

Decisions of the Audit Committee

27 July 2017

Members Present:-

Councillor Hugh Rayner (Chairman)
Councillor Sury Khatri (Vice-Chairman)

Councillor Geof Cooke	Councillor Peter Zinkin	
Councillor Anthony Finn	Councillor Anne Hutton	(In place of
Councillor Arjun Mittra	Councillor Kathy Levine)	

Also in attendance

Geraldine Chadwick (Independent Member)
Richard Harbord (Independent Member)

Apologies for Absence

Councillor Kathy Levine

1. MINUTES OF LAST MEETING

RESOLVED - That the minutes of the meeting held on 20 April 2017 be approved as a correct record.

2. ABSENCE OF MEMBERS (IF ANY)

Apologies for were received from Councillor Kathy Levine , Councillor Anne Hutton was subsisting

3. DECLARATION OF MEMBERS' DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS (IF ANY)

Councillor Arjun Mittra declared a pecuniary interest in Item 7, Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 2017 Nursery Places – Free Early Education Funding, as his mother is nurse owner and as such her business is in receipt of funding for the free minutes. Councillor Mittra left the room during the discussion of this item.

Councillor Arjun Mittra declared a non - pecuniary interest in Item 7, Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 2017 - Appendix B: Summary of The Barnet Group Internal Audit Annual Report 2016/17 – as he is a Barnet Home tenant.

Councillor Arjun Mittra declared a non-pecuniary interest in Item 9, Draft Governance Annual Statement - Electoral Services – Electoral Registration and Elections Continuous Improvement as he an employee of Andrew Dismore AM.

Councillor Peter Zinkin declared a non - pecuniary interest in Item 7, Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 2017 as he is involved with the Charity about to start nursery.

Councillor Anne Hutton declared a non - pecuniary interest in Item 7, Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 2017 as she a member of the Barnfield Children's Centre Advisory Board.

4. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

5. PUBLIC QUESTION AND COMMENTS (IF ANY)

The Committee noted the details of the received public questions from Mr Dix in relation to item 11 and the public answers which were published ahead of the meeting. Responses to the supplementary public questions were provided verbally by the Chairman and Officers at the meeting.

6. MEMBERS' ITEMS (IF ANY)

None.

11. EXTERNAL AUDITOR'S REPORT UNDER INTERNATIONAL STANDARD ON AUDITING (ISA) 260 FOR THE YEAR 2016/17

By way of introduction Mr Lloyd-Thomas from BDO, external auditor apologised to the Committee for the lateness of the interim report which resulted in Members being left with insufficient time to consider the interim report. He explained to the Committee that they'd been unable to close down the issues that had arisen in the time available and as consequence unable to present a final position report to the Committee.

Mr Lloyd-Thomas clarified that they had only recently become aware of the OFSTED report (which was not part of the original risk assessment) and as such the focus had been more on the accounts audit rather than the Use of Resources. He further clarified for the Committee that this would have been picked up before the final report was issued as part of the process involves looking at recent reports published by the relevant regulatory bodies including OFSTED inspections.

Mr Lloyd-Thomas and Mr Jody Etherington proceeded to present the interim report which detailed the key findings arising from the audit. The Committee were provided with updates that had been received since the publication of the report on key issues identified.

With regards to the audit finding referencing '*.....high level of manual intervention....*' on page 23 of the supplementary pack, Changes in presentation of the financial statement, the Assistant Director of Finance, CSG confirmed that reducing the level of manual intervention required would be picked up as part of the improvement plan **[ACTION]**

With regards to the audit finding referencing '*.....declarations have not been received from 7 current Members of the Council*' on page 26 of the supplementary pack,

Consideration of party related functions, Mr Etherington updated the Committee that there were now only 5 members with outstanding declarations.

With regards to the OFSTED inspection, Mr Lloyd-Thomas clarified for the Committee that this would be reported as a *'qualified use in resource opinion'* rather than a *'clean opinion'*. He referred to guidance that sets out where OFSTED finds a service as failing service that has to be reported as a failure within the governance of the Council.

