

AUDIT & GOVERNANCE COMMITTEE

MINUTES

TUESDAY 1 MARCH 2016
GIPPING ROOM, GRAFTON HOUSE
6.00 PM

Present: Councillors J Cook (Chair), J Riley, A Ross, E Phillips, C Kreidewolf (Substitute), R Pope (Substitute) and A Hanson

43. Apologies for Absence

Apologies for absence were received from Councillors Leeder, Powell and Hyde-Chambers.

44. Unconfirmed Minutes of the Meeting held on 8 December 2015

Resolved:

that the minutes of the meeting held on 8 December 2015, be signed as a true record.

45. To Confirm the Dates of the Next Meetings

Resolved:

that the dates of future meetings be confirmed as printed on the Agenda, with meetings to commence at 6.00pm.

46. To Confirm or Vary the Order of Business

Resolved:

that the Order of Business be confirmed as printed on the Agenda.

47. Declarations of Interest

There were no declarations of interest.

48. AG/15/19 External Audit Plan 2015/16

- 48.1 Kevin Suter from Ernst & Young introduced himself as one of the new statutory external auditors, taking over from PricewaterhouseCoopers. He looked forward to working with the Officers and thanked them for their help so far in the transitional period. The Audit Plan was similar in content to the plans received in previous years and the key issues were those which had previously been raised.
- 48.2 The current assessment of financial risks facing the Council were considered to be; the risk of fraud in revenue recognition, the risk of management override, the property, plant and equipment valuation and pension valuations and disclosures. Identified under the 'value for money' risk was the wider economic recognition, in relation to Central Government and the medium term financial planning during the current and forthcoming years.
- 48.3 Using standard public sector methodology and in the professional judgement of the auditors, the overall materiality for the financial statements of the Council was £2.4m and this was deemed to be a true reflection of the Council's finances. It was clearly stated in the report that the auditors were independent from the Council and as such, were able to undertake the audit.
- 48.4 Councillor Kreidewolf asked whether an adequate handover been undertaken from the previous auditors and were there any new requirements this year? Mr Suter replied that under public sector rules an adequate handover had occurred, documents had been provided, and dialogue had taken place to consider the working balances. There were changes to the scope of the value for money risks, these had now been widened to 10 areas of proper arrangements and it was agreed that he would circulate this information to the Committee. A further change was to how the audit was advertised as this now had to be for 30 days and must include the first 2 weeks of July.
- 48.5 Councillor Phillips asked about the process should a variation of the agreed fee be required and the auditor said that he would explain the rationale to Officers and negotiate an agreement. Any increase would then be subject to approval by the Public Sector Audit Appointments Ltd (PSAA).

Resolved:

that the report be noted.

49. AG/15/20 Internal Audit Plan - Audit Plan 2016/17

- 49.1 The Audit Partnership Manager presented the proposed Internal Audit Plan for 2016/17 and drew attention to the current resources of the Internal Audit Team. Based on the capacity and the amount of work required, a vacant post was due to be advertised soon and this would enable resources to be diverted to any emerging risks. The Team worked to the regulatory rules of the Public Sector

Internal Audit Standards (PSIAS) and required an expert team to deliver the service.

- 49.2 The resource mainly covered areas of activity which were deemed as high risk categories and the Audit categories were identified as C (Consultancy), CA (Computer Audit Specification), KS (Key System Work and P (Probity). The links to both the Corporate Risk Register and the Public Sector Internal Audit Standards (PSIAS) were detailed. The Officer explained that 15 days had been allocated to allow the Audit & Governance Committee to request any specific reviews which they might identify.
- 49.3 Councillor Cook expressed concern that, given the size of the Audit Team, even if one vacant post was filled there could be issues if the other post remained vacant. The Audit Partnership Manager explained that given the current levels of risk and that efficiency savings needed to be made, if a full time Senior Auditor was engaged then a small amount of resource could be made available during the year for a possible trainee post.
- 49.4 Councillor Riley sought clarification of the allocated resources and the Officer confirmed that most audits would be accountable for, within the allocated 20 days plus which allowed for flexibility.
- 49.5 In response to a question by Mr Hanson the Officer confirmed that 100% of the resource mentioned related to Ipswich Borough Council even though some of the Audit Partnership Manager's time was allocated across other Councils.

Resolved:

that the Internal Audit Plan for 2016/17, attached at Appendix 1 to report Ref No: AG/15/20, be approved.

50. AG/15/21 Corporate Counter Fraud - Business Plan 2016/17

- 50.1 The Audit Partnership Manager reported that as of 1 May 2015 the staff of the Fraud Department had transferred to the Department of Work and Pensions (DWP). However, two full time Corporate Fraud Investigators had been employed who now focussed on key areas where fraud might exist within the local authority which included Tenancy Fraud and the Right to Buy facility (both high risk areas nationally).
- 50.2 In relation to the Right to Buy facility, the possible elements where fraud might occur were discussed and also how these were investigated by the Fraud service. Councillor Ross asked who would be responsible for the eviction of a Housing Association property owner who had acted fraudulently and the Officer said that if a tenancy agreement had been broken then the legal route for any prosecution would exist. It was confirmed that discussions also took place with the HM Revenues and Customs.

