

<b>Public Accounts Select Committee</b>		
<b>Report Title</b>	<b>Report on the work of the Audit Panel</b>	
<b>Key Decision</b>	<b>NO</b>	<b>Item No. 7</b>
<b>Ward</b>	<b>ALL</b>	
<b>Contributors</b>	<b>Chair of the Audit Panel</b>	
<b>Class</b>	<b>Part 1</b>	<b>Date: 25 March 2014</b>

## **1. Purpose of the Report**

- 1.1. The purpose of this report is to update the members of the Committee on the work of the Audit Panel at their June, September and November 2013 meetings.

## **2. Recommendations**

- 2.1. It is recommended that the Committee note this report.

## **3 Background**

- 3.1 Under the terms of reference for the Audit Panel, it is required to report twice a year to the Public Accounts Select Committee. The Audit Panel normally meets quarterly in March, June, September, and December with additional meetings held when appropriate.

- 3.2 The Audit Panel consists of six non-executive councillors, one of whom is the Chair (currently Councillor Mike Harris), and up to four independent members. Currently there are four independent members on the Panel.

- 3.3 The role of the Audit Panel, as set out in the Council's constitution, is to receive, review and where appropriate, advise and make recommendations to the Council on the following matters:

- The review and approval of the Council's Internal Audit's strategy, plans and resources. Oversee the performance of the Internal Audit function.
- The annual report of the Council's Head of Internal Audit and Inspection Agencies.
- Reports from Internal Audit on the implementation of agreed recommendations - where management have failed to undertake the necessary actions within the planned audit time frame.
- The external auditor's Annual Plan, relevant reports, and reports to those charged with governance.
- External inspection reports and specific reports as agreed with the external auditor.
- The monitoring of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- An overview of the Council's Constitution in respect of audit procedure rules, contract procedure rules, and financial regulations.
- The Council's assurance arrangements including the Annual Governance Statement.
- The Council's Annual Statement of Accounts, to consider whether appropriate accounting policies have been followed and whether there are any concerns arising

from the financial statements or from the audit that need to be brought to the attention of the Executive.

- The external auditor's opinion and reports to members, and monitoring of management action in response to issues raised by external audit.

#### **4. External Auditors**

- 4.1. Representatives from the Council's external auditors, Grant Thornton, regularly attend the Audit Panel and present documents to the Panel for information and consideration.
- 4.2. In September 2013, Grant Thornton presented their Annual Governance Report, progress on finalising the 2012/13 financial statements (Council and Pension Funds), work on grants claims, and the whole of government returns. Liaison between the auditors and finance officers was good through the audit and no significant issues were noted with regard to the timeliness and quality of working papers.
- 4.3. In respect of the Council's financial statements two control weaknesses were identified as;
  - The timeliness and accuracy of non-current assets valuation, and
  - Shortening the annual governance statement to make it more accessible.
- 4.4. In respect of the Pension Fund financial statements one control weakness was identified for the second year running. It was:
  - The partial use of the separate bank account for managing Pension Fund transactions.
- 4.5. Grant Thornton also presented highlights from their publication about good governance.

#### **5. Financial Reporting**

- 5.1. In September 2013, officers presented their report responding to Grant Thornton's external audit findings. Overall, the quality of the accounts statement presented was very good and the information was supported by the documentation. There had been very good co-operation between both parties. The Audit Panel sought and received assurances from officers that the control weakness relating to the Council's non current assets valuation processes would be resolved. The issue of operating a separate bank account for the Pension Fund was again raised and officers gave assurances that this would be actioned as part of the finance system upgrade as it is a legal requirement to do so.
- 5.2. In November 2013, officers presented the half year financial monitoring report. There was a discussion on how accurate the capital programme information was and that a full re-evaluation should be undertaken towards the end of quarter two so that any slippage could be used elsewhere. It was noted for information.
- 5.3. In March 2014, officers will update briefly on their preparations for preparing the draft 2013/14 financial statements for audit in July. This work is going well with no particular concerns highlighted at this stage.

#### **6. Anti-fraud and Corruption**

- 6.1. At each meeting of the Panel, officers outline the progress being made by the Anti-Fraud and Corruption Team (A-FACT). A-FACT comprises three investigation teams (Housing Benefit Investigations, Housing Investigations and Special Investigations) to combat fraud and corruption within and against the Council. The Panel also receives a brief summary of any recently concluded cases which are notable or interesting and any related publicity.
- 6.2. The Panel discussed the continued pressures arising from the level of referrals and highlighted their interest in seeing communication of successful cases. They also noted

the impact of the strategic direction set over to target more significant cases to eliminate more systematic cases of fraud.

