

# **AUDIT & GOVERNANCE COMMITTEE**

## **MINUTES**

**TUESDAY 27 JUNE 2017  
GIPPING ROOM, GRAFTON HOUSE  
6.00 PM**

**Present:** Councillors J Cook (Chair), I Fisher, T Grant, A Leeder, E Phillips, J Powell, S Connelly (Substitute) and A Hanson

**1. Election of Chair**

**Resolved:**

**that Councillor J Cook be elected as Chair of the Audit & Governance Committee for the municipal year 2017/18.**

**2. Appointment of Vice Chair**

**Resolved:**

**that Councillor A Leeder be appointed as Vice-Chair of the Audit & Governance Committee for the municipal year 2017/18.**

**3. Apologies for Absence**

Apologies for absence were received from Councillor D Maguire.

**4. Unconfirmed Minutes of the Meeting held on 28 February 2017**

**Resolved:**

**that the minutes of the meeting held on 28 February 2017, be signed as a true record.**

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

**Resolved:**

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

## **6. Declarations of Interest**

- 6.1 The Chief Executive declared an interest in Item 9 - AG/17/02 Review of IBC Corporate Risk Register 2017/18 as he was a Director of IB Assets Ltd.
- 6.2 Councillor A Leeder declared an interest in Item 12 – AG/17/05 Corporate Fraud – Annual Report 2016/17 as he was a Director of Ipserv Ltd.

## **7. To confirm the dates of the meetings:**

**Resolved:**

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

## **8. AG/17/01 External Audit Update Report**

- 8.1 Mr Kevin Suter, the External Auditor presented this report which set out the progress and summarised the work undertaken to date and the plans for the remainder of 2016/17. Good progress had been made with the assistance of the Finance Team and Ipswich Borough Assets Ltd had been scoped as part of the group accounts.
- 8.2 The value for money conclusions were on track as were the certification of claims and returns. The Council's Benefit Team would be undertaking detailed testing work on the Housing Benefits Subsidy Claims to save costs. A training session had been provided in order to meet the November 2017 deadline.
- 8.3 As IBC had opted-in to the Public Sector Audit Arrangements (PSAA) for awarding external contracts, consultation would take place from mid-August 2017 with the final appointment being announced by December 2017.
- 8.4 Mr Hanson asked how the value for money conclusions were determined and Mr Suter agreed to circulate the underlying proper arrangements of the ten criteria set out in the Ernst & Young Code of Audit Practice 2015.
- 8.5 Councillor Phillips expressed concern about an additional fee being charged due to the Housing Pooling return for 2015/16. Mr Suter said that the return had been completed but a number of cumulative errors from previous years had been identified however discussion about this fee was in progress.
- 8.6 Councillor Powell asked about the PSAA procurement arrangements and the Auditor confirmed that Ernst & Young collected the fees on behalf of the PSAA however, fees paid to Ernst & Young were subject to confidentiality.

## **9. AG/17/02 Review of IBC Corporate Risk Register 2017/18**

- 9.1 The Operations Manager, Corporate Support presented this report and gave details of the annual Corporate Risk Register which, had been the subject of a

blank sheet exercise by the Senior Management Group this year, as well as being identified from the Head of Service business plans. The next review of the Corporate Risk Register would be in December 2017.

- 9.2 An amendment was made to CRR: 10 - Inability to implement a robust Asset Management Plan, which on mitigation, the likelihood of the current risk should be 2, the impact should remain at 3 and the overall grading should be 6, which would still remain at Amber (A).
- 9.3 Councillors questioned what the long term risks to IBC were in relation to the lack of New Homes Bonus, uncertainty about Business Rate retention and most recently events which required an emergency response such as Grenfell Tower and cyber-attacks. The Chief Executive assured the Committee that the Corporate Risk Register was reviewed on a monthly basis, work with landlords and building control was ongoing and regular reports were received from the IT department.
- 9.4 In respect of a question about the Council's Trading Companies, risk CRR: 8 - Failures within Council's wholly owned companies, dealt with the review of governance and contractual arrangements.

**Resolved:**

- 1. that the updated Corporate Risk Register, as attached at Appendix 1 to report Ref No: AG/17/02, be agreed.**
- 2. that the Corporate Risk Register be reviewed by the Audit & Governance Committee at the meeting in December 2017.**

**10. AG/17/03 Treasury Management Performance 2016/17**

- 10.1 Mr Duncan, Finance Consultant presented this report which was required under the CIPFA Code of Practice on Treasury Management. Section 5 of the report detailed the performance monitoring and the General Fund and Housing Revenue Fund were both broadly on budget. The Officer reported a slight increase to investment income as there had been an improvement in the rate of some investments. No further borrowing had taken place during 2016/17 and balances had been used to repay debts in order to minimise borrowing costs.
- 10.2 Section 6 of report Ref No: AG/17/03 requested that the Council's authorised borrowing limit be increased to £350m for 2017/18 to allow flexibility and Councillor Leeder asked how this level of borrowing limit compared with other Council's budgets. The Officer said that this would be amongst the higher levels of borrowing (in comparison with a District Council).
- 10.3 Mr Hanson asked for details about the range of the Money Market Funds (MMF's) to be included in future reports and the Officer agreed to supply information about the range of these investments.

