

Crawley Borough Council

Minutes of Audit and Governance Committee

25 June 2014 at 6.30pm

Present:

| | |
|-------------|-----------------------------------|
| Councillor | I T Irvine (Chair) |
| Councillor | L A Walker (Vice Chair) |
| Councillors | R D Burrett, T Lunnon and K Sudan |

Also in Attendance:

Paul King, Director, of Ernst and Young LLP.

Officers Present:

| | |
|-----------------|--|
| Chris Bower | Senior Auditor (as an observer only) |
| Ann-Maria Brown | Head of Legal and Democratic Services |
| Roger Brownings | Democratic Services Officer |
| Chris Corker | Fraud and Inspections Manager |
| Gillian Edwards | Audit and Risk Manager |
| Chris Harris | Head of Community Services |
| Karen Hayes | Deputy Head of Finance |
| Ray Hook | Built Environment Manager |
| Phil Rogers | Director of Community and Partnership Services |

1. Members' Disclosures of Interests

There were no disclosures of interest.

2. Minutes

The minutes of the meeting of the Committee held on **12 March 2014** were approved as a correct record and signed by the Chair.

With regard to Minute No. 37 (Update on the Operation of the Standards Regime under the Localism Act 2011), the Head of Legal and Democratic Services confirmed that the term "informal action", as identified in the outcome of a Code of Conduct complaint, had been used to explain that the complaint was resolved through informal steps, with no formal action being necessary.

3. Fraud Team Report

The Committee considered report **FIN/338** of the Corporate Fraud and Inspections Manager, which focused on activity for the period from 1 April 2014 to 10 June 2014.

The Committee was firstly updated on the intentions by the DWP (Department of Works and Pensions) to transfer all housing benefit fraud work currently undertaken by local authorities to the DWP as a central fraud investigation service. The Committee had previously been advised that the DWP had made clear that this process would be rolled out between October 2014 and March 2016, with each authority, including this Council, being advised shortly as to when the transfer process would be applying to them. This Council had subsequently received notification that its implementation date would be 1 October 2014. However, with the Council having been awarded a Government grant to expand work over a two year period in respect of housing tenancy fraud, the Council had put in a request to delay the transfer, and thus retain staff in the Fraud Team (who were in scope to be transferred), to see that tenancy fraud work through. With this in mind the Fraud and Inspections Manager was pleased to announce that the Council had since been informed that its request for the transfer delay had been granted, with the transfer date now due to be implemented in August 2015. It was emphasised that whilst there would be an eventual loss of housing benefit fraud work, housing benefit was not the only fraud risk to the Council. The report again highlighted the other areas for which the Team had continued to be very proactive and areas which had not yet been fully explored, and on which the new Team formation would be further able to focus and explore.

The Committee considered the Team's activity for the period from 1 April 2014 to 10 June 2014.

- As indicated above, the Team was now looking into a wide range of fraud and loss against the Council, with the main areas of investigation (in addition to housing benefit) being housing, council tax and business rates.
- A further three properties had been recovered as part of the work in the area of tenancy fraud.
- Work also continued to be developed in terms of investigating housing applications. The Team in this reporting period had prevented two further properties from being allocated and lost from the Council's stock.
- Work was also ongoing in terms of investigating Right to Buy applications, with one application having already been stopped.
- The Committee acknowledged that service performance continued to improve generally, including the application of various sanctions, of which there had been one further and successful prosecution.
- The total overpaid benefit (including benefits administered by the DWP) identified by the Team for this reporting period was £63,930 with a year to date total of £348,144.

The Committee received overall information on losses prevented, stemmed, recovered and gained. Whilst Members sought and received clarification on the presentation of the information, the Fraud and Inspections Manager indicated that he would look to further review that information with the intention of increasing its clarity for future reporting purposes.

RESOLVED

That the report be noted.

4. Variation to the Order of Business

The Chair announced a change in the order of business, so that the next item to be considered by the Committee would be the report on Maidenbower Pavilion – Review of Lessons Learned on Capital Projects (Item 7 of the Agenda). On completion of that Item, the Committee would resume with the remaining business as set out in the Agenda, with the next item being Item 5 (a) (Audit Plan Year End 31 March 2014).

