

# Crawley Borough Council

## Minutes of Audit and Governance Committee

27 June 2012 at 6.30pm

### Present:

Councillor        A J E Quirk (Chair)  
Councillor        I T Irvine (Vice Chair)  
Councillors       C A Cheshire and L A Walker

### Also in Attendance:

Emma Bryant, Audit Manager, of the Audit Commission.  
Lizzie Peers, Senior Audit Manager, of the Audit Commission.

### Officers Present:

|                 |                                      |
|-----------------|--------------------------------------|
| Chris Corker    | Fraud and Inspections Manager        |
| Gillian Edwards | Audit and Risk Manager               |
| Dave Rawlings   | Head of Finance, Revenues & Benefits |
| Roger Brownings | Democratic Services Officer          |

### Apologies for Absence:

Councillor C R Eade

### 1. Members' Disclosure of Interests

No disclosures of interests were made.

### 2. Minutes

Subject to the following clerical correction, the minutes of the meeting of the Committee held on 14 March 2012 were approved as a correct record and signed by the Chair:-

The inclusion of Councillor R A Lanzer within the list of those "Also in Attendance" for this meeting of the Committee.

### **3. Fraud and Inspections Team Report**

The Committee considered report FIN/272 of the Fraud and Inspections Manager, which focused on activity for the period from 1 April to 6 June 2012. The report also included final activity figures for 2011/2012.

The Committee was aware that there had been an improvement in performance throughout 2011/12 and acknowledged that the service continued to improve further throughout 2012/13, most notably in the areas of prosecutions, sanctions and work carried out on housing fraud. Joint working arrangements with Crawley Homes to tackle housing fraud were continuing, and with the development of investigation techniques, those arrangements continued to be extremely successful in recovering Council house properties. Investigations into Benefit fraud had also continued to be successful.

The Committee was advised that the Department for Work and Pensions had recently published the Single Fraud Investigation Service (SFIS) High Level Business Design document, and the Committee considered the key points arising from that document as set out in the report.

#### **RESOLVED**

That the report be noted.

### **4. Updates by the Audit Commission**

The Committee received verbal updates from the Audit Commission, and welcomed Lizzie Peers (Senior Audit Manager) and Emma Bryant (Audit Manager) to the meeting. Those updates were on the following issues:-

- (a) The Outsourcing process and the 2012 / 2013 Audit Fees.

Following the Government's announcement that the Audit Commission was to be disbanded, Lizzie further updated the Committee on progress regarding the future arrangements for the audit of local authorities. As part of that update, Lizzie confirmed that with effect from September 2012, and for a term of five years, the Council would be audited by Ernst & Young. The new contract would reduce audit fees for the Council from £143,000 to £86,000. For the current year, 2011/2012, the Council would continue to be audited by the Commission.

- (b) The 2011 / 2012 Audit Opinion Plan, as presented to the Committee's March meeting.

The Committee was aware that with regard to the 2011/2012 Audit Plan prepared by the Audit Commission, the Commission aimed to complete its work and issue an opinion and value for money conclusion by 30 September 2012. Emma Bryant reminded the Committee that should issues arise during that period which it was felt should be reported to the Committee, then she would update the Committee accordingly. With this in mind Emma confirmed that in relation to the audit of the Payroll system, additional substantive testing was required in terms of weaknesses in access controls, and that this had now been undertaken by Internal Audit on behalf of the Commission.

## 5. Risk Management Strategy

The Committee considered report FIN/273 of the Head of Finance, Revenues and Benefits. The report indicated that the Council was adjusting its approach to risk management, and that a revised risk management strategy had been produced that reflected that revised approach. The Committee had a responsibility to review the effectiveness of the Council's risk management arrangements, whilst the Leader of the Council had the authority to approve the Strategy. The Committee therefore took this opportunity to consider the Strategy as proposed and to make such comments as it felt appropriate. A copy of that proposed Strategy was attached as an appendix to the report.

