

MINUTES OF AUDIT AND STANDARDS COMMITTEE

Wednesday, 3 April 2019
(7:00 - 7:42 pm)

Present: Cllr Josie Channer (Chair), Cllr Adegboyega Oluwole (Deputy Chair), Cllr Simon Bremner, Cllr Princess Bright, Cllr John Dulwich and Cllr Muhammad Saleem

Apologies: Cllr Dorothy Akwaboah and Cllr Kashif Haroon

29. Declarations of Interest

There were no declarations of interest.

30. Minutes - 16 January 2019

The minutes of the meeting held on 16 January 2019 were confirmed as correct, subject to the following caveat:

Paragraph six under minute 21 should read "Members referred to controls to mitigate risks and effective budgetary control."

31. Certification of Grants and Returns 2017/18

A representative of the Council's outgoing external auditor, KPMG, presented the report setting out the outcome of assurance work on the Council's grants and returns for 2017-18, which included Housing Benefit Subsidy Claim, Pooling of Capital Receipts Return and Teacher's Pension Agency Return.

The Committee **noted** the report which stated that unqualified certificates were issued for all returns and wished to recognise the hard work of Council staff in ensuring the evidence base for the assurance work was accurate and orderly.

32. External Audit Plan interim report

The Council's Chief Accountant provided an oral update on behalf of BDO, the Council's incoming external auditor, in relation to the External Audit Plan which comprised the following information:

- Interim testing had been completed and work had been substantially done, pending some queries mainly around payroll and some of the transaction items;
- Most of the systems work had been undertaken and a walk through of all the key controls showed no control deficiencies to note. Some areas, mainly in Adult and Social Care, needed to be followed up where the system notes were not quite finished;
- Work had started on the company accounts, groups and subsidiaries; and
- The next external audit, ISA 260, would be undertaken in June - July and would be shared with the Committee at the next meeting on 23 July 2019.

In response to a question, the Chief Accountant stated that the audit report in July would be based on draft accounts which were currently not published. There was a statutory requirement on the Council to publish its accounts by the end of May. The audit would begin on 3 June 2019 and be completed over a period of approximately six weeks. The findings should be ready to be reported to the next meeting of this Committee.

The Committee **noted** the oral update provided.

33. Internal Audit report 2018/19 Quarter 3 (October to December 2018)

The Council's Head of Assurance presented the Internal Audit report for Quarter 3, 2018/19 which detailed progress and results to 31 December 2019, the high-risk recommendations which were outstanding, and the actions being taken by management to address these.

In response to questions, the Head of Assurance stated that:

- When considering the Audit Plan for the year, an analysis was undertaken of the risk profile of the Local Authority which helped determine the areas to select for internal audit;
- The Head of Workforce Change had confirmed that there were a number of mandatory training areas for managers including training on the General Data Protection Regulation, equalities and diversity, and recruitment, which managers must complete refreshers of every three years. Job adverts were not released until the Workforce Governance Group had confirmation that the relevant recruitment training had been undertaken. The Chief Executive chaired the Group, which considered all recruitment requests from managers.,
- In relation to records management, the Council's recruitment policy was being amended and would require managers to retain the relevant recruitment documentation for a period of six months, to make it available to HR.

In response to questions, the Chief Operating Officer stated that recruitment training was undertaken in-house and that it was a requirement that managers undertake training every three years. Some managers recruited frequently and were more familiar with the correct processes and procedures, but those who did not would need to attend refresher courses more frequently.

In response to questions, the Head of Assurance provided the following update on progress made on three high risk findings of the audit, as follows:

- The recommendation relating to record-keeping compliance and the risk presented by the lack of a list of 'information asset owners' was on track to be completed by December 2019;
- The recommendation relating to planning enforcement and the risk presented by the lack of policies and operational procedures, was complete, subject to the work receiving sign-off; and
- The recommendation relating to the security of corporate buildings and the undertaking of risk assessments had been followed up, and the draft report stated that progress was positive.

In response to a question regarding the addition of seven schools to the schools' audit plan, the Head of Assurance stated that his predecessor would have worked with professionals from the finance department to undertake risk assessments of all maintained schools. The schools deemed relatively high-risk would have been picked for inclusion in the audit plan.

The Committee **noted** the report.

34. Draft Internal Audit Charter, Strategy and Plan for 2019/20

The Head of Assurance presented a report on the Draft Internal Audit Charter, Strategy and Plan for 2019/20, which were presented to the Committee for approval. The Internal Audit Charter defined the purpose, activity and responsibility of internal audit activity, the Internal Audit Strategy detailed how the Council was going to deliver the internal audit service and the Internal Audit Plan 2019/20 had been developed in line with the Charter and Strategy.

