

MINUTES OF THE AUDIT PANEL

Tuesday, 13 September 2016 at 7.00 pm

PRESENT: Councillors Jonathan Slater (Chair), Helen Klier (Vice-Chair), Bill Brown, Mark Ingleby and Mr Ian Pleace

Apologies for absence were received from Councillor Chris Barnham, Paul Dale and Stephen Warren

10. Minutes

Minutes 7 – Annual Assurance Report

The Head of Corporate Resources said the Council's procurement practice was still work in progress as the recruitment process had started following voluntary severance due to restructuring. He said that further update would be brought to the December meeting.

Panel members were informed that meetings had taken place between the Executive Director for Resources and Regeneration and relevant officers and Contractors to address the issue with Marzars Company.

The Head of Corporate Resources said he would arrange to meet with Councillor Brown to discuss the Council's Internal Control system.

Minutes 8 – Internal Audit Update

The Chair stated that the self assessment tool proposal would be discussed as part of item 5 of the agenda.

Councillors Ingleby and Brown raised concerns about whether this assessment was mandatory as the minutes was unclear on this issue. They were told the assessment was not mandatory.

RESOLVED that the minutes of the meeting held on 8 June 2016, which was open to the Press and Public, be confirmed as a correct record subject to paragraph 8.2 be amended to read:

“ The Chair said he would be happy to meet with the Internal Audit Manager sometime in September, and Audit Panel Members would consider whether they would want to complete the proposed self assessment” .

11. Declarations of Interests

None received.

12. External Audit Reports on 2015/16 Accounts

The report was introduced by Darren Wells, Director, Grant Thornton. He informed the Panel that they had anticipated giving the Council an unqualified opinion for the financial statements and an unqualified opinion on the Council's Value for Money Conclusion.

Panel members were informed that the audit had not yet been finalised but all housing benefit work had been completed. Grant Thornton felt they had to extend the task because of the Head of Audit opinion. It was noted that as control staff numbers continued to decrease, some of the duties had to be examined, this highlighted some weaknesses, and Grant Thornton decided to have an indepth look into this issue.

Darren Wells stated that there were some errors identified, as property plant and equipment valuations had been an area of concern in the past, Grant Thornton thought this would be a good area to concentrate on. Panel Members were told that even though the accounts were not completed by the end of July, more work had been done, compared to the same time last year.

Darren Wells said he was aware that Grant Thornton needed to tighten up it's timetable, and noted that the lack of human resources within the section had also impacted on the Council's Finance Department.

During the discussion it was highlighted that in an environment where a number of staff had left and others have had to take on additional responsibilities segregation of duties would be very important. Officers stated that they needed to be mindful of dilution of duties, and regular checks were being carried out to ensure procedures were up to date, and there was protection for both the staff and the Council.

Jamie Bewick, Manager Public Sector Assurance, Grant Thornton said Grant Thornton had done a lot of checks and a larger sample had been looked at in this area in comparison to previous years. Councillor Klier commented that various problems had been identified in connection with the Council's IT Contract with Brent, some as a result of some individuals having excessive access levels. It was noted that this issue was with the 6 Boroughs Contract, and that it was significant enough to include in the risk list.

Panel Members commented that if concerns were being raised over the lack of segregation of duties, then the Council have to be mindful of ongoing restructuring and reduction of staff, as this would create this kind of environment and increase the risk of fraud.

Panel Members asked whether Grant Thornton was satisfied that the Council was putting systems in place to better manage the risks posed by the 6 Borough Contract. Darren Wells stated that it would be difficult to change things within the contract at this stage without the consent of the other Partners. The Head of Financial Services said the contract would come to an end in 2018 and it was likely that group members would do things differently going forward.

The Chair said because the Council had to reduce its budget, there would be reduction in staff, which in turn might mitigate risk because smaller workforce would be supporting services. He asked what advice Grant Thornton would give to Executive Directors going forward. Darren Wells responded saying they had

started discussions with the Executive Director for Resources and Regeneration about revisiting the control environment, as the key controls would need to be re-established. Also the people working with these key controls would need to understand their work. He added that Internal Audit would be responsible to do this work.

The Head of Corporate Resources informed Panel Members that discussions had taken place and Managers were looking at activities and updating controls. He stated that although the Internal Audit workforce had shrunk to half its size this was an opportunity to do advisory work once things had stabilised. The Head of Corporate Resources said he would update Panel members on progress and key financial controls at the next Audit Panel Meeting.

Action >>>>> Head of Corporate Resources

Ian Pleace asked if there was anything in Grant Thornton's written representation that they would want to highlight to Panel Members. Darren Wells response was that Grant Thornton had asked the authority to sign a standard representation letter and there was no element of concern they would want to raise with Panel Members.

Pension Fund

Jamie Bewick introduced the report and stated there were no significant issue to highlight. He said they had a successful audit, which had to be done in a shorter time, it was completed by end of July. There were some minor errors as listed in the report. Jamie Bewick commented that there were some control issues which were the same as in the main audit and the Council has to be mindful of this.

