

Decisions of the Audit Committee

17 July 2018

Present:

Cllr Anthony Finn (Chairman)
Cllr Peter Zinkin (Vice-Chairman)

Cllr Laithe Jajeh
Cllr Kathy Levine

Cllr Alison Moore
Cllr Anne Hutton (substituting for Councillor Rich)
Cllr Alex Prager

1. MINUTES OF LAST MEETING (Agenda Item 1):

Officers undertook to ensure that the actions arising from the last meeting held on 19 April 2018 had been actioned.

In relation to minute item 11 (External Audit Plan 2017/18), a Member sought confirmation that Capita had paid the £50K additional fee charged by BDO at the end of the 2016/17 financial year due to Capita submitting the accounts late. Officers reported that there was a service credit in the region of £50K which covered the additional fee. The Committee considered that the payment of the £50K fee should be in addition to the service credit received for missing the performance target. Officers were asked to clarify this and report back to the Committee. **Action: Commercial Director**

RESOLVED that the minutes of the meeting held on 19 April 2018 were approved as a correct record.

2. ABSENCE OF MEMBERS (Agenda Item 2):

An apology for absence had been received from Councillor Rich who had been substituted for by Councillor Hutton.

3. DECLARATION OF MEMBERS' DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS (Agenda Item 3):

Councillor Moore declared a non-pecuniary interest in agenda item 11 (Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 2018). She advised the Committee that she was a governor at the Squires Lane Learning Federation which covered Tudor School. Tudor School had been audited and was listed in the report as draft internal audit report to be issued.

Councillor Hutton declared the same interest as a governor at Friern Barnet School which was also listed in the report.

4. REPORT OF THE MONITORING OFFICER (Agenda Item 4):

None.

5. PUBLIC QUESTION AND COMMENTS (Agenda Item 5):

Mr John Dix and Mrs Barbara Jacobsen made public comments in relation to agenda item 8 (Internal Audit Annual Opinion 2017/18).

The Committee noted the details of the received public questions and the responses which had been published in advance of the meeting. Responses to the supplementary public questions were provided verbally by the Chairman and officers at the meeting.

The Chairman agreed that a further written response would be provided to Mr Tichborne in relation to question 11 on commercial waste. Officers were requested to provide details of measures put in place to resolve the performance monitoring issues. **Action: Street Scene Director**

6. MEMBERS' ITEMS (Agenda Item 6):

None.

7. REPORT OF THE CHIEF EXECUTIVE (Agenda Item 7):

John Hooton, Chief Executive, presented a report which detailed priority areas in response to the Annual Governance Statement and Head of Internal Audit Opinion. The Committee noted that there was a separate exempt appendix which would be considered at the end of the meeting in exempt session.

The Committee made comments in relation to:

- Resourcing of children's social care;
- Financial systems review and improvements to the control environment;
- Procedures for the release of payments to third parties;
- Gainshare arrangements being reviewed as part of the review of the CSG and RE contacts.

RESOLVED that:

- 1. The report of the Chief Executive be noted;**
- 2. The comments detailed in the preamble above be noted; and**
- 3. An update report be reported to the next meeting of the Committee.**

8. INTERNAL AUDIT ANNUAL OPINION 2017-18 (Agenda Item 8):

The Head of Internal Audit, Caroline Glitre, presented that Annual Internal Audit Opinion 2017/18. She reported that there had been a deterioration since the 2016/17 and the following key themes had led to the limited assurance judgement:

- Financial control and fraud risk;
- Oversight, accountabilities and roles and responsibilities;

- Data quality and integrity;
- Compliance policies and procedures.

In addition, there had been a significant increase in the number of limited assurance audits with an increase from 11% in 2016/17 to 25% in 2017/18.

RESOLVED that the Committee note the contents of the Annual Internal Audit Opinion 2017/18 as detailed in the report.

9. ANNUAL GOVERNANCE STATEMENT AND CODE OF CORPORATE GOVERNANCE (Agenda Item 9):

The Assurance Director, Clair Green, presented the Annual Governance Statement and Code of Corporate Governance.