In response to questions, the Head of Assurance stated that the process for selecting particular items for inclusion in the Internal Audit Plan was very much a managed process, involving liaison with all stakeholders of the internal audit service, including the Council's directors, to ensure the Plan was on the right track in light of emerging areas of risk and new legislation. He also undertook a horizon scanning exercise with colleagues from other local authorities and liaised with industry experts such as PWC and Mazars. In addition, there were areas of audit that had been agreed by this Committee which were included in the Plan. Furthermore, discussions with the Council's external auditor, BDO, ensured that the Internal Audit Plan met their expectations and there were not any gaps. There were a number of days contingency which meant that any further risk areas identified could be addressed during the year.

The Independent Advisor to the Committee suggested that it would potentially be helpful if a brief explanation could be added to the table in section four of Appendix 3 of the report, as to why the particular item has been included in the Plan, for the Committee to understand how it had been compiled. The Head of Assurance stated that he would be happy to provide this.

In response to a question, the Head of Assurance stated that Internal Audit's scope included reviewing risk within Council-owned companies such as BeFirst. BeFirst had a shareholder panel which would have oversight of the company's risk management plan. The Chief Operating Officer stated that whilst the Council's internal audit service would audit the processes BeFirst delivered on the Council's behalf, BeFirst were responsible in their own right to ensure they carried out their policies and procedures correctly, and for this they had their own audit committee. In response to the Committee's request she stated that she would be happy to request a briefing from the Council's shareholder panel, outlining how they reviewed the risks recognised by BeFirst for the next appropriate meeting of this Committee.

In response to a question, the Chief Operating Officer stated that the budget supporting the Internal Audit Plan had not changed for the last couple of years. The budget was not only for council staff but also for the contracts with BDO and Mazars. The number of days allocated to carry out the Plan was what drove the

budget and the service always tried to keep to the budget as far as possible. She was happy to share copy of the budget with members.

The Committee **approved**:

- (i) The draft Internal Audit Charter;
- (ii) The draft Internal Audit Strategy 2019/20 onwards; and
- (iii) The draft Internal Audit Plan 2019/20.

35. Counter Fraud Report Quarter 3 2018/19 (October-December 2018)

The Head of Assurance presented the report which brought together all aspects of counter fraud work undertaken to date during 2018/19 in relation to housing and corporate fraud. He asked the Committee to note that in Quarter 3, the counter fraud team worked to recover three properties and prevent six successions/ right to buys, which resulted in savings for the Authority of £440 000.

In response to a question, the Head of Assurance stated that:

- A person who lost their council tenancy because they were not entitled to it, was not prevented from joining the housing register and it did not prevent them being offered a home, as they must be treated according to their circumstances at the time.
- The Council could undertake a data matching exercise between a prospective tenant with those who already had tenancies to help prevent housing fraud within the borough. In relation to prospective tenants who held a council tenancy outside the borough, the National Fraud Initiative undertook a bi-annual data matching exercise to see if dual tenancies were held.
- It was very difficult to compare the borough's level of fraud with that of other boroughs because they had different size and type of housing stock and different size waiting lists, so a direct comparison was unlikely to be helpful.
- In relation to the reference in the report to a criminal investigation into theft from the Council by four members of council staff, the Council was working to make its controls more robust in that section of the Council, encouraging proactive reporting of fraud and suspected fraud in all areas of the Council and emphasising the message that people who are tempted to commit fraud against the Authority will face consequences.
- Council employees were subject to the terms and conditions of their employment which dictated what they could and could not do in relation to secondary employment elsewhere. There was also a register of interests that employees were required to sign, as necessary. Working for the Council would not necessarily stop them providing a service elsewhere but it could do, depending on the nature and circumstances of their other employment and the impact on the Council and the borough's residents.

The Committee **noted** the report and the good work of the Council's fraud team in preventing and dealing with fraud within the Council and in the borough.

36. Review of the Committee Terms of Reference

The Chief Operating Officer presented a report proposing revisions to the Committee's terms of reference following discussions at the Committee's meetings on 26 September 2018 and 16 January 2019. It was intended that the proposed revisions would be presented to the Assembly on 15 May 2019 alongside a number of other proposed changes to the Council's Constitution.

In response to a question, the Chief Operating Officer stated that officers would be pleased to check the proposed terms of reference against the suggested terms of reference in the CIPFA guidance before they were put to the Assembly for approval.

The Committee:

- i. **Approved** the proposed changes to the Committee's terms of reference as set out in Appendix A to the report; and
- ii. **Noted** that the final set of proposed changes would be presented for approval to the Assembly on 15 May 2019.