

MINUTES OF THE INFORMAL AUDIT AND STANDARDS COMMITTEE

Monday, 12 July 2021
(7:00 - 7:30 pm)

Present: Cllr Princess Bright (Chair), Cllr Adegboyega Oluwole (Deputy Chair), Cllr Simon Bremner, Cllr Josie Channer, Cllr Mohammed Khan and Cllr Giasuddin Miah

Also Present: Stephen Warren and Cllr Dorothy Akwaboah

Apologies: Cllr Dominic Twomey

12. Declarations of Interest

There were no declarations of interest.

13. Minutes (19 May 2021)

The minutes of the meeting held on 19 May 2021 were noted.

14. Internal Audit Annual Report 2020/21

The Head of Assurance (HoA) gave an update on the activities of the internal audit team over the period 2020-21. The Committee agreed, in April 2020, to an internal audit plan of 50 audits and the HoA confirmed that 44 audits had been undertaken. The HoA stressed that this did not mean that the internal audit team had done less work than had been agreed and that the total number of audit days were maintained as agreed in the plan.

The HoA, as the Council's Chief audit executive, was required to give an overall opinion on the Council's internal control systems. The HoA's assessment was that the Council's internal audit systems were generally satisfactory with some improvements required.

Internal Audit was entirely risk-based meaning that work was focused on areas of highest risk. This meant that some planned audits were removed from the plan and others added as the year progressed. The HoA added that Covid-19 affected the plans highlighting the cancellation of the audit on Barking market as it had changed its way of working. Additional days were added to some audits to ensure that the scope was sufficiently covered.

In regard to the outcome of the audits, the HoA disclosed that eight 'limited assurance' reports and one 'no assurance' report had been issued. Whilst the other reports had been presented to the Committee as part of the quarterly updates, the 'no assurance' report had not yet been considered by the Committee as it was undertaken in Q4 and this paper included first sight of any work undertaken during Q4.

The 'no assurance' report related to Targeted Early Help. The report was commissioned by the Cabinet Member for Children's Services and was undertaken

by an independent expert who was commissioned by Children's Services but was overseen by the HoA.

As a result of the 'no assurance' designation, an action plan had been drawn up and agreed by the Cabinet Member for Children's Services and progress would be reported to the corporate assurance group as well as to the Committee.

Two high risk actions relating to Right to Buy and Sales Leasing were overdue, though these related to the 2019-20 internal audit. A recruitment process was underway, and it was expected that appointments would be made in July 2021 that would enable these actions to be closed.

The Chair sought clarification on the action plan relating to Targeted Early Learning in relation to deadlines for implementation and the role of HoA in enforcing them.

The HoA responded that his report highlighted the high level actions and these were connected to action plans setting out how Children's Services will implement them. The HoA clarified that he did not have any operational responsibility as this lies with Children's Services. The HoA's role would be to independently verify and gain assurance that the action plan was being properly implemented.

In response to the two high risk actions that were overdue the Chair, noting that the action plan was agreed in January 2020, asked why what action had been taken to ensure the timely implementation.

The HoA clarified that, from the standpoint of assurance, an assessment of whether management can or will implement the actions is undertaken and if it is found that they can, compensating controls are implemented until such time as the action is closed.

In the case of Right to Buy and Sales Leasing, the HoA explained that the compensating control was to get support from Legal Services who undertook a wider service review. This was disrupted by Covid-19. Now that the review was complete, the recruitment process had begun. The purpose of assurance during this time was to ensure that sufficient safeguards were in place whilst the review was being undertaken.

The Chair discussed the audit undertaken of Manor Junior School. The Chair expressed concern at the number of issues highlighted as medium risks. The HoA responded that the school had an action plan to address the medium risks and a full audit would be undertaken to ensure that the action plan is implemented.

The Committee noted the report.

