

**MINUTES of the meeting of Audit Committee held on 19 July 2012 at 7.00pm**

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**Present:** Councillors T Ojetola (Chair), M Healy, C Kent, D Hale, S Wootton and T Hipsey

**Independent Members** Ms R Long, Mr J Oliver

**Apologies:** Mr S Rosser

**In attendance:** Gary Clifford – RSM Tenon  
Chris Harris – RSM Tenon Director  
Martin Hone - The Director of Finance and Corporate Governance  
Sean Clark – Head of Corporate Finance  
Frank Gardiner - Chief Accountant  
Ms W Borgartz – Audit Commission  
Ms D Hanson – Audit Commission  
Andy Owen – Senior Risk Management Officer  
Andrew Murphy - Director of Environment  
Lindsey Francklin - Business Development Manager  
Remi Aremu – Legal Services  
Kenna-Victoria Martin – Senior Democratic Officer

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**1 Minutes of the previous Meeting**

The Minutes of Audit Committee, held on 28 March 2012 were approved as a correct record and 27 June 2012, were approved as a correct record, subject to the following amendments.

**Annual Audit Letter 2010/2011 and Section 11 Action Plan Update**

***Current wording***

The Director of Finance and Corporate Governance explained that this item was the letter of accounts signed by the Audit Commission.

***Suggested wording***

The Director of Finance and Corporate Governance explained that this item is the report setting out the overall findings and conclusions on the 2010/11 audit from the Audit Commission.

***Current wording***

The Audit Commission talked Members through the Annual Audit Letter. Mentioning in particular the two key messages, Audit opinion and Financial Statements and value for money.

***Suggested wording***

The Audit Commission talked members through the key messages in the annual audit letter relating to the two main areas of audit work; the audit of the financial statements and the value for money conclusion.

***Current wording***

Members were explained that the audit commission were unable to issue their audit opinion on the due date of 30 September, as the Council's arrangements for producing the financial statements and supporting working papers were inadequate.

***Suggested wording***

The Audit Commission explained to Members that they were unable to issue their audit opinion by the due date of 30 September, as the Council's arrangements for producing the financial statements and supporting working papers were inadequate.

***Current wording***

Members queried the audit commission fee of £55,000 asking if it qualified. Officers explained that the fee was an individual service plan and that there were ways to get the money back next year. The Audit Commission explained that with less testing the fee would decrease.

***Suggested wording***

Members queried the additional fee of £55,000 charged by the Audit Commission asking what it was. Officers explained that it related to additional work required due to the poor quality accounts and working papers and that it was included as a saving item for future years in the finance service plans. The Audit Commission explained that with better quality accounts and fewer problems, the audit fee should decrease.

**Annual financial statements 2010/11**

3<sup>rd</sup> paragraph

***Current wording***

The Chief Accountant explained to Members that the accounts of 2011/2012 had been produced, and that the auditors were happy however they wanted to make the accounts easier to read. The current template was 160 pages with the new template hoping to be only 62 pages.

***Suggested wording***

The Chief Accountant explained to Members that the accounts for 2011/2012 were being produced and would soon be handed over to

the auditors. However, the Council wants to make the accounts easier to read so plans to produce a summarised version. The current template was 160 pages and the summarised template is hoped to be only 62 pages long.

## **2 Additional Items**

There were no additional items. However the Chair informed the Committee that the Report for Item 9 had been changed and was the handout circulated to Members titled 'Audit Committee update and progress report'

## **3 Declarations of Interest**

Mr Oliver declared interests in Items 5,6,7,11 and 14 as he is a manager for the Development Corporation.

## **4 The 2011/2012 Accounts**

The Director of Finance & Corporate Governance explained to Members that the key issues regarding the accounts were to get them prepared sooner than last years accounts, along with upgrading the systems used by Officers.

The Committee were informed that within the 2010/11 accounts the council was £1million under budget and this was the case with the current 2011/12 accounts. Notes of the accounts had been handed to the Audit Commission and Members were told that the accounts would be coming back to the Committee in September, which would mean that the accounts were on time.

