

Crawley Borough Council

Minutes of Audit and Governance Committee

2 December 2014 at 6.30pm

Present:

Councillor I T Irvine (Chair)
Councillors R D Burrett, T Lunnon and K Sudan

Also in Attendance:

Councillors S J Joyce and C J Mullins
Paul King, Director of Ernst and Young LLP.

Officers Present:

Ann-Maria Brown	Head of Legal and Democratic Services
Roger Brownings	Democratic Services Officer
Chris Corker	Corporate Fraud and Inspections Manager
Gillian Edwards	Audit and Risk Manager
Chris Harris	Head of Community Services
Karen Hayes	Deputy Head of Finance

20. Apologies for Absence

Councillor L A Walker (Vice Chair).

21. Members' Disclosures of Interests

There were no disclosures of interest.

22. Minutes

The minutes of the meeting of the Committee held on **24 September 2014** were approved as a correct record and signed by the Chair.

23. Fraud Team Report

The Committee considered report **FIN/352** of the Corporate Fraud and Inspections Manager, which focused on activity for the period from 10 September 2014 to 13 November 2014. The Committee acknowledged that the Team continued to look into a wide range of fraud and loss against the Council.

- The Team had completed its examination of properties, both new and empty, to help determine the claim to the Department for Communities and Local Government (DCLG) regarding New Homes Bonus. The Team had identified 84 properties which had previously been declared as long term empty, as being in use and occupied. The value of the bonus was estimated to be £711,465 which was a guaranteed sum paid by DCLG over the next 6 years.
- 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 five 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 two further applications having been stopped.
- The Committee acknowledged that service performance continued to improve generally, including the application of various sanctions, of which there had been two further prosecutions, which related to housing benefit fraud.
- The total of all overpaid benefit identified by the Team for this reporting period was £124,070.
- In response to Members' enquiries as to the percentage of overpayments that were actually repaid, the Corporate Fraud and Inspections Manager indicated a high range percentage of repayments recovered, whilst confirming that he would provide a more definitive response for the Committee's next meeting.
- With regard to council tax and business rates, the Committee received details on losses stemmed, prevented and recovered, as well as new council tax and business rates gained.

In seeking and receiving clarification on information presented, and with the Fraud and Inspections Manager detailing investigatory routes engaged by the Team to prevent fraud, Members further conveyed their thanks and appreciation to the Team for the excellent progress it was continuing to achieve.

RESOLVED

That the report be noted.

24. 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, Community Club – Update Report (Item 10 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 (Review of Terms of Reference of the Audit and Governance Committee).

25. Maidenbower Pavilion, Community Club – Update Report

The Committee considered the joint report **DC&PS/008** of the Director of Community and Partnership Services and the Cabinet Member for Leisure and Cultural Services. The report had been requested by the Committee at its last meeting, and also related to issues raised by the Chair and Vice Chair of the Committee during subsequent and associated discussions with Officers.

The Head of Community Service referred the Committee to the seven measures of progress which had been agreed with the Maidenbower Park Community Club (MPCC) and advised Members of the Council's intention to continue to work with the Club and the CVS on the requirements and expectations within those measures. The purpose of the report was to provide the Committee with an update on the progress to date, and in so doing identify the work and initiatives undertaken to address concerns raised and provide assurance in terms of achieving the future success of the Club. In referring to the progress made, the Cabinet Member for Leisure and Cultural Services advised the Committee that he had recently met with the Club's newly appointed Committee who had assured him that they were keen to keep their constitution / operational progress under review to best serve the needs of the local community, whilst inviting, as observers, Ward Councillors to their Committee meetings to enable an overview and understanding of the future activities and governance of the Club. Members acknowledged that there needed to be a balance which allowed the Club to manage its ongoing affairs whilst providing reassurance to the Council, as the owner of the Pavilion, that the activities (including accounting and communication processes) were being effectively managed.

The Chair and other Members commented that with the Committee having now received the assurances sought, and bearing in mind the extensive consideration given to the Pavilion generally over recent years, it was now perhaps appropriate that the Committee should cease its consideration of this operational matter. The Chair thanked the Cabinet Member and Head of Service for the work they had undertaken. It was agreed that all future work in relation to the Club's operations should be considered through other mechanisms, whilst the future monitoring of progress by the Cabinet Member and Officers was welcomed by the Committee. In response to comments made by Members, it was felt that lessons had been learnt, which would be utilized and considered should in future community facilities, such as the Maidenbower Pavilion, be managed under similar arrangements.

RESOLVED

- (1) That the report be noted, and
- (2) That the Cabinet Member for Leisure and Cultural Services considers the Committee's feedback in order to ensure the future success of the MPCC.