5. Maidenbower Pavilion – Review of Lessons Learned on Capital Projects

At its previous meeting held on 12 March 2014, the Committee discussed a request from Councillor Walker to consider a number of issues relating to the construction of Maidenbower Pavilion. A Briefing Note on this matter had been circulated to the Committee, and following a detailed discussion on all issues and concerns raised, the Committee conveyed its view that a report should be submitted to this (June) meeting of the Committee. The Committee had considered the overall scope of the report to be submitted, whilst it was felt that this should also include an assessment as to the extent to which the lessons learned (as identified in the report on the Pavilion to the Committee's March 2012 meeting) had been put into effect on subsequent major construction contracts.

The Committee now had before it report **FIN/337** of the Audit and Risk Manager, which whilst identifying the issues and concerns raised as part of the agreed scope contained in Appendix A to the report, covered the work undertaken and the responses made in addressing those matters raised. The report also included additional issues since raised by Councillor Walker regarding the Pavilion's Social Club. At this point Councillor Walker wished it to be recorded that because of the number of new Members sitting on the Committee for the first time at this meeting, he had felt it unfair that background information regarding the Pavilion had not been circulated, despite his requests. (With regard to his requests, Councillor Walker had been informed of the statutory position regarding the circulation of such information requested, and had been advised that any Member of the Council could inspect the information referred to).

With Councillor Walker reemphasising his concerns relating to such matters as the type of contract which had been utilised in terms of the Pavilion's construction (including the design team element), issues around the extent of the excess spoil created under the contract, the refurbishment / upgrade of the Pavilion's kitchen, site security and areas relating to the Pavilion's Social Club, the Committee discussed and considered these matters in detail. As part of that discussion, the Committee was further advised of the factors that had led to the underlying issue of overspend, the lessons that had been learnt, and the actions that had since been put in place, and continued to be put in place to address this and concerns raised generally. The objective was to ensure that similar occurrences to those highlighted, did not occur again in the future without much earlier control and reporting.

With regard to the Social Club and indeed the project overall, It was considered too early to determine the impact achieved, i.e. that the objectives of the project and the needs/aspirations of the community had been met. However, in response to Councillor Walker's concerns it was felt that Officers should further consider how they intended to measure effectiveness to ensure that the project had met its stated aims. It was acknowledged that this might take the form of quantitative measures, such as usage of the facilities by number of people attending, by number of bookings taken, by turnover in the café, the financing of the Club, or qualitative measures, such as feedback forms and questionnaires. The Director of Community and Partnership Services indicated that this would assist in confirming if the Community felt it was

being provided with a higher quality of service and importantly that the facilities had been accessible to people community wide. In response to the issues raised on the security aspects of the design of the building, including the CCTV provision, it was suggested that further investigation would be undertaken into this matter as well as issues of vandalism to the external fabric of the Pavilion. The outcomes of this and work on the quantitative measures (subject to any legal constraints to request parts of that quantitative detail), would be considered as part of a report to be submitted to the Committee's next scheduled meeting in September. **(For Action)**.

In addition, the Head of Community Services indicated that Crawley CVS (who the Council funded to offer advice to voluntary sector groups) had been supporting and working with the Social Club and was currently satisfied that the Club was making constitutional / operational progress in its first year of operation. As part of its constitution, the Social Club also invited all Ward Councillors to attend their Committee meetings as observers. Members acknowledged that there needed to be a balance which allowed the Club to manage its ongoing affairs while providing reassurance to the Councillors that the activities were being effectively managed. Whilst this was the case, the Head of Service referred the Committee to the seven measures of progress on pages five and six of the report and advised of the Council's intention to continue to work with the Club and the CVS on the requirements and expectations within those measures, which had been agreed with the Social Club. The outcomes of that work would also be included in the report intended for submission to the Committee's September meeting. **(For Action)**.