With regards to the Pension Fund Committee meeting taking place in September the Director of Resources confirmed that the Committee would receive the revised Pension Fund Accounts and the auditor's report on the Pension Fund. **[ACTION]**

The Committee requested that the issues around the errors in the accounts and a review as to whether the key performance indicators are adequate are brought to the attention of the Performance and Contract Management Committee **[ACTION]**

The Committee further requested that the Chairman write the Chief Executive of the Council expressing their concern at (i) the failure of the external Auditors to deliver the accounts audit within the agreed time table and (ii) that the process followed by the external auditors in terms of servicing the Committee which would should allow the Committee function effectively, did not work **[ACTION]**

As the statutory deadline for signing off the accounts is 30th September the Chairman, duly seconded by Councillor Khatri, proposed a motion that an additional meeting should be convened on Tuesday 19th September 2017 to consider the final accounts and moved an additional and new recommendation 2.

A separate vote was taken on the recommendations 1 and the new recommendation 2.

Recommendation 1:

- 1. That the Committee consider the Statement of Accounts 2016/17 and recommend that they be signed by the Chairman and the Director of Resources (Statutory 151 Officer) on behalf of the Council when the audit is complete and the ISA260 report is produced, unless there are any significant unadjusted changes that would affect the true and fair value assessment of the auditors.**

Upon being put to the vote the recommendation was lost.

New recommendation 2:

- 2. That the Committee note that, should the above recommendation 1 not be agreed, then an additional meeting to consider the 'outstanding items' be scheduled for no later than 19 September 2017.**

Upon being put to the vote the recommendation was carried.

RESOLVED –

- 1. That the Committee agreed to an additional meeting to consider the 'outstanding items' be scheduled for no later than 19 September 2017.**

2. That the matters raised by the external auditor relating to detailed aspects of the 2016/17 accounts audit be noted.

7. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND Q1 PROGRESS REPORT - 1ST APRIL TO 30TH JUNE 2017

The Assurance Director presented the report in conjunction auditor Mr Matthew Cavanagh, auditor PwC. She drew the Committee's attention to the new report format and welcomed any comments/feedback/comment from Committee on the format.

Some minor corrections were made to the following sections on page 16;

1.3.2 A total of ~~44~~**15** actions have been followed up this quarter. ~~7~~**8** actions have been implemented (~~50%~~) **(53%)** and 7 have been partially implemented (50%). Progress is summarised in Section 4.

1.4.1 As part of our regular reporting to you, we plan to keep you up to date with the emerging information relevant to local government risk, governance and control. We have included a summary of publications which may be of interest at ~~Appendix A~~ **Appendix B**

Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income – Limited Assurance

The Assurance Director confirmed that in relation to the high priority findings evidence had been received that the actions have now been completed and implemented.

With regards CIL charge identification (finding 4, medium) clarification was sought on (i) whether the council may have forgone some income on those schemes that had not been '*...marked eligible applications as 'CIL liable' in the Uniform system and therefore a CIL charge was not created.*' (ii) if so how much? and (iii) could the income still be recovered? **[ACTION]**

In addition to the above the Assurance Director agreed to follow up on the medium priority findings and report them back to the next ordinary meeting of the Committee in November. **[ACTION]**

Nursery Places – Free Early Education Funding – Limited Assurance

The Operational Director (Early Help, CIN, & Protection) confirmed for the Committee that there is an action plan in place which is now in the process of being implemented.

She explained to the Committee the process of how those children who are eligible for free early education are identified to the local authority, how the places are offered and the funding process.

With regards to 'Headcount' she clarified that a list is provided by the provider on how many children are attending on that particular day and as such the information is only reflective of a particular moment in time and would not capture how many children have attended over the course of the week.

With regards to training providers she clarified that local authorities are not permitted to impose standards, provide training development or any improvement work around

standards – that should be provided internally. There is statutory guidance produced by the Department of Education to which nursery providers can be directed to.

The Assurance Director made the following minor correction with regards to page 20 Section 3.0 Progress against plan, Nursery places – Free Early Education Funding; of the 7 completed finding the rating were;

1 High

3 ~~4~~ Medium

2 ~~4~~ Low

1 advisory

With regards to the N/A report classification on page 21 of the committee papers the Committee requested if an alternative classification could be used that conveys and informs them more clearly to what the status is. **(ACTION)**

Estates Health and Safety follow up

The Assurance Director informed the Committee that page 24 of the committee papers additional evidence had been received since the report was published confirming that 4/5 high priority recommendations had been implemented. As a consequence the recommendation at the bottom of page 25 was now also implemented. Further evidence had also been received confirming that the low priority recommendation had been implemented.

The Head of Estates LBB confirmed for that with the exception of one outstanding action which is not due to be delivered until the end of August and relates to the submission of a change request of contract, the other actions arising from the audit report had now been closed down.

Regarding fire risk assessments he clarified that these had been conducted across the entire estate and any works arising from those inspections had been scheduled into the annual work plan.