10.4 Councillor Phillips asked what any increase in borrowing would have been used for and the interim Head of Service said that there were investments which would give IBC an attractive rate of return that could minimise the effects of cuts to services in as safe a way as possible. The Treasury and CIPFA were aware that many authorities were doing this and the Chair welcomed it as a way of investing in IBC to bring improvements such as job creation and massive capital receipts to sustain the capital programme. Councillor Fisher expressed concern that from the public's point of view this could seem like a massive jump in the borrowing limit however, it was acknowledged that the decision would be taken at Council in July 2017.

**Resolved:**

- 1. that the Treasury Management operations for the period 1 April 2016 to 31 March 2017, be noted.**
- 2. that Council be requested to approve that the Authorised Borrowing Limit be increased from £195m to £350m for 2017/18.**

**11. AG/17/04 Financial Management & Control Corporate Budget Monitoring - Out-turn Report**

- 11.1 Mr Duncan presented this report and summarised the General Fund position underspend of £1.4m, the General Fund Service Group overspend of £406k and gave details of the movements in the last quarter.
- 11.2 The final position of the 2016/17 savings targets in relation to the Big Ticket items, following significant progress in quarter 4 were detailed at Section 7 of report Ref No: AG/17/04.
- 11.3 Councillors asked whether it was appropriate to put current items identified against savings in relation to a Zero Based Budget and for more information about increases in Planning Fee income and additional SRP Grant income received. The Officer agreed to forward this information to the Committee.

**Resolved:**

**that the report be noted.**

**12. AG/17/05 Corporate Fraud - Annual Report 2016/17**

- 12.1 The Head of Internal Audit presented this item and introduced Andrew Morrison, Corporate Fraud Investigation Officer, one of the 2 full time fraud Officers at IBC. Following the transfer of the Benefit Fraud investigators to the Department of Work and Pensions in May 2015, IBC had created an in-house Corporate Fraud Service and the variety of frauds which had been investigated to date were listed at Section 3 of report Ref No: AG/17/05.
- 12.2 The Corporate Fraud Service investigated all Right to Buy applications and 29 (out of 186) had been stopped, some as a result of fraud involvement, resulting

in £1,915.896 discount being refused. Proactive initiatives, such as fraud clinics were undertaken throughout the year and there were savings from other areas such as Tenancy Fraud and CTRS savings which would now remain to deliver other services and provisions to residents.

- 12.3 The cost of the Corporate Fraud Service to IBC remained at £120k and business rate fraud and offering fraud services to other authorities were areas suggested for the service to consider. The Chair expressed his thanks to the Corporate Fraud Team and the Internal Audit Team for their work undertaken.

**Resolved:**

**that the performance of the Corporate Fraud Service for the financial year ending 31 March 2017, be noted.**

**13. AG/17/06 Annual Report and Head of Internal Audit Opinion 2016/17**

- 13.1 The Head of Internal Audit presented this report and explained that the staffing structure equated to 6 FTE's and a legal agreement existed with the Shared Revenues and Benefits Partnership which included Mid Suffolk and Babergh District Councils.
- 13.2 The Audit Service remained public sector audit compliant during the last year and the Head of Internal Audit's Annual Audit Opinion 2016-17 was attached at Appendix 1 to report Ref No: AG/17/06. Reasonable assurance was placed upon the adequacy and effectiveness of the Council's systems of governance, risk management and internal control in the year 31 March 2017 however, there were two key areas where governance and controls were considered as weak; Parking Services and Asset Management.
- 13.3 Discussion took place about suspected staff frauds reported during the year and Councillor Leeder requested that a lessons learnt report be brought back to a future Committee.

**Resolved:**

**1. that the Internal Audit performance/outturn for 2016/17, be noted.**

**2. that the Head of Internal Audit's Annual Opinion for 2016/17, be noted.**

**14. AG/17/07 Internal Audit Reports - Recently Issued**

- 14.1 Treasury Management - Bank and Cash - 2016/17  
Mr Hanson asked if lessons had been learnt about the cash account not being reconciled for six months and the Head of Internal Audit said that the cash reconciliation would now be completed monthly.
- 14.2 Payroll IT Key Controls 2016-17  
The Head of Internal Audit confirmed that the recommendation, rated as adequate, was being followed up.

- 14.3 Councillor Fisher expressed concern that the internal audit report 'Agency & Consultancy Spend' had not been included in the previous agenda and the Officer agreed to bring this report to the next meeting to enable the Committee to discuss it further.

**Resolved:**

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

- 1. Agresso IT Key Controls – 2016-17**
- 2. Bank and Cash – 2016-17**
- 3. Council Tax – 2016-17**
- 4. Debtors – 2016-17**
- 5. Northgate Revenue & Bens System ICT Key Controls 2016-17**
- 6. Paris IT Key Controls 2016-17**
- 7. Payroll IT Key Controls 2016-17**

**15. AG/17/08 Audit & Governance Committee Future Work Programme 2017/18**

- 15.1 Mr Hanson requested that the Pensions Service at Suffolk County Council be invited to a future meeting to update on the Local Government Pension Scheme and it was agreed to add this to the Work Programme on an annual basis.

**Resolved:**

**that the Audit & Governance Future Work Programme 2017, with the amendment above, be noted.**

**16. 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 paragraphs 3 & 4 of Schedule 12A of the Act.**

**17. AG/17/09 Internal Audit - Status of Recommendations**

**18. AG/17/10 Internal Audit Exempt Reports - Recently Issued**

The meeting closed at 7.20 pm

**Chair**