been managed, a Member was concerned that there was a greater expectation on school staff to declare interests than on Members of the Council. The Head of Audit noted that Members were required to register their pecuniary interests in the main Register of Interests but they were also able to re-disclose these interests at meetings if they felt it was appropriate, with an expectation they would withdraw from meetings in certain circumstances.

Members considered the audit relating to document storage and retention and were generally concerned at the high volume of information being held in storage and a lack of clarity around the destroy policy. The potential to microfiche or scan documents was suggested, and a Member noted that if stored information had not been required for three years and there was no statutory requirement to keep it, it should be destroyed. Information relating to the number of boxes withdrawn in the past three years would be provided to Members following the meeting. A Member underlined that in reviewing what information should be kept, there was a need to ensure that supporting documentation around individual contracts was retained for contracts management and audit processes. The Head of Audit confirmed that senior officers were being tasked to consider the issue of document storage and retention going forward.

With regard to the audit of Learning Disabilities, a Member noted the three Priority One recommendations around assessment, care and support plans and service agreements, and requested that this issue be referred to Care Services PDS Committee to ensure appropriate scrutiny was undertaken on the measures being implemented to address the issues identified.

There was currently a requirement that from the start of the 2018/19 financial year, the process for the appointment of external auditors under the Local Audit and Accountability Act 2014 would be operational. Within this, the Act provided for the approval of a sector-led body to act as an 'appointing person' and to undertake a procurement exercise and appointment on behalf of the authority. Members were advised that Public Sector Audit Appointments Ltd had attained accreditation to be an appointing person and had offered the Local Authority the opportunity to become an 'opted in' authority by 9<sup>th</sup> March 2017, with tendered services to start from 1<sup>st</sup> April 2018. It was believed that the majority of London Boroughs would sign up to this option, although this was subject to an ongoing survey, and that this would be a more cost effective option than the Local Authority appointing its own auditors. Following

discussion, Members of the Sub-Committee supported the proposal which would be presented to the meeting of the Council on 12<sup>th</sup> December 2016 for Member approval.

The risk management update was considered by the Sub-Committee which included a number of risks that had arisen from the Ofsted Inspection of Children's Services. The report of the Commissioner for Children's Services in Bromley had identified issues relating to the use of the Council's internal audit and risk management processes, including actions taken in response to internal audits of the Fostering and Adoption and Leaving Care services in 2014 which had been rated as having 'nil' assurance. In response to this, a number of measures had been put in place, including the Director of Finance being given direct responsibility for Risk Management, the continuation of the Corporate Risk Management Group, and for key audit findings to be linked into the Risk Register. A Member noted the need for the consequences of risks to be outlined more clearly within the risk register, such as failing an Ofsted Inspection. Another Member highlighted the role of Policy Development and Scrutiny Committees in scrutinising the risks within their Portfolios on a regular basis. Members were asked to note and agree the addition of Children's Social Care Services to the Corporate Risk Register before publishing it on the web.

An update on waivers agreed between March and October 2016 was provided at Appendix B. Members were generally concerned at the number of waivers and the cumulative value of these contracts. The Head of Audit confirmed that there was an ongoing internal audit of waivers following changes to the process which was due to be completed in early 2017, but that none of the waivers listed had been 'called-in' by Members.

The Chairman led Members in thanking Luis Remedios, Head of Audit for his excellent service to the Local Authority as Head of Audit for many years and wished him a long and happy retirement.

**RESOLVED that:**

- 1) The Progress report and Members' comments upon matters arising be noted;**
- 2) The list of Internal Audit Reports publicised on the web be noted;**
- 3) The list of waivers sought since March 2016 be noted;**
- 4) The Quality Assurance Improvement Programme be approved;**
- 5) The latest update on cases referred to the Department for Work and Pensions be noted;**
- 6) The latest position on the options to appoint a local auditor be noted;**

- 7) The Annual Audit Letter 2015/16 from the External Auditors be noted;
- 8) The Letter of Representation be noted;
- 9) The Code of Transparency - reporting of fraud be noted;
- 10) The recruitment process for Head of Audit be noted;
- 11) The launch of web-based training for risk, audit controls and fraud and corruption be noted; and,
- 12) The latest update on high and significant risks and actions taken to improve the process and approve the revised corporate risk register be noted.
- 13) Resolved that Council be recommended to approve the proposal to become an 'opted in' authority with Public Sector Audit Appointments Ltd for the appointment of External Auditors by 9<sup>th</sup> March 2017.

**21 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.

**22 EXEMPT MINUTES OF THE MEETING HELD ON 6th JULY 2016**

**RESOLVED** that the exempt minutes of the Audit Sub-Committee meeting held on 6<sup>th</sup> July 2016 be agreed.

**23 MATTERS ARISING FROM THE PREVIOUS MEETING - PART 2**

**Report CSD16165**

The Sub-Committee considered an update on Part 2 (Exempt) matters arising from previous meetings.

**RESOLVED** that the report be noted.

**24 INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT**

**Report FSD16076**

The Sub-Committee considered a report informing Members of recent Internal Audit activity on fraud and investigations across the Council, and providing an update on matters arising from previous meetings of Audit Sub-Committee. The report outlined previously reported cases, new cases of interest and details of cases on the fraud register, as well as information on a pro-active exercise.

**RESOLVED that the report be noted.**

**25 DATE OF THE NEXT MEETING**

The next meeting of Audit Sub-Committee would be held at 7.00pm on Tuesday 4<sup>th</sup> April 2017.

The Meeting ended at 8.59 pm

Chairman

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