The Head of Corporate Finance talked the Committee through the Statement, highlighting changes between the draft and final copy. Members questioned whether the materialistic value would have had to change, the Audit Commission confirmed to the Committee that they would not ask for it to be changed.

The Chair asked if with regards to the accounts the Audit Commission had been provided with everything they needed, the Director of Finance & Corporate Governance confirmed that the papers had been given to the Audit Commission. The Head Corporate Finance explained to the Committee that the Council's accounts were now a normal set of accounts, the finance department had provided the Audit Commission with working papers, although there were some outstanding, they would be with Auditors no later than 27 July.

The Vice-Chair questioned at what stage the Statement of Accounts went to the Chief Executive and Directors Board, Officers informed the Committee that the Leader of the Council and the Chief Executive had seen the Statement last week, the draft copy had been to Directors

board and Cabinet and that the leader and Chief Executive had been updated to the changes made to draft copy.

The Audit Commission explained to Members that they had approved the set of accounts from June 2011, although they had not as yet recovered all the working papers. They informed the Committee that they would need a quick turn around if they were to meet the 30<sup>th</sup> September deadline, if no changes to the accounts had been made then the testing process would be able to proceed.

The Chair asked if the Committee could be kept up to date with the progress of the accounts, the Director of Finance & Corporate Governance confirmed that Committee Members would be kept up-to-date of accounts via email.

**RESOLVED:**

**That the Audit Committee notes the 2011/12 financial statements.**

**5 Annual Governance Statement 2011/12**

The Committee were informed that the Council were responsible for ensuring that its business were conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. Members were informed that the draft Annual Governance Statement (AGS) also had to be audited.

Members enquired as to why the Council were green assurance on governance however amber on risk management. Officers explained that comparing the Council with other Councils Thurrock were coming out average.

Officers from Legal Services explained to the Committee that there was a three stage progress, the Committee were to review the AGS as a draft, to consider any changes the Committee feels would be needed and to approve the draft for signing by the Leader and Chief Executive of the Council.

The Chair queried as to whether the points (pg13 of the AGS) had been implemented with regards to ways to reduce fines being imposed on the Council. Officers confirmed that all points had been implemented.

Members expressed concern with regards to Business Continuity, Officers confirmed that the actions undertaken had been proposed. Members asked for more assurance on the how many plans there were within a percentage.

**RESOLVED that Committee:**

1. Reviewed thoroughly the Draft Annual Governance Statement
2. Considered whether any changes should be made to the Draft Annual Governance Statement in the light of that review, prior to the Chief Executive and Leader of the Council signing the document. Members asked that the following be reported to Committee at the September meeting: the percentage of Business Continuity plans, Risk Management and Fraud Assurance.

## 6 Audit Plan for 2011/12 Accounts

It was explained to Members that within the Audit Plan for the 2011/12 Accounts, there were 7 key issues.

The Audit Commission informed the Committee that the Audit Plan was usually carried out in January/ February, however as the accounts for 2010/11 were delayed they were still working on those accounts which meant that the plan for the 2011/12 Accounts has also been delayed.

The Audit Commission talked the Committee through the report, explaining each key issue. Points raised were the pressure on the Council to produce a good quality of accounts, the closure of the Thurrock Thames Gateway Development Corporation (TTGDC) the Council would have to account for all transactions of the TTGDC as if they had always been part of the Council.

### **RESOLVED:**

**That the Audit Committee received and approved the Audit Commission's Audit Plan for the 2011/12 accounts.**

## 7 ISA Requirements

It was explained to the Committee that the following areas were the responsibility of the Section 151 Officer, Fraud, Law and regulation, Going concern and related parties.

The Director of Finance and Corporate Governance talked Members through the section on fraud explaining that the council had recently investigated the potential of fraud within the following areas TFFest, Blue Badge, School Admissions and had not found any fraudulent activity within these areas.

It was asked if the Committee could have some clarification on the situation with Chief Executive working at both Thurrock Council and Barking and Dagenham. It was also asked if the investigation into

school admissions could be relooked into. Officers agreed both requests for the next meeting.