The concerns raised by Councillor Walker were also considered by the Committee in the context of the high value and number of contracts undertaken by the Council before and after the Maidenbower Pavilion project (including for example K2 and Decent Homes), all of which had been delivered on time and to budget. Furthermore, it was emphasised that in order to provide further assurance as to the extent to which lessons had been learnt, the Audit and Risk Section had recently reviewed a number of capital projects since undertaken, and was satisfied that the lessons learnt were being acted upon in those capital projects. The Audit and Risk Section would be involved in larger capital projects on an ongoing basis, and would identify any areas of weakness in a timely manner. In response to comments made on these issues, the Committee was assured that all Directors were now fully aware of the lessons learnt and communicated these in terms of all contracts undertaken as part of their project sponsor roles, and that capital projects would be the subject of regular reporting to the Committee.

RESOLVED

That the report be noted, and that a further report be submitted to the next meeting of the Committee in September on the outcomes of further investigations and work as detailed above.

6. Audit Plan Year End 31 March 2014

The Committee considered the Audit Plan for the year end 31 March 2014 prepared by Ernst and Young LLP, which was attached as **Enclosure C** to the agenda.

The Audit Plan detailed the work that Ernst and Young proposed to undertake to satisfy its responsibilities, and the approach to risks identified that were relevant to the audit of the Council's accounting statements and the Council's arrangements to secure value for money. It also helped ensure that the audit was aligned with the Committee's service expectations.

RESOLVED

That the Audit Plan for the year end 31 March 2014 be noted.

7. Annual Audit Fee 2014/2015

The Committee considered a letter from Ernst and Young LLP on the Annual Audit Fee for 2014 /2015. The letter was attached as **Enclosure D** to the agenda.

RESOLVED

That the Annual Audit Fee for 2014 /2015 be noted.

8. Internal Audit Progress Report as at 31 May 2014, Incorporating the Audit and Risk Manager's Annual Report for 2013/2014.

The Committee considered report **FIN/336** of the Audit and Risk Manager. The purpose of the report was primarily to update the Committee on the progress made towards the completion of the 2013 / 2014 and 2014 / 2015 Internal Audit Plans, and to report on the progress made in implementing the previous recommendations. The report also included the Audit and Risk Manager's Annual Report for 2013 / 2014 as Appendix B.

The Audit and Risk Manager informed the Committee that since the last update:-

- A number of reviews had been completed, and these were identified in Section 4 of the report. Where an audit opinion was applicable these had ranged from full assurance to limited assurance, with high priority findings to report in relation to Data Management and Creditors. Further details of those high priority findings were set out in 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 progress resulting from new controls implemented.
- Whilst receiving further clarification on the operational arrangements regarding the Council's receipt of Freedom of Information (FOI) Requests, the Committee noted all Audit Plan reviews in progress, along with other work.
- Reference was made to a clerical correction, whereby under the heading of Freedom of Information (FOI) Requests, in the first line of the second paragraph, the date of "31 May 2013" should read "31 May 2014".

The Committee acknowledged that the Audit and Risk Manager's Annual Report for the period 2013 / 2014 had been produced in accordance with the requirements set out in the new Public Sector Internal Auditing Standards 2013. The Audit and Risk Manager considered that in her overall opinion, for the period in question, "Substantial" assurance could be given that there was generally a sound system of internal control designed to meet the Council's objectives, and that the controls were generally being applied consistently. The Annual Report was discussed and noted. The Committee acknowledged a clerical correction with regard to the "Summary of Work Undertaken in 2013/2014" on page ten of the Annual Report, whereby the Internal Audit Assurance Opinion for:-

- (i) IT Project and Programme Management - should be ticked as Full Assurance.
- (ii) IT Risk Assessment - should include an explanation indicating that there was no assurance level but it was included to provide details of what had been undertaken. The output of this work was a list of all possible IT audits, risked assessed to show where internal audit resources should be prioritised.

RESOLVED

That the Internal Audit Progress report, and the progress made for the period up to 31 May 2014 be noted, together with the Audit and Risk Manager's Annual Report for the period 2013/2014.

9. Closure of Meeting

The meeting ended at 8.34 pm.

I T IRVINE
Chair