- 50.3 The Audit Partnership Manager reported that she had been approached to lead on a Suffolk Tenancy Fraud Association which was in the process of being set up.
- 50.4 Councillor Phillips asked whether any investigations into incorrect usage of the Blue Badge Scheme had ever taken place and the Officer confirmed that a pilot had taken place about appropriate usage and a number of anomalies had been established needing further investigation.
- 50.5 Councillor Pope asked about how community grants and the allocation of Area Committee funding was monitored and the Officer said that sampling and monitoring should be built in to the procedure within the Terms of Reference. Councillor Kreidewolf confirmed that internal procedures had been strengthened, part of the process now verified any spend and recently following investigation, all of the Area Committees had agreed to return underspent funding to their budgets.
- 50.6 In respect of a question about insurance injury fraud, the Officer said that the impact on insurance claims would be looked into with the current insurer (Zurich) to provide assurance that all claims were being dealt with in a valid manner.

Resolved:

that the Corporate Fraud Services Business Plan 2016/17, attached at Appendix 1 to report Ref No: AG/15/21, be endorsed.

51. AG/15/22 Internal Audit - Recently Issued Reports

- 51.1 CCS007 – Ipswich Museums Follow-Up – Councillor Ross asked whether Colchester Borough Council also present an equivalent Internal Audit report to their Committee and do IBC have sight of this report? The Officer confirmed that arrangements were set up with Colchester three years ago and they had a duty to provide a copy if requested. Councillor Pope asked what the difference was in the value of loans to and from the museum service and the Officer agreed to provide this information to the Committee.
- 51.2 HCS001 – Building of Council Houses – Councillor Pope raised concerns about the overspend and time overrun of the project and the Officer confirmed that the project team had undertaken a ‘lessons learnt’ exercise and every point had been reviewed and acknowledged. In future there would be a proactive strategic approach to employing an in-house Manager and more detail would be set out within the tendering document to achieve budget savings.
- 51.3 SRPi010 – SRP Customer Portal - Councillor Riley asked about any intended timescales for the launch of this project and the Audit Partnership Manager would follow up on this and supply this information to the Committee.

Resolved:

that the contents of the Audit reports on the following, be noted and the recommendations within the following reports be endorsed.

1. Ipswich Museum Follow-Up (CCS007)
2. Building of Council Houses (HCS001)
3. SRP Customer Portal (SRPi010)

52. AG/15/23 Financial Management and Control Corporate Budget Monitoring - Third Quarter 2015/16

- 52.1 The Operations Manager, Finance and Procurement presented this third quarter budget report and clarified that this report would be submitted to Executive on 8 March 2016. He confirmed that there had been no need for any supplementary estimate requests during Quarter 3 so any budget pressures were contained within the budget provision made.
- 52.2 The potential loss of Housing Benefits subsidy to do with administering a reduction which had affected the LA error rate was discussed, as was the Market and car parks income targets and the building regulations income projections.
- 52.3 In respect of the outstanding debts for Empty Business Rates recommended for write-off, discussion took place about the nature of the debts and that procedures should be regularly reviewed. It was confirmed that NNDR's were included in the rolling programme of Internal Audit reviews.

Resolved:

That the Audit and Governance Committee recommend to Executive that:

- 1. the service budget performance for the General Fund, be noted;**

Reason: To facilitate effective budgetary control.

- 2. the service budget performance for the Housing Revenue Account, be noted;**

Reason: To facilitate effective budgetary control.

- 3. the budget performance for the Shared Revenues Partnership (SRP), be noted;**

Reason: To facilitate effective budgetary control.

- 4. the position on the 2014/15 and future years Capital Programme and financing resources, be noted;**

Reason: To facilitate effective budgetary control.

5. the position in respect of the Council's Treasury Management activities during 2015/16, be noted.

Reason: To facilitate effective treasury management activity.

6. that £123,109, relating to business rates payable by Sassan Holdings Ltd and Durban Developments Ltd, be authorised for write off against the business rates bad debt provision.

Reason: To recognise that the debt was irrecoverable and allow the necessary accounting entries to be made to the collection fund.

53. **AG/15/24 Audit & Governance Committee Future Work Programme 2015/16**

Resolved:

that the Audit & Governance Committee Future Work Programme 2015/16, be noted.

54. **Exclusion of Public**

Resolved:

that the public (including the Press) be excluded from the meeting during consideration of the following items under section 100(A) of the Local Government Act 1972 as it was likely that if members of the public were present during the item there would be disclosure to them of exempt information falling within Paragraph 3 of Schedule 12A of the Act.

55. **Unconfirmed Exempt Minutes of the meeting held on 8 December 2015**

The meeting closed at 7.30 pm

Chair