Anything that is rated high risk is statutory and is dealt with immediately and low risk becomes advisory from a risk assessment.

Regional Enterprise (Re): Operation Review, Phase 2: Operating Effectiveness

With regards to the 'backlog officer' referenced on page 26 of the Committee papers, clarification was sought as to whether this position was intended to be permanent or temporary posting **(ACTION)**

Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income (April 2017)

With regards to the SPOB on Page 28 of the Committee papers, clarification was sought on who or what this was? Further clarification was sought in relation to reference 'management' - , is this LBB management or Capita management? **(ACTION)**

Summary of The Barnet Group Internal Audit Annual Report 2016/17

Mr Mike Gerrard, Finance Director Barnet Group introduced the report.

With regards to the Tenancy Fraud referenced in the report the Assurance Director clarified that it relates to the tenancy audit that the Barnet Group housing officers undertake rather than tenancy fraud work the Corporate Anti-Fraud Team (CAFT) undertake.

As this was the first time such a report was presented, the Committee agreed that unless there were any significant changes or key significant issues this only needs to be reported by exception.

RESOLVED - That the Committee note the work completed to date on Internal Audit Q1 progress report - 1st April to 30th June 2017.

8. CORPORATE ANTI-FRAUD TEAM (CAFT) Q1 PROGRESS REPORT - 2017-18

The Head of Counter Fraud operations introduced the report which provides the Committee with an update of work undertaken by the Corporate Anti-Fraud Team (CAFT) during the quarter.

Tenancy Fraud

The Committee were informed that as of April 2017 CAFT were now checking all 'right to buy' cases that Barnet Homes receive. This involves carrying out a verification process to ensure there is no money laundering involved or influence from organised activity.

He clarified for the Committee that a key fob exercise is an exercise carried out with Barnet Homes housing officers who are able to gain access to a block of flats via a key fob. This gives CAFT access they previously did not have and forms part of the clarification process.

He further clarified that with regards to planning fraud it is very much dependent on the circumstances of the case. For example if someone submits information misrepresenting themselves or another party and by that material representation made a gain that would be looked as a fraud.

RESOLVED - That the Committee note the CAFT Progress Report covering the period 1st April – 30 June 2017.

9. DRAFT ANNUAL GOVERNANCE STATEMENT

The Assurance Director introduced the report which is a statutory report and summarises the key processes the council uses to deliver systems of control, governance and assurance across its functions.

She clarified for the Committee that this Annual Governance Statement is aligned to the 2012 – 2016 CIPFA Code of Delivering Good Governance and that the current Code of Corporate Governance is included within the Constitution and is in the process of being reviewed and updated in accordance with new CIPFA/SOLACE revised guidance and principles issued at the end of 2016 for adoption and implementation with the Council during 2017/18.

Councillor Cooke proposed duly seconded by Councillor Mittra the following amendment to the opening paragraph at the top of page 61 of the committee papers

While recognising that the resources deployed are set by the Council's budget.

The revised paragraph to read;

It is a statutory requirement that the process of administering and running elections is held entirely separately from politicians, ***while recognising that the resources deployed are set by the Council's budget.***

The Assurance Director clarified that depending on the election there was a grant given by the Cabinet Office to fund elections and that costs can be recovered in most elections (European, GLA, Parliamentary) with the exception of local elections which are funded by the council through a dedicated local election reserve.

The Chairman put Councillor Cooke's amendment to the vote which was as follows;

For 3

Against 4

The amendment was lost.

The Assurance Director clarified that the 'We' referred to in the 5th paragraph, page 61 of the committee report, refers to management and undertook to amend the wording so that it is explicitly set out as such **[ACTION]**

Final paragraph on page 61 of the committee report the Committee requested if the wording could be amended to reflect that the Returning officer referred is the 'current' returning officer **[ACTION]**

Subject to the above the Committee;

RESOLVED - That the Committee comment on and approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2016/17

10. ANNUAL REPORT OF THE AUDIT COMMITTEE

The Chairman provided a brief introduction.

RESOLVED - That the Committee recommend Full Council to note and approve the Annual Report of the Audit Committee for 2016-17 as an accurate record of the outcomes and work programme for the year.

12. AUDIT COMMITTEE WORK PROGRAMME - 2017/18

The Committee noted the work programme for 2017-18.

13. ANY ITEM(S) THE CHAIRMAN DECIDES ARE URGENT

The meeting finished at 9.57 pm