Following a question from Councillor Klier about the effect of a high number of staff taking their pension early, the Head of Corporate Resources said the change from final salary to career average earning had made a difference. He stated that the Pension fund was on track with a 10% increase in value, with 72% liability. The Head of Corporate Resources said the Pension Fund was currently better funded than anticipated.

RESOLVED that the report be noted.

13. External Auditor's Report on 2015/16 Accounts - LBL Response to Grant Thornton's Findings

The Acting Group Finance Manager-Core Accounting introduced the report and highlighted the main points. The Head of Financial Services added that the Council was in agreement with Grant Thornton's Audit findings. He said there were some errors which were as a result of the reduction of staff, and experienced staff leaving the section.

The Head of Financial Services said there had been some positives, the draft audit was completed at the end of May, bank reconciliations have been kept up to date and officers continued to have reviews with Grant Thornton to discuss ways of improving the team, and relationship between the two parties. The Head of

Financial Resources said resources continued to be an issue, and officers were focusing on how they could meet their targets effectively in their current situation.

Ian Pleace asked whether the Panel could receive an update on the progress of the audit recommendations. The Head of Financial Services said the update would be brought to the next Audit Panel meeting on 6 December 2016.

Action >>>>> Head of Financial Services

RESOLVED that the report be noted.

14. Internal Audit Update

The Head of Corporate Resources introduced the report. He highlighted that all last year's audits had been completed, together with the audits officers aimed to finish in June. He informed Panel members that in the past by this time 90% of the audit recommendations would have been completed, but to date about 80% had been completed. He said these were not serious and would be monitored. The Head of Corporate Resources said nearly half of those overdue were from community service care, and with the permission of the Chair the Director could be invited to the next meeting to explain the situation. The Chair said he would like to see that happen.

Action >>>>> Head of Corporate Resources

The Head of Corporate Resources said that although the self assessment tool was not statutory it was good practice, and a governance tool for any committee board. He added that there were a number of examples in the public sector and an example from the NHS was attached to the report.

The Chair read out comments from Steven Warren, Independent Panel member who sent his apologies to the meeting. The Head of Corporate Resources said he would contact Mr Warren with the response to his queries.

Action >>>>> Head of Corporate Resources

The Head of Public Services informed Panel Members that some of the outstanding recommendations in appendix 5 of the report had now been implemented. He said there were problems with the Oracle system because of some deficiencies and also because of the pressure of working with limited resources. He added that the Council had also been waiting for procedure notes from its partners which were not forthcoming. The Council had now decided to implement its own.

The Head of Public Services said he was reviewing the negative assurance reports with his front line managers. He said he had met with the Executive Director for Resources and Regeneration to give her an update. He assured her that things were progressing well, and officers hope to complete the work as soon as possible, albeit a lot had to be done.

Councillor Ingleby asked whether there had been delays in debt recovery and was told yes, but officers were reviewing the debt collection process and were in discussion with Brent with an aim to improve this by the end of the year.

Responding to a question from Panel Members about the relevance of the self assessment tool, the Head of Corporate Resources informed Panel Members that although this was not a statutory requirement it was deemed as being good practice designed for senior managers and Councillors. The Chair asked the External Auditors whether they were aware of other local authorities that had used this tool, and was told that although it was common practice in the Public Health Sector, they did not think it was common in local authorities. Following further discussion Panel Members agreed that it was not the best fit for Audit Panel Members as the Panel was member led, and members had been elected to represent their constituencies irrespective of their skills, hence skilled Independent Members had been appointed as part of the make up to enhance the Panel's strength.

RESOLVED that the report be noted.

15. Anti-Fraud & Corruption Team Update

The Head of Corporate Resources introduced the report.

Councillor Ingleby commented that if £75k was the amount of savings for every recovered social tenancy, then the officers would be making a lot of money for the Council with the number of tenancy recovered. The Head of Corporate Resources responded that this was a notional figure. The Head of Corporate Resources said the impact would be on the housing waiting list as properties become available for legitimate tenants.

Councillor Klier said she was surprised only 1 blue badge case was reported as she gets complaints about blue badge fraudsters every week. The Head of Corporate Resources said it could be very difficult to catch a blue badge fraudster as surveillance and monitoring would be necessary, and this was very time consuming. He said some complaints come through the hot lines, they are always investigated. Councillor Brown said the complainant would need the blue badge number to assist the investigation.

Ian Pleace stated that fraud covered a lot of Council activities, he asked about the Council's fraud awareness training provision. The Head of Corporate Resources said the Council had gone cashless which helps to limit cash fraud, and there were various training courses available to frontline officers. He said that managers were working constantly to keep key controls up to date, and they monitor output and feedback regularly.

RESOLVED:

- I. that the report be noted.
- II. that the proposed approach to KPI's be agreed.

Meeting ended: 8:45pm

Chair.....