26. Review of Terms of Reference of the Audit and Governance Committee

The Committee considered report [LDS/084](#) of the Head of Legal and Democratic Services which reviewed the Committee's current Terms of Reference and proposed a number of amendments including changing the name of the Committee from "Audit and Governance Committee" to "Audit Committee". The Committee noted that the General Purposes Committee had considered and supported a similar report in terms of changing its Terms of Reference and its name to that of "Governance Committee" at its meeting held on 24 November 2014.

Whilst the Committee welcomed the changes for the reasons outlined in the report, its attention was drawn to functions 5 and 6 of the current Terms of Reference, which Members acknowledged had inadvertently been omitted from the proposed Terms of Reference. The inclusion of function 6 would be made with the deletion of the words "Audit Commission". With Members referring to some changes of wording when comparing the proposed Terms of Reference with those currently in place, Officers

indicated that whilst this was the case, there was no change in emphasis from the recognised role and purpose of an audit committee.

The Committee discussed whether matters relating to the Regulation of Investigatory Powers Act 2000 should be the responsibility of the proposed Governance Committee or whether it would be better placed with the proposed Audit Committee. The Committee was informed that the Act did not solely relate to anti-fraud and corruption matters as authorisations for surveillance could cover a number of Council functions. The General Purposes Committee had suggested that matters relating to the Regulation of Investigatory Powers Act 2000 remained the responsibility of the Governance Committee unless the Audit and Governance Committee felt otherwise. The Committee discussed this matter in detail, and whilst acknowledging that such matters could relate to the work of either Committee, it was felt that on balance the responsibility for the Act should be incorporated in the Terms of Reference of the proposed Audit Committee.

It was requested that the Terms of Reference as updated to take account of the issues raised above, be presented to the Chair for his agreement prior to submitting for formal approval to the forthcoming meeting of the Full Council

Note by the Head of Legal and Democratic Services:

The Chair had now confirmed his approval of the updated Terms of Reference.

RESOLVED

Subject to its approval of the Recommendation submitted by the General Purposes Committee, the Full Council is recommended to approve the revised Terms of Reference for the Audit and Governance Committee, including the change of name from Audit and Governance Committee to Audit Committee, as set out in the Appendix 1 to these minutes.

27. Regulation of Investigatory Powers Act 2000 (RIPA)

The Committee considered report **LDS/093** of the Head of Legal and Democratic Services. The purpose of the report was to inform Members of the Inspection visit by the Office of Surveillance Commissioners (OSC) and the outcome of that Inspection. In addition, Members were asked to note the Council's response to the Recommendation arising from the Inspection. Further, the report informed and updated Members about issues relevant to the use of the Regulation of Investigatory Powers Act 2000 and developments that had taken place since the last report to the Committee in December 2012.

The Report of Inspection by the OSC, dated 18 August 2014, was set out in Appendix A to the report. The Committee acknowledged that the inspection went well and that the Council had received positive feedback on the way that RIPA was used. The inspector had made one recommendation that the Council's policy and procedures be revised to include advice and guidance on the use of the internet and social media in investigations. The Committee acknowledged that the recommendation had been accepted and since implemented.

The Council had a Corporate Policy and Procedural Guidance document for the Regulation of the Investigatory Powers Act 2000 (RIPA) which was regularly updated to take account of changes in legislation, guidance and statutory Codes of Practice. A

copy of that Corporate Policy and Procedural Document, as updated, was before the Committee as Appendix B to report LDS/093. Whilst this was the case, the Committee was advised that two new Codes of Practice were to take effect on 10 December, and that the Corporate Policy and Procedural Document would again be updated to include a link to the updated Codes. In response to Members questions it was agreed that consideration would in future be given to reporting the number of RIPA applications against the number authorised, whilst further clarification would be provided to Members with regard to the six month threshold test for Directed Surveillance

RESOLVED

- (1) That the Office of Surveillance Commissioners' Inspection report, dated 18 August 2014, be noted.
- (2) That the Council's acceptance of the Recommendation be noted.
- (3) That the updated Council's Corporate Policy and Procedural Guidance Document on RIPA be approved.
- (4) That the statistical information on the use of RIPA since the last Committee Report be noted.
- (5) That the key points of the Office of Surveillance Commissioners' Annual Report (2014) be noted.

28. Annual Audit Letter

The Committee considered the Annual Audit Letter from Ernst and Young LLP. The Letter was attached as **Enclosure E** to the agenda. Paul King presented the Letter which provided a summary of Ernst and Young's assessment of the Council for 2013 / 2014 and highlighted the key messages.

Those messages included the fact that an unqualified audit opinion had been issued on the financial statements (2013/14) and that an unqualified conclusion had been issued in relation to value for money. In response to comments from Members regarding the Council's Risk Management Strategy, the Committee was reminded that a report on this matter would be considered as the next item of this meeting's agenda.

RESOLVED

That the Annual Audit Letter be noted.

