

AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.00 pm on 7 March 2018

Present:

Councillor Neil Reddin FCCA (Chairman)
Councillor William Huntington-Thresher (Vice-Chairman)
Councillors Ian Dunn, Will Harmer and Tony Owen

Also Present:

Deepali Choudhary, Catriona Ellis, David Hogan, Dan Jones and Linda Pilkington

Philip Johnstone attended from KPMG

27 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

No apologies for absence had been received.

28 DECLARATIONS OF INTEREST

There were no declarations of interest.

29 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 8th NOVEMBER EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The minutes of the meeting held on 8th November 2017 were agreed as a correct record.

30 QUESTIONS FROM COUNCILLORS OR FROM MEMBERS OF THE PUBLIC

No questions had been received from Councillors or from members of the public.

31 MATTERS OUTSTANDING FROM THE PREVIOUS MEETING- EXCLUDING EXEMPT ITEMS

CSD 18041

Members noted and commented on the Matters Arising report.

Members discussed the arrangements to recruit a Trainee Auditor. Funding for this would be available from April. LBB may decide to target the

recruitment process to students leaving school and college as the training would not commence until September.

Members noted the ongoing correspondence relating to the SFIS service initiated by the Department for Work and Pensions. To this end, the Chairman had written a letter to the Right Honourable Esther McVey MP, who was the Secretary of State for Work and Pensions. The letter expressed LBB's continued concern about the Department's penalties policy, which was at odds with LBB's normal practice when prosecuting fraud cases.

The Committee discussed the matter of insurance cover against cyber-attacks. Some insurance companies offered cover, but in most cases it was not clear as to what exactly would be covered. Many policies would not cover problems caused by Malware which was one of the main areas where a cyber-attack would originate. The matter would need to be discussed further by the Corporate Risk Management Group.

The matter of the objections to the accounts was updated upon in the Internal Audit Progress report.

RESOLVED that the Matters Arising report be noted.

32 QUESTIONS ON THE REDACTED REPORTS PUBLISHED ON THE WEB

No questions had been received concerning the internal audit reports that had been published on the Council website.

33 EXTERNAL AUDIT PLAN 2017-2018

FSD 18021

Members were presented with an External Audit Plan summary report for 2017-2018, written by David Hogan—Head of Audit.

The report had been written to provide a review of the External Auditor's annual plan arrangements for 2017-2018.

Also presented to Members was KPMG's External Audit Plan report to LBB for 2017/18. Mr Phil Johnstone attended from KPMG to answer any questions.

The Chairman was pleased to note that the audit fee had not increased.

Mr Johnstone explained that last year it had been possible to issue opinions concerning the objections to the accounts, but this was not the case for this year. It was not possible to issue a certificate ratifying the accounts at this time. The issues raised were too complex and went back many years. The objector had asked for additional time to provide supporting information in respect of objections. The Chairman asked when the matter of the objections

would be finalised. Mr Johnstone answered that KPMG had not formally accepted the objections yet.

A Member asked Mr Johnstone if there was any similarity between the financial position of LBB and Northamptonshire County Council. Mr Johnstone stated that there was no similarity—the respective financial positions were poles apart.

The Committee noted page 6 of the KPMG report which highlighted revised deadlines for draft accounts and the use of accounting estimates.

RESOLVED that

1-The External Auditor's arrangements for the Audit Plan for 2017-2018 are noted

2- The Materiality limits set out in the Annual Plan are noted

3- Members note there was no increase in the audit fee compared to last year

4- Members note the significant risks identified in the Audit Plan

34 ANNUAL INTERNAL AUDIT PLAN 2018--2019

FSD 18022

The Annual Internal Audit Plan report—2018/19 was written by David Hogan, Head of Audit.

The Public Sector Internal Audit Standards (PSIAS) refer to the need to produce a risk-based Internal Audit Plan. This should take into account the requirement to produce an annual audit opinion and report that could be used by the Council to inform the Annual Governance Statement. The annual audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. To support this, the risk-based plan needs to include an appropriate and comprehensive range of work. The report sets out the approach to producing the draft audit plan and invites comments from Members. In addition the PSIAS require the chief audit executive to review and update the Internal Audit Charter on a regular basis.

Members were being asked to review the Audit Plan, and also the revised Internal Audit Charter.

It was noted that corporate risks would be tackled corporately. The Plan outlined audit tasks that were mapped against broad based risks identified for the authority as a whole.

The Chairman commented that the Risk Management Strategy had matured.

RESOLVED that the Annual Internal Audit Plan for 2018/19 and the Internal Audit Charter are approved.

35 INTERNAL AUDIT PROGRESS REPORT--PART 1

FSD 18023

The Internal Audit Progress report was written by Mr David Hogan, Head of Audit.