As part of its considerations of this matter, the Committee was advised that since the publication of the report, and in addition to a couple of very minor amendments in terms of the Strategy's wording, the Leader had amended the proposed list of strategic risks set out in the Appendix 1 to that Strategy. The revised list as set out below, was tabled at this meeting and was considered along with the proposed Strategy generally:-

- (i) A significant reduction in financial resources from the changes in local government financing and/or the next comprehensive spending review.
- (ii) A failure to deliver the capital programme.
- (iii) A failure to deliver economic development, in particular the regeneration of the Town Centre and improvements to Manor Royal.
- (iv) An inability to deliver an increase in housing provision.
- (v) A failure to deal with the impact of the welfare reform changes (the failure to implement changes smoothly, adverse financial impacts and the various social impacts, including the effect on the local housing market).

With the report detailing the main changes to the Risk Strategy and the revised management approach, Members discussed the issues raised. As part of that debate, the Committee made the following comments which it felt should be conveyed to the Leader for his consideration in approving the Strategy:-

(a) That clear identification be made in committee reports and regarding proposals therein, of all significant risks / potential risks, including those relating to major areas of expenditure. If no risks were identified whilst processing the preparation of such reports, then this be challenged by appropriate officers. If no risks identified, and to confirm that the matter had been addressed, the report should indicate, for example, the words "none of significance".

(b) That the Head of Finance, Revenues and Benefits report back periodically to the Committee on the management and effectiveness of the new Risk Management Strategy.

(c) That the Committee also be given the opportunity to review periodically the list of strategic risks, as set out in (i) to (v) above.

It was felt important that the Council demonstrate to Members and to the wider community that risk was being effectively managed and that all reasonable steps were being taken to achieve this. The Chair thanked officers for all their efforts in arranging the Member workshop, held in early June, to consider the process of changing the risk management approach.

## **RESOLVED**

That subject to a couple of very minor amendments in terms of the Strategy's wording, the revised list of strategic risks as set out in (i) to (v) above, and the comments to the Leader of the Council, as set out in (a) to (c) above, the Risk Management Strategy as appended to report FIN/273 be supported.

### **6. Internal Audit Progress Report as at 15 June 2012, Incorporating the Audit and Risk Section's Annual Report for 2011/2012**

The Committee considered report FIN/271 of the Audit and Risk Manager . The purpose of the report was to update the Committee on the progress made towards the completion of the 2011 / 2012 Internal Audit Plan, and to report on the progress made in implementing the previous recommendations of the Committee. The report also included the Audit and Risk Section's Annual report for 2011 / 2012 as Appendix B.

The Audit and Risk Manager informed the Committee that since the last update a number of reviews had been completed, along with other pieces of work, and these were as listed in paragraph 3.1 of the report. Where an audit opinion was applicable these had ranged from no assurance to full assurance, with high priority findings to report in relation to IT service continuity, rent deposit scheme write offs and payroll. Further details of the high priority findings and the changes implemented, or being implemented, were set out in paragraphs 3.3 and 3.4 of the report. With regard to those findings, and in discussing a number of issues arising, the Committee acknowledged that it would be advised at its meeting in September of the progress arising from the new controls implemented. The Committee noted all the Audit Plan reviews in progress, along with other work.

Members acknowledged that the Audit and Risk Section's Annual Report for the period 2011 / 2012 had been produced in accordance with the requirements of the Code of Practice. The Audit and Risk Manager considered that in her opinion, for the period in question, the Council had had an adequate, effective and reliable framework of internal control, which had provided reasonable assurance regarding the effective and efficient achievement of the Council's objectives. The Audit and Risk Section's Annual Report for the period 2011/2012 (attached as Appendix B to the report) was discussed and noted. The Chair conveyed his thanks to the Audit and Risk Manager and to all officers within the Internal Audit Team for all their hard work and commitment during the past year.

## **RESOLVED**

That the Internal Audit Progress report, and the progress made for the period up to 15 June 2012 be noted, together with the Audit and Risk Section's Annual Report for the period 2011/2012.

### **7. Closure of Meeting**

The meeting ended at 7.59 pm.

A J E QUIRK  
Chair