

# AUDIT & GOVERNANCE COMMITTEE

## MINUTES

TUESDAY 27 FEBRUARY 2018  
GIPPING ROOM, GRAFTON HOUSE  
6.00 PM

**Present:** Councillors J Cook, I Fisher, T Grant, A Leeder, D Maguire, E Phillips and A Hanson

**51. Apologies for Absence**

Apologies for absence were received from Councillor J Powell.

**52. Unconfirmed Minutes of the Meeting held on 12 December 2017**

**Resolved:**

that the minutes of the meeting held on 12 December 2017, be signed as a true record.

**53. Declarations of Interest**

There were no declarations of interest.

**54. To Confirm or Vary the Order of Business**

**Resolved:**

that the Order of Business be as printed on the agenda.

**55. To confirm the dates of the meetings:**

**Resolved:**

that the dates and times of the meeting be as printed on the agenda, with meetings to commence at 6.00pm.

**56. AG/17/27 Annual Audit Letter for the year ended 31 March 2017**

- 56.1 The External Auditor presented the following three items to the Committee via Skype. The External Audit Letter for the year ended 31 March 2017, provided a brief summary of the Audit procedures undertaken and an unqualified opinion of the financial statements had been concluded. Proper arrangements had been put in place to secure a value for money conclusion in the use of resources and all deadlines had been met.
- 56.2 In line with the National Audit Offices' 2015 Code of Audit Practice, no risks had been reflected and no material weaknesses, inappropriate judgements or fraud had been identified.
- 56.3 A key focus for the future would be that the deadline for the preparation and production of the draft financial statements for 2017/18 would be brought forward to 31 May 2018 to allow the publication of the audited accounts by 31 July 2018.
- 56.4 Mr Hanson asked why there no full statutory audit for Ipswich Buses was available and Mr Suter replied that Ipswich Buses were audited by KPMG, who Ernst Young LLP instructed for all group accounts. Therefore Mr Suter was unaware of any detailed findings although these were able to be accessed from the company direct.

**Resolved:**

**that the report be noted.**

**57. AG/17/28 External Audit - Audit Plan 2017/18**

- 57.1 Mr Suter presented the External Audit Plan 2017/18 and explained that there were some similarity with the risks which had been identified in previous years, to the valuation of Property, Plant and Equipment and Pensions liability although the amount had reduced. A large amount of testing and reviewing the accounting entries ensured that accurate recording took place, e.g. capital from capital and revenue from revenue.
- 57.2 In 2016/17 Ipswich Borough Assets (IBA) had entered into a number of material transactions and in the current year any major transactions would be monitored to ensure that relevant advice and appropriate governance arrangements had been followed.
- 57.3 Mr Suter reported that of the £139.9m gross expenditure, the group materiality for planning purposes had been set a £2.8m. The scope of the group audit and expectations of work being covered to meet the deadlines was set out as being Ipswich Borough Assets Limited by Ernst Young and Ipswich Buses Limited by KPMG (instructed by Ernst Young).

- 57.4 The timetable of communication and deliverables was detailed and the earlier than usual deadline of July 2018 was highlighted, to ensure that Officers were aware that the quality and consistency of any working papers submitted was met although no problems were anticipated in meeting this earlier deadline.
- 57.5 Councillor Phillips highlighted that an amendment should be made to Page 47 of Appendix 1 to report Ref No: AG/17/28, at the third paragraph of the Property, Plant and Equipment Valuation to read '*The Council have engaged their own internal expert for 2017/18,...*'
- 57.6 In relation to a question by Mr Hanson it was confirmed that there would be no monetary consequences to the Council for failing to deliver the Audit Plan by the specified deadline however, Mr Suter said that the Public Sector appointees would be aware and it could damage the reputation of Ernst Young LLP.

**Resolved:**

**that the report be noted.**

**58. AG/17/29 Certification of Claims & Returns 2016/17**

- 58.1 Mr Suter presented the Certification of Claims and Returns 2016/17 dealt with by Ernst and Young LLP and explained that this checked and certified claims of the housing benefit subsidy following the methodology determined by the Department of Work and Pensions (DWP). He pointed out the context of the claims, with the total value of £51.9m, in respect of the amount of the claims undertaken yearly.
- 58.2 The summary of values detailed where an amendment had been made to the claim on Non-HRA Rent Rebates which decreased a subsidy claim by £2,681 and this had been detailed in the qualification letter. This was considered a positive message for the Committee however, being an improvement on the previous year, as the number of errors had decreased.
- 58.3 Mr Suter made reference to additional work being undertaken by Ernst & Young LLP on Housing Pooling return being undertaken outside the PSAA regime and reported that this work had been signed off as no issues had been identified.