**RESOLVED:**

**That the report be noted.**

**8 Audit Committee update and progress report**

The Audit Commission talked Members through the update informing the Committee that with regard to Value for Money, they were satisfied that the Council's balances were now in line with the level recommended by the Director of Finance and Corporate Governance and concluded that the works were adequate.

The Committee were informed that Ernst and Young would be taking over the Council's external auditing in November 2012, although the Audit Commission were hopeful that work on auditing the accounts would be completed by 31 October 2012, except possible work on the Housing Benefits claim which would be completed by Ernst and Young.

Members were updated to the fee for the 2011/12 audit being £295,380 compared to this years audit fee of £177,227 which was a reduction of 40%.

**RESOLVED:**

**That the report be noted.**

**9 Risk And Opportunity Management – Benchmarking And Improvement Plan**

It was explained the Committee that the Council undertakes an annual review of its Risk and Opportunity Management arrangements against the ALARM/CIPFA Risk Management Benchmarking model, this was in the form of a questionnaire. The results were then calculated in which the Council was awarded Level 3 for both Enabler and Results criteria.

Members were informed that the Councils main area for improvement was the partnerships and resources strand,

Officers explained to the Committee that the work to review and refresh the ROM Framework had improved the Policy & Strategy strand. It was queried that the strategy element of the policy and strategy strand was only 20/40, Officers informed Members that the production of the improvement plan and annual report to Committee in March 2013 would strengthen this element.

**RESOLVED:**

**That Audit Committee notes results of the benchmarking exercise and the actions contained in Appendix A to address the improvement opportunities identified by the review.**

**10 Review Of The Strategic/Corporate Risk And Opportunity Register - Quarter 1, June 2012**

Members were informed that the Performance Board, with some consultancy from the Corporate Performance Team had been working with Services during May and June to review and update the Strategic/Corporate Risk and Opportunity Register.

The Committee were impressed with the Risk and Opportunity Management (ROM) Dashboard showing ratings across the whole Authority. Members queried how a rating of both risk and opportunity could be given to an area, Officers explained that some of the opportunities had related risks which need to be managed to enable the opportunities to progress.

**RESOLVED that:**

**That Audit Committee considered the changes to items contained in the Quarter 1, June 2012 Dashboard (Appendix 1).**

**That Audit Committee considered the 'In Focus' items identified by the Performance Board and the management actions taken in response to the issues arising (Appendix 2).**

**11 Payroll Report**

RSM Tenon produced the report to the Committee regarding an internal audit on the Payroll and Human Resources departments. Members were informed that the risks investigated were concluded to be high risks.

Members queried how assurances were made that the recommendations set out in the action plan of the report were implemented. Officers explained that they go back to the relevant departments and ask to see how they have implemented the suggested recommendations. Officers also informed the Committee that a follow up report would be brought back to the Committee.

The Business Development Manager informed Members that with regard to recommendation 1.1 there had been additional checks to remind managers of what should be happening with pre-interviews.

The Chair enquired as to whether qualifications of candidates were being checked, Officers explained that the HR department were not responsible for checking the qualifications of candidates it was the responsibility of the manager recruiting. The Committee were informed that a lot of the recommendations related to the issue of management, managers not copying qualifications etc.

Members suggested that perhaps a solution to this would be that employees are not employed until they have a portfolio made, the Director of Finance and Corporate Governance agreed to take the suggestion back to Officers.

The Committee asked to see a follow up report at the next meeting.

**RESOLVED:**

**That the report be noted.**

**12 Purchase Cards Report**

RSM Tenon explained that after auditing the Councils purchase cards were 5 medium recommendations.

Members queried that how much money was on the cards, Officers explained that there were 6 cards and each card had £3thousand. Officers gave examples of what the cards were used for, one example being Court hearing costs.

The Committee were informed that there were no problems with regard to the fuels cards.

**RESOLVED:**

**That the report be noted.**

*The Chair deferred Items 14 and 15 to the next meeting, due to insufficient time.*

**The meeting finished at 9.45pm.**

Approved as a true and correct record

**CHAIRMAN**

**DATE**



**Any queries regarding these Minutes, please contact  
Kenna-Victoria Martin, telephone (01375) 2403,  
or alternatively e-mail kmartin**

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