The report was written to inform Members of recent audit activity across the Council and provided updates on matters that had arisen since the previous meeting of the Audit Sub Committee.

Members discussed the update concerning Transforming Community Equipment Services (TCES). A Priority 1 recommendation had been identified regarding the roles and responsibilities for contract monitoring and contract compliance. The previous Contract Manager had retired in May 2017, and had not been replaced. Subsequently, the Director of Adult Social Care had confirmed that the Head of Service (Assessment and Care Management) would act as the Contract Manager, supported by the Strategic Commissioner.

Eight Priority 2 recommendations and three Priority 3 recommendations had been raised for a variety of matters relating to TCES. Remedial action for all of these was due to be in place by the end of the financial year.

A Member stated that since his return to the Audit Sub Committee, he had been impressed by the work being undertaken by Internal Audit. Another Member stated that the items being looked at were more interesting and substantial. The Chairman felt that strategic lessons had been learned. The Vice-Chairman said that LBB departments were now asking Internal Audit to come in and to review—management saw the value in this. A collegiate approach was being developed.

Members were briefed concerning the contributions policy for ECHS. It had been discovered that the Reablement Service had not been levying the required charges for cancelled and abortive visits. This was a Priority 1 recommendation. It was estimated that lost income was just over £10k.

The Committee was updated regarding the audit of agency staff. There were three Priority 1 recommendations. One of these involved the procedure for approving extensions for the use of agency staff beyond six months, which was not being followed. It was felt that Human Resources should be taking a more pro-active lead in these matters.

Members were appraised that the audit relating to the contract for grounds maintenance, park management and other related services had resulted in an

audit opinion of 'Substantial'. Seven Priority 2 recommendations were made to further improve controls.

Members discussed the matter of Gifts and Hospitality. It was noted that various versions of guidance were available on the Intranet, and so conformity was required. A Member expressed the view that all hospitality should be declined to avoid any allegations of corruption.

The objective of the planning audit was to look at the planning application process with particular emphasis on pre-application advice and the subsequent approval process. The review also looked at current planning enforcement arrangements. A Member expressed the view that if an officer provided pre-planning advice and then wrote the associated report, then this was not impartial. Mr Hogan stated that all the reports should be signed off by a manager or Chief Officer. It was noted that the regulatory body was happy with the same person giving pre-application advice, and then writing the final report.

Members noted progress concerning the follow up audit of Biggin Hill Airport and the Glades. Assurances had been provided that a sample of evidence of income and expenditure incurred on the quarterly statements would be provided with respect of the quarter ending March 2018. On this basis the previous Priority 2 recommendation was regarded as resolved.

The Head of Audit updated Members concerning the follow up audit of Building Control. He explained that there was no interface between the Oracle financial system and the Uniform Building Control case management system—so that no automatic reconciliation of financial data could take place. The Head of Building Control was now in discussions with the IT provider to see if output from both systems could be combined for reconciliation purposes. To this end a work request had been raised.

The Committee was informed that all of the recommendations with respect to Street Works and Defaults had now been implemented.

Members were briefed concerning the two Priority 1 recommendations for Contract Monitoring. It had been agreed that documents in the legal vault be scanned, and that a Document Management System (DMS) be developed to provide a robust repository for contract documentation. Internal Audit regarded the two Priority 1 recommendations as 'in progress'.

Members discussed the Priority 1 update concerning Document Storage and Retention. The Director of Regeneration had previously advised that this matter was not likely to be resolved until the Civic Centre Accommodation strategy had been progressed. Meanwhile Members heard that the number of storage boxes was increasing. The Chairman expressed the view that the Civic Centre Accommodation strategy was not likely to be progressed any time soon, and there was a consensus amongst Members that in the meantime action should be taken.

The Committee noted that comprehensive new documentation had been produced for all aspects of the authorisation process, and that these could now be found on the Commissioning & Procurement One Bromley Site, and on Team Contract Management.

The Internal Audit Team had evidenced significant progress in improving the eviction process; this being the case the Priority 1 recommendation with respect to Temporary Accommodation was considered closed.

Members noted the internal audit reports that had been published.

36 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.

37 EXEMPT MINUTES OF THE MEETING HELD ON 8th NOVEMBER 2018

The exempt minutes of the meeting held on 8th November 2018 were agreed and signed as a correct record.

38 MATTERS ARISING FROM THE MEETING ON 8th NOVEMBER 2017--EXEMPT INFORMATION

Members noted and commented on the matters arising relating to exempt information.

39 INTERNAL AUDIT FRAUD, INVESTIGATIONS AND EXEMPT ITEMS REPORT

Members noted and discussed confidential matters relating to the Internal Audit Fraud, Investigations and Exempt Items report.

40 DATE OF THE NEXT MEETING

The next meeting is scheduled for May 24th 2018.

The Meeting ended at 9.30 pm

Chairman