15. Counter Fraud Annual Report 2020/21

The HOA updated the Committee on the work of the Internal Audit team in detecting and preventing fraud in 2020-21. For reporting purposes, counter fraud is divided into housing fraud and all non-housing related fraud is reported under corporate fraud.

In terms of corporate fraud, there were fewer referrals though Q4 did see an increase. Among work undertaken included support work with the Business Rates Team relating to Covid-19 grants to businesses ensuring that only businesses that were entitled received the grant. Support work was also undertaken with the Care and Support Team in relation to Direct Payments to ensure that residents who receive such payments use them as intended.

In relation to housing fraud, the HoA disclosed that there had been fewer referrals in the first three quarters though referrals increased in Q4. Five council properties were recovered from tenants who were not entitled to them and saving the Council circa £500k in fraudulent benefit payments.

Detecting housing benefit fraud requires staff to visit tenants and residents and the HoA confirmed that such visits had been reinstated following a Covid-19 risk assessment.

The Committee noted the report.

16. Complaints Update

The Senior Lawyer for Governance and Corporate Standards updated the Committee.

There was one outstanding complaint against a councillor that was under investigation. It was hoped that the matter could be resolved soon however the Councillor in question has been suffering from ill health and the Covid-19 related lockdown had also affected the investigation.

No complaints had been received in relation to any other councillor.

The Committee noted the update.

17. Work Programme 2021/22

The Committee noted the work programme for 2021-22

18. Any other public items that the Chair decides as urgent

The Chair noted that, at the last meeting, BDO indicated that the Audit had been paused until the end of July 2021. Therefore, the Audit Completion Report was not included as an item for this meeting.

However, the Chair informed the Committee that issues had emerged in relation to the Audit and that she would be taking these as an urgent item.

The Chair disclosed that owing to the outstanding 2018-19 Housing Benefits Audit, the Council had 5% of July Housing Benefits payment withheld by the Government. This amounted to circa £357k. The Chair added that if the audit was not completed by 31 July 2021 there will be a further 10% deduction in August. Whilst the Council would receive all of the withheld funds once the audit was completed, given the potential cashflow issues, the Chair asked that BDO update

the Committee in relation to the audit.

In relation to the 2019-20 audits, the Chair noted that work was restarting from 12 July on the single entity, group accounts, and pension fund accounts. The Chair asked if BDO could provide a target date for completion noting that the 2019-20 housing benefit audit would begin only when the 2018-19 audit was complete.

In relation to the 2020-21 audits, a timetable for the completion of this work was due to be provided by BDO. However, the Chair, noting that the Council was in the process of moving away from the Oracle finance system to E5 financials with a go-live date of 1 December 2021, expressed concern that if the audit was not completed before then, then work may be duplicated across two systems which could delay the audit. The Chair highlighted that this could potentially affect the ability of the Council to meet the statutory deadline for completion of the Council's audit. The deadline for completion was 30 November 2021. The Committee was also informed that the statutory deadline to file accounts for the Council's subsidiary companies was 31 December 2021.

The BDO Representative responded that, in relation to the 2018-19 Housing Benefits Audit, work had restarted on 12 July. An error had been identified and additional testing was being undertaken. Once this had been resolved, the audit will be completed.

Work had also restarted on the single entity accounts, group entity accounts and pension fund accounts for 2019-10 and it was intended that these would be completed by 31 August 2021.

In response to questioning from the Finance Director, the BDO representative assured the Committee that the auditing team was sufficiently resourced and there was no indication of any staffing issues that would cause delays.

In relation to the subsidiary audits, the Finance Director informed the Committee that, going forward, there would be two audit teams led by two audit partners which should increase the pace of progress and thus reduce the risk of failing to meet the Companies House deadline.

BDO was finalising deadlines for the 2020-21 Audit and this would be presented to the Committee, as well as management. Discussions were ongoing in relation to the change of the financial IT system, and its potential affect on the audit, including putting in place mechanisms to avoid duplication of work or, where unavoidable, to minimise it.

The Committee noted the update.