29. Risk Management Strategy

The Committee considered report FIN/351 of the Audit and Risk Manager which reviewed the effectiveness of the Council's Risk Management Strategy, including the identified strategic risks as set out in Appendix 1 to the report.

As part of its discussions on this matter, and in response to Members comments that they should always be made fully aware of all relevant risks as part of the decision

making process, it was indicated that every endeavour continued to be made to ensure that this was case. The process of identifying and reviewing risks, and ensuring that Members were satisfied that their attention was being drawn to all known risks, was an issue that was undertaken through various mechanisms. Reference was made, for example, to the submission of regular Internal Audit Progress Reports and the provision of audit opinion, as well as the submission of the Annual Governance Statement, and regular Member briefings - including those with Cabinet Members. The audit planning process involved regular dialogue with managers on what processes were being undertaken to mitigate risk, and whether it was felt any particular issues should be incorporated in the Audit Plan as part of that risk mitigation process. Major capital projects did have a risk register which was reviewed at each capital project progress meeting. It was acknowledged that the aim was get the right level of information to see what actions were being taken in tracking the nature of risk and the work undertaken to mitigate risk. Members felt that an update of strategic risks should be the subject of a quarterly report to this Committee, which would include a review of the quantification of those risks and an overview of the mitigating actions being undertaken, and which might, for example, include reference to associated reports to be submitted to Cabinet and other forums.

RESOLVED

That subject to the Members comments above, the Risk Management Strategy, including the Council's strategic risks, be supported.

30. Internal Audit Progress Report as at 10th November 2014

The Committee considered report **FIN/350** 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 2014 / 2015 Internal Audit Plans, and to report on the progress made in implementing the previous recommendations.

The Committee discussed and noted all the Audit Plan reviews in progress, along with other work as detailed in the report, whilst in response to an issue raised by the Chair, the Deputy Head of Finance indicated that she would provide him with further clarification as to where in the Council's accounts, information could be found in relation to the Crawley Deposit Service (formerly known as the Rent Deposit Scheme).

RESOLVED

That the Internal Audit Progress report, and the progress made for the period up to 10 November 2014 be noted.

31. Closure of Meeting

The meeting ended at 8.16 pm.

I T IRVINE
Chair

APPENDIX 1

RESPONSIBILITY FOR COUNCIL FUNCTIONS AUDIT COMMITTEE

The role of the Audit Committee will be to review and assess the adequacy of the Council's internal audit and risk management arrangements.

The powers and duties of the Council relating to the functions set out below are delegated to the Audit Committee

Membership: Not more than one member shall be a Cabinet member and that Member shall not Chair the Committee.

Councillors: I T Irvine (Chair), L A Walker (Vice Chair), R D Burrett, T Lunnon and K Sudan (Substitutes: C A Cheshire and C R Eade)

Functions of the Audit Committee

- (1) Consider and review the adequacy of the Internal Audit Budget and Resource Plan.
- (2) Approve the Internal Audit Plans ensuring that appropriate risk assessments have been carried out when formulating these; and to monitor performance against the plans.
- (3) Review Internal Audit Progress Reports which outline the main issues arising, and seek assurance from management, directly or via the Audit and Risk Manager, that appropriate action has been taken where necessary.
- (4) Review the effectiveness of the Council's Risk Management Arrangements

Delegation of Functions (concurrently with the Audit Committee)

Functions of the Audit Committee

- (5) Consider reports received from External Audit and other external inspection agencies.
- (6) Contribute to the Council's response to the External Auditors (Ernst and Young):
 - Annual audit and inspection letter to the Council
 - Opinion and reports to Members
- (7) Receive the Annual Report of the Audit and Risk Manager.
- (8) Seek assurance that there is effective liaison between External and Internal Audit and other relevant bodies.
- (9) Consider the effectiveness of the Council's Counter Fraud and Anti-corruption arrangements.
- (10) Approve the Council's Financial Statements and seek assurances from the Governance Committee that the Annual Governance Statement properly reflects the risk environment and any actions required to improve it.
- (11) To consider matters referred to the Committee in relation to petitions submitted under the Crawley Borough Council Petitions Scheme.

Delegation of Functions (concurrently with the Audit Committee)

The following function is delegated to the Chief Executive, a Director, a Head of Service, the Monitoring Officer, the Deputy Monitoring Officer, the Fraud and Inspections Manager or the Audit and Risk Manager.
Referral of cases of fraud to the police.

Functions of the Audit Committee

- (12) To consider matters relating to the Regulation of Investigatory Powers Act 2000 (RIPA).

Delegation of Functions (concurrently with the Audit Committee)

The following function is delegated to the Head of Legal and Democratic Services.

To make minor administrative and/or technical changes to the Council's Corporate Policy and Procedural Guidance on RIPA.