

Audit Committee and Audit Committee (Advisory) - 15 October 2018

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Committee Room 4, Town Hall, Upper Street, N1 2UD on 15 October 2018 at 7.00 pm.

Present: **Councillors:** Councillor Nick Wayne (Chair), Councillor Sue Lukes (Vice-Chair), Councillor Satnam Gill OBE, Councillor Una O'Halloran and Nick Whitaker (Co-Optee)

Also Present: **Independent member:** Nick Whitaker

Councillor Nick Wayne in the Chair

16 APOLOGIES FOR ABSENCE (Item A1)

Apologies for lateness were received from Councillor Gill and apologies for absence were received from Alan Begg.

17 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

There were no declarations of substitute members.

18 DECLARATIONS OF INTEREST (Item A3)

In relation to Item B1, Councillor Wayne declared that his wife was Director of Litigation at HMRC.

In relation to Item C3, Councillor Gill declared that he was the Chief Whip.

19 MINUTES OF PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 24 July 2018 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

Matters Arising from the Minutes:

- The Chair advised that he and the vice-chair had met with officers and discussed topics for a deep dive. It was agreed that the deep dive would focus on Programmes and Transformation. Draft terms of reference had been circulated to councillors on the committee and following a further meeting with officers, these would be circulated to all members. It was anticipated that work would start next month and the report would be available in early 2019.
- The Chair stated that in relation to the market supplement information that was due to be circulated, an officer had provided a partial response which

related to a couple of posts. More information would be provided and this would be discussed further at the next meeting.

20 2017- 18 INTERNAL AUDIT ANNUAL REPORT (Item B1)

In the discussion the following points were made:

- Recommendations in relation to cross cutting pieces of work such as contract management mostly related to how controls could be better designed.
- Recommendations in relation to individual services mostly related to the implementation of controls that had already been designed.
- Future reports should include a simple summary quantitative table.
- Protocol stated that exit interviews following an audit should be conducted within two weeks of the draft report. Realistically this happened within one month due to diary co-ordination. However, informal meetings were held at the end of the audit and often officers had implemented recommendations before the exit interview.
- The Off-Payroll Working Through An Intermediary Audit (CC17_3 – IR 35) related to contractors and consultants who set up a limited company for tax reasons. There were legal restrictions on this and if the council did not follow these, it could be liable. Corporately there were good arrangements but there were some issues with schools. Controls had been designed for monitoring future arrangements and HR would be moderating assessment by managers.
- The Gifts and Hospitality and Declarations of Interest – Employees Audit (CC17_10) found that corporate ownership had not been established and so control design recommendations had been made. The Code of Conduct should be updated and information should be provided to staff via Izzi or the Friday Feature. Follow up actions would be brought to the next meeting. Fraud awareness training would be launched soon and would include a question relating to the Bribery Act.
- In relation to the Continuous Auditing of Key Financial Systems Audit (R17_3), findings relating to Cash Management and Treasury reported in the previous year had been implemented in 2017-18. However, other weaknesses were noted during the testing process which resulted in limited assurance. Overall it was a mixed picture; with Treasury Management and Parking remaining Moderate; and Council Tax & NNDR remaining Substantial, when compared to the last time these areas were tested in 2015/16. On the whole, key financial systems were working and so the overall rating was Moderate. The council did not operate a purchase order system but mitigations were in place. Consideration was being given to purchasing a new HR and Finance system and any system would include a purchase order system. In relation to suspense accounts, these should be cleared in 30 days. Bank reconciliations had been done but some did not include the name of the authorising officer.
- In relation to the SEN Transport Audit (CS17_2), it was not the case that staff were working without a DBS check but there had been an issue with renewals being flagged and reconciliation with HR records. All recommendations had been accepted and there would be clear lines of responsibility, better joined up working and consideration of value for money

issues. It was clear that service delivery was at the heart of what the team did.

- In relation to the Hargrave School Audit (CS17.5), the officer would provide a response outside of the meeting.
- The Hornsey Lane Tenant Management Organisation Audit (HASS17_7) would be followed up in Quarter 3.
- A task group had been set up to implement the recommendations in the Contingency Planning for Provider Failure Audit (HASS16_1). The client would be supported throughout the year.
- The Blue Badge Audit (ER17_2) had been deferred as staff vacancies meant the audit team did not have enough capacity to complete the review as originally planned and resources were allocated to urgent work.
- The Housing Revenue Account (HRA) Audit (HASS17_1) had been deferred. The review would be a specific review of the processes and controls in place to ensure the business plan was robust. It would not be an audit of the HRA as disclosed in the published (and audited) annual Financial Statements, which were audited each year by the external auditors. The audit was due to take place in February 2018 but the key member of staff working on the business plan was working on the year-end financial closedown and production of the Financial Statements for 2017/18. The audit was deferred to the autumn of 2018 and the audit team were in the process of scoping this review with management. As the business plan was being refreshed, now was a more appropriate time to look at the HRA.
- The Use of Agency Staff Audit (FWU17_14) concentrated on agency staff in the Public Realm team and a follow up was issued in September 2017. 2 out of 5 recommendations had been fully implemented and 3 out of 5 had been partly implemented. Subsequent to the report E&R management commissioned internal audit to review overtime payments to Public Realm staff which picked up the outstanding recommendations from the September 2017 review. The subsequent review of E&R overtime in 2018 made a number of value adding recommendations. This would come back to committee in January 2019.
- PWC provided resources for a number of days of auditing; the rest was done in-house. The contract with them would expire in March 2020 and a retendering process had started.

RESOLVED:

That the report be noted.

21 EXTERNAL AUDITOR REPORTS (Item C1)

In response to a question submitted by Alan Begg, the officer advised that the Pension Fund Certificate had been issued on 24 September 2018.

RESOLVED:

That the report be noted.

22 WHISTLEBLOWING REPORT (Item C2)

The Chair stated that the number of referrals were broadly consistent with those expected and all the enquiries had been dealt with properly and proportionately.

RESOLVED:

That the report be noted.

23 ANNUAL STANDARDS AND MEMBERS CONDUCT REPORT (Item C3)

In response to a question that had been submitted by Alan Begg, the chair advised that the budget for external training courses in 2018-19 was £10,000. This included a top up from underspends in other member related budgets as it was anticipated that there would be additional spend as there were 13 new members.

RESOLVED:

That the report be noted.

The meeting ended at 8.00 pm

CHAIR