The Committee noted a correction to paragraph 7.1 of the Annual Governance Statement. The final sentence should read "...and a corresponding decrease in the percentage of audit reports receiving a **“substantial or reasonable rating...”**

RESOLVED that the Committee:

- 1. Approve the Annual Governance Statement set out in Appendix A for inclusion with the Statement of Accounts for 2017/18 subject to the correction referred to in the preamble above.**
- 2. Note the Code of Corporate Governance for 2018/19 as set out in Appendix B.**

10. STATEMENT OF ACCOUNTS AND EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT FOR THE YEAR 2017/18 (Agenda Item 10):

Leigh Lloyd Thomas and Nick Bernstein from BDO, the Council's External Auditor, presented the Statement of Accounts and External Auditor's Audit Completion Report.

Responding to a question, the External Auditor informed the Committee that there was a risk that audit of the pension fund accounts may not be submitted by the deadline of 31 July 2018. It was reported that when the accounts had initially been submitted, the External Auditor had raised some queries. As a result, Capita Employee Benefits had submitted a revised set of accounts along with missing transaction lists. Members were advised that the External Auditors were reviewing the information as quickly as possible, but due to the late submission of information it was noted that there may be a requirement to publish the pension fund accounts without an audit opinion.

The External Auditor also reported on the work undertaken to support his Value for Money opinion, which he confirmed would be an unmodified opinion. He went on to advise the committee how impressed he had been with the quality of the work on the Council's Medium Term Financial Strategy and how important it was to have a clear plan in place relating to how the Council would reverse the negative trend of relying on reserves to balance its budget. Unlike last year, this was evident and warranted comment at this committee.

A Member commented in relation to the 'risk management' section of the report, that the risk of late submission of information to the External Auditor in relation to the audit of the statement of accounts was a risk that should be included in the council's risk register.

Action: Director of Finance

RESOLVED that:

1. the Committee Approve the Statement of Accounts for 2017/18 and recommend that they be signed by the Chairman and the Director of Finance (Statutory 151 Officer) on behalf of the Council.
2. the matters raised by the external auditor relating to detailed aspects of the 2017/18 accounts audit be noted.

11. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND Q1 PROGRESS REPORT 1ST APRIL TO 30TH JUNE 2018 (Agenda Item 11):

The Head of Internal Audit, Caroline Glitre, presented the Internal Audit Exception Recommendations Report and Q1 Progress Report (1st April to 30th June 2018).

The Head of Business Assurance at Capita Employee Solutions, Chris Dixon, answered questions from the Committee in relation to the Non-Schools Payroll audit.

The Committee commented that where a revised due date had been agreed for the implementation of high priority audit recommendations that the status in the report should update on progress to date. **Action: Head of Internal Audit**

RESOLVED that the Committee:

1. Note the work completed to date on Internal Audit Q1 Progress Report (1st April to 30th June 2018) as set out in Appendix 1.
2. Approve the updated Internal Audit Charter as set out in Appendix 2.

12. CORPORATE ANTI-FRAUD TEAM (CAFT) Q1 PROGRESS REPORT 2018-19 (Agenda Item 12):

The Assurance Director, Clair Green, and Head of Counter Fraud Operations, Declan Khan, presented the Corporate Anti-Fraud Team (CAFT) Q1 Progress Report 2018/19.

RESOLVED that the Committee note the Corporate Anti-Fraud Team (CAFT) Quarter 1 (1st April 2018 – 30th June 2018) Progress Report.

13. ANNUAL REPORT OF THE AUDIT COMMITTEE 2017-18 (Agenda Item 13):

RESOLVED that the Committee recommend Full Council to note and approve the Annual Report of the Audit Committee for 2017/18 as an accurate record of the outcomes and work programme for the year.

14. COMMITTEE FORWARD WORK PROGRAMME (Agenda Item 14):

RESOLVED that the Committee Work Programme as set out in the report be approved.

15. MOTION TO EXCLUDE THE PRESS AND PUBLIC (Agenda Item 16):

RESOLVED that under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 2 and 7 of Part 1 of Schedule 12A of the Act (as amended)

16. REPORT OF THE CHIEF EXECUTIVE (EXEMPT)

The Committee considered the exempt appendix referred to in the report of the Chief Executive.

The meeting finished at 9.59 pm