

Decisions of the Audit Committee

31 January 2019

Members Present:-

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

Councillor Laithe Jajeh
Councillor Kathy Levine
Councillor Arjun Mitra

Councillor Alison Moore
Councillor Alex Prager

Also in attendance
Geraldine Chadwick – Independent Member

1. MINUTES OF LAST MEETING

RESOLVED that the minutes of the meeting held on 22nd November 2018 were agreed as a correct record.

2. ABSENCE OF MEMBERS (IF ANY)

An apology for absence had been received from Richard Harbord, Independent Member.

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

Member	Item	Interest Declared
Councillor Alison Moore	Item 8 - Internal Audit Exception Recommendations Report and Q3 Progress Report 1st October to 31st December 2018	She informed the Committee that she was a governor at the Squires Lane Learning Federation which covered Tudor School.

4. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

5. PUBLIC QUESTION AND COMMENTS (IF ANY)

Details of the questions asked and the published answers were provided with the agenda papers for the meeting. Verbal responses were given to supplementary questions at the meeting.

A public comment was made by Mr John Dix, on Item 8 - Internal Audit Exception Recommendations Report and Q3 Progress Report.

6. MEMBERS' ITEMS (IF ANY)

None.

7. IMPROVEMENTS TO FINANCIAL CONTROLS - PROGRESS REPORT ON THE GRANT THORNTON RECOMMENDATIONS AND ACTION PLAN

The Director of Finance (s151) introduced the report which provided the Committee with an update on the progress made on the action plan set out by GT LLP (UK) as part of their independent report called Review of Financial Management Relating to CPO Fraud, following a substantial fraud committed by a former Re (Regional Enterprise) employee.

The Head of Internal Audit took the Committee through Action Plan, with focus on the actions rated Amber and Red.

The Committee expressed their concern at the red rated Recommendation G15 which has a Priority of 'High, immediate' and had not yet been implemented and the possible consequences arising from this.

Recommendation G15 related to two new process documents agreed following the GT review. As part of the testing to confirm if the processes had been complied with the Head of Internal Audit stated that a number of exceptions had been found and as such could not confirm that the actions had been implemented. It was further reported that a former employee of CAPITA had instructed the AP team not to implement the new procedures. She further updated the Committee that since the publication of this report the CAPITA Operations Director had instructed the accounts payable department to now fully comply with the new processes.

The Director of Finance explained in detail the validation and payments processes in relation to (i) a regular supplier and (ii) a one-off supplier.

The Head of Internal Audit confirmed that follow ups would be reported back to the Committee's next meeting in May.

RESOLVED – That the Audit Committee noted the progress that has been made towards the completion of the GT Action Plan.

8. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND Q3 PROGRESS REPORT 1ST OCTOBER TO 31ST DECEMBER 2018

The Head of Internal Audit presented the report which provided the Committee with progress against Internal Audit (IA) recommendations and work completed to date on the Internal Audit and Corporate Anti-Fraud (CAFT) Plan 2018-19 and high priority internal audit recommendations. In this quarter, the priority for the internal audit team was to confirm the implementation of the remaining actions arising from the Grant Thornton Review.

During this quarter 17 reviews were completed and a total of 39 high priority actions followed up. Of those, 19 actions had been confirmed as implemented (49%) and 20 as partially or not implemented (51%).

With regards to the Equalities Data – Quality and Analysis review she explained that significant issues had been found around the processing and interpretation of equalities data at the Council. The 2 key findings related to (i) staff performance reviews and (ii) mandatory gender pay gap reporting.

The Strategic HR Director provided assurance in response to the public question no. 2 that the recommendations would be implemented by 31st March 2019 as this was statutory duty in terms of gender pay reporting and safeguarding reporting.

With regards to corrective action on Gender Pay reporting the Strategic HR Director explained options were being explored with a view to commissioning software that would calculate the raw data and mitigate against the issues identified in the audit.

With regards to the equality and employment data the Strategic HR Director explained that the data collected about employment is voluntarily provided by employees when they start. Therefore, a process is needed by which this information can be updated as the position changes. She reiterated that as this information is voluntary it makes it difficult have the complete information to the level that provides the full picture.

Regarding the ethnicity pay gap, she confirmed there hadn't as yet been a review and undertook to look into this and circulate the information to the Committee **[ACTION]**

Regarding the follow ups on page 40 – 50 the Committee expressed concern (raised at previous meetings), at the level of slippage/revised dates occurring on actions that have been agreed with management - concern more so on those targets past their 6-month delivery date. The Committee recognised the challenge that officers faced to get the actions implemented but reiterated the seriousness of this issue and requested that their concerns and the importance of getting this right in the first instance are fed back to Head of Services. **[ACTION]**

The Head of Internal Audit confirmed that the implementation of the high priority actions will be reported back to the May.

RESOLVED - That the Committee note the work completed to date on Internal Audit Q3 progress report - 1st October to 31st December 2018

9. CORPORATE ANTI-FRAUD TEAM (CAFT) Q3 PROGRESS REPORT 2018-19

The Director of Assurance presented the report which provided the Committee with an update on the work undertaken by the council's Corporate Anti-Fraud Team during the quarter.

She provided the Committee with a brief summary of 'International Fraud Awareness Week' which ran from 11th – 17th November 2018 and some of the activities undertaken to raise fraud awareness and give advice on how to report concerns both internally, for members of staff and externally for members of the public.

With regards to Tenancy Fraud she confirmed that the properties recovered are brought back into the Council's housing stock

RESOLVED - That the Committee note the CAFT Progress Report covering the period 1st October – 31st December 2018

10. EXTERNAL AUDIT PLAN 2018/19

The External Auditor, BDO, presented the report which detailed for the Committee the audit plan for 2018/19. The purpose of the audit plan is to highlight to the Committee the key elements of BDO's external audit strategy for the audit for the year ended 31 March 2019.

RESOLVED -

- 1. The Audit Committee noted BDO's audit plan for 2018/19.**
- 2. The Audit Committee noted the fee of £197,262 for the 2017/18 audit and the fee of £21,617 for certification of the housing benefits subsidy return, as set out in paragraph 6.8.**

11. ANNUAL AUDIT LETTER 2017/18

The External Auditor, BDO, presented the report which summarised the key issues identified by the Council's external auditor, BDO LLP, during their audit and inspection activity. The letter is designed to communicate messages to the Council and external stakeholders, including members of the public.

RESOLVED –

- 1. That the external auditor's Annual Audit Letter for 2017/18 be received; and;**
- 2. That the Committee consider whether there are any areas on which they require additional information.**

12. COMMITTEE WORK PROGRAMME - MAY 2019

The Head of Internal Audit clarified for the Committee that 'Internal Audit Annual Opinion 2018-19' report currently scheduled for the May will be considered at the July meeting.

RESOLVED – That the Committee noted the work programme.

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

None.

The meeting finished at 9.35 pm