- 6.3. The Panel were pleased to note that the strategy of closing cases more promptly to focus on those more likely to deliver a successful conclusion is working. Also that successful cases continue to be publicised. The Panel reviewed the tenancy fraud work being undertaken with other housing associations in the South East London Housing Partnership and renewal of additional grant for this work in 2013/14 and 2015/16.
- 6.4. The Panel discussed the anticipated changes of benefits investigations moving to the Department for Work and Pensions and the potential impact of further savings on the Counter Fraud team in terms of the work they undertake and how this would be felt by the community across housing and other areas of fraud risk.

## **7. Internal Audit**

- 7.1. The Audit Panel continues to focus attention on the progress being made to improve the performance of the Council's Internal Audit Service. This includes ensuring that it complies with the new Public Sector Internal Audit Standards from April 2013. At each meeting officers update the Audit Panel on progress against the audit plan, the levels of assurance resulting from this work, and timeliness of implementing recommendations.
- 7.2. At the June meeting the Panel received the annual assurance report from the Head of Internal Audit. While the opinion was Satisfactory the areas for improvement were noted as: Building a culture of compliance; Information governance; IT strategy & resilience; property asset management; and Workforce management. The meeting also held a closed session with the internal audit service provider and head of audit to review delivery of the audit plan in the year.
- 7.3. At the September meeting the Panel received the regular quarterly report which showed that while work on schools audits were ahead of plan there were delays, similar to previous years, with starting the non-school audit work. The contractor updated the Panel on their change of ownership to Baker Tilly and provided assurances that the position would be recovered and the audit plan committed to delivered by the year-end.
- 7.4. At the November meeting the Panel received an update on progress with the internal audit plan and it was noted that the Contractor was further behind on the non-school audits in the full year plan. Continued positive assurances for the majority of schools audits was noted. While no specific concerns were raised in non-school areas, any wider discussion of assurances on the Council's processes and systems must wait until more audits for the year are completed.
- 7.5. At each meeting the Panel discussed the assurances provided on implementation of recommendations that are both important and urgent. The Panel continued to monitor this and superseded recommendations closely and called in officers during the year where persistent delays in addressing agreed recommendations were noted.
- 7.6. At the last meeting the Panel called in the Head of Information Technology to explain delays in implementing recommendations in respect of the security and resilience of the Council's systems and scrutinised previous decisions relating to procurement and value for money.

## **8. Risk Management, Internal Control and Governance**

- 8.1. The Panel devotes time to reviewing the arrangements the Council has in place for risk management, internal control, and governance. The Panel has continued to focus attention on the Council's internal controls and how these can be improved as noted above from the work of Internal Audit and A-FACT.

- 8.2. At the September and March meetings the Panel receive an update on Council's corporate risks and alignment of the Audit Plan to the risks. This was found to be helpful by the Panel as it also brings in the view on where other third party assurances are being relied upon (e.g. OFSTED, CQC, IIP etc.).
- 8.3. In 2013/14, as in previous years, the Audit Panel have increased their scrutiny of the Council's use of consultants and senior interims; in particular the role they perform, the numbers and their pay rates. The Panel are pleased to note the more robust arrangements in place to agree, scrutinise and check the use of consultants and the costs to the Council. The Panel has also ensured that a number of additional checks now exist to ensure more robust compliance with the tax regime, in particular as they relate to the engagement of individuals through personal service companies.

## **9. Membership of the Audit Panel**

- 9.1. There are four co-opted independent advisors on the Audit Panel. For 2013/14 they are R King, D Webb, M Robinson and P Dale. They support members in their scrutiny and challenge of officers at meetings.

## **10. Legal Implications**

- 10.1. There are no legal implications arising directly from this report.

## **11. Financial Implications**

- 11.1. There are no financial implications arising directly from this report.

## **12. Equalities Implication**

- 12.1. There are no specific equalities implications arising directly from this report.

## **13. Crime and Disorder Implications**

- 13.1. There are no specific Crime and Disorder implications arising directly from this report.

## **14. Environmental Implications**

- 14.1. There are no specific environmental implications arising directly from this report.

## **15. Background Papers**

- 15.1. The background papers to this report are the Audit Panel agenda, papers and minutes available as public documents via the Council's website.
- 15.2. If there are any queries on this report please contact either the Head of Business Management and Service Support on 020 8314 8379 or the Interim Head of Audit and Risk on 020 8314 9114.