**Resolved:**

**that the report be noted.**

**59. AG/17/30 Financial Management & Control 2017/18 Corporate Budget Monitoring Third Quarter & Appendices**

- 59.1 The Deputy Section 151 Officer presented this report and said that the Treasury Management Code of Practice required this mid-year report to be considered. A break-even position was forecast through improvement of how the budget had been monitored (in particular of transitional vacancies and

benefits) with spends being identified quicker and any suggestions or feedback on how this could be improved would be welcomed.

- 59.2 The Housing Revenue Account had a forecast surplus of £1.683m, the Shared Revenues Partnership had a forecast underspend of £320K and it was reported that there was an increase of £42m to £88m in Quarter 3, of which £61m related to arms-length companies which would be further profiled next year.
- 59.3 Councillor Phillips asked why the General Service Contingency had been increased for the remainder of this year and next year and the Officer said that the contingency had been spent in year and was able to be increased back to the start of the year position due to in-year benefit from transitional vacancies and financing Ipswich Borough Assets, providing prudent budget management.
- 59.4 Councillor Leeder said that he was pleased with the good result of the 'Big Ticket' savings and asked about any progress on Procurement savings? The Officer said that policies were being tightened up and the contract management system made more robust. Work would be recorded to achieve a baseline saving and he offered to bring more information as necessary and the Chair agreed that any procurement savings information would be useful.
- 59.5 Mr Hanson asked for information about the borrower 'Debt Management Office' to whom a fixed term investment was outstanding and the Officer agreed to bring back this information to the Committee.

**Resolved:**

**that the Treasury Management Operations for the period for Quarter 3 as at the end of December 2017, be noted.**

**60. AG/17/31 Internal Audit - Audit Plan 2018/19**

- 60.1 The Head of Internal Audit presented the Audit Plan for 2018/19 and detailed the current structure of the Audit Team and the factors and drivers which formulated the Audit Plan.
- 60.2 The Officer reminded the Committee that they were able to amend the scope through-out the year should any area require investigation and that data matching exercises with the Cabinet Office also took place throughout the year to identify fraud.
- 60.3 The Audit Team worked closely with the Corporate Fraud Team to prevent fraud.
- 60.4 Councillor Fisher asked whether the arms-length companies would be included in the scope and the Head of Internal Audit said that the partnership and governance arrangements could be reviewed dependent on the written contract. Discussion would take place with the Chair and the Committee updated.

- 60.5 Mr Hanson asked whether IBC had insurance against cyber-attacks and the Head of Internal Audit agreed to look into this matter and provide feedback.
- 60.6 Discussion took place about recurrent insurance claims e.g. slips and trips and it was reported that investigations could take place within the Council and with other authorities which would enable any insurance fraud to be identified. It was acknowledged that the car park cash machines were labour intensive in terms of money collection and the Officer agreed to advise the project team that the public should be encouraged to use cashless payments.

**Resolved:**

**that the Internal Audit Plan for 2018/19, attached at Appendix 1 to report Ref No: AG/17/31, be approved.**

**61. AG/17/32 Corporate Fraud Business Plan 2018/19**

- 61.1 The Head of Internal Audit introduced Andrew Morrison, Senior Corporate Fraud Investigator and presented the Corporate Fraud Business Plan 2018/19. The Officer reported on the numerous ways available to report fraud and the processes and practices used to 'Protecting the Public Purse.'
- 61.2 The aims and objectives which the Corporate Fraud Team at the Council were committed to, were detailed and the key areas of fraud investigation were listed.

**Resolved:**

**that the Corporate Fraud Business Plan 2018/19, attached at Appendix 1 to report Ref No: AG/17/32, be endorsed.**

**62. AG/17/33 Audit & Governance Committee Future Work Programme 2018/19**

- 62.1 Mr Hanson requested that a Suffolk County Council Pensions Update be added to the Audit and Governance Future Work Programme 2018/19.

**Resolved:**

**that the Audit & Governance Future Work Programme 2018/19, with the additional item, be noted.**

**63. 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 is likely that if members of the public were present at the meeting during these items there would be disclosure to them of exempt information falling within paragraph 3 of Schedule 12A of the Act.**

64. **Unconfirmed Exempt Minutes of the meeting held on 12 December 2017**

65. **AG/17/34 Internal Audit Exempt - Recently Issued Reports**

The meeting closed at 7.05 pm

**Chair**