

Crawley Borough Council

Minutes of Audit Committee

1 December 2015 at 6.30pm

Present:

Councillor	W A Ward (Chair)
Councillor	C R Eade (Vice Chair)
Councillors	R D Burrett, I T Irvine and K Sudan

Also in Attendance:

Paul King, Director of Ernst and Young LLP.
Malcolm Haines, Audit Manager of Ernst and Young LLP.

Officers Present:

Roger Brownings	Democratic Services Officer
Chris Corker	Corporate Fraud and Inspections Manager
Gillian Edwards	Audit and Risk Manager
Karen Hayes	Head of Finance, Revenues and Benefits
Chris Modder	Private Sector Housing Manager

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 2015** were approved as a correct record and signed by the Chair.

23. Fraud Team Report

The Committee considered report **FIN/374** of the Corporate Fraud and Inspections Manager, which focused on activity for the period from 2 September 2015 to 9 November 2015. The Team continued to look into a wide range of fraud and loss against the Council.

- These included various case types such as Legacy Benefit Cases. It was explained that these were cases related to housing benefit fraud that were still active and being investigated by the Team at the time housing benefit investigation work had been transferred to the Department of Works and Pension's Single Fraud Investigation Service. The Committee discussed a number of other case types around this active caseload area.
- It was reiterated that whilst housing benefit investigation work had been transferred, housing benefit had been just part of the fraud risk to the Council. The Team's work continued to be diversified to undertake and explore work in additional areas of potential fraud, as highlighted in the report, and which included investigations arising from data matching as part of the National Fraud initiative. Some of the Team's resources were continuing to be bought-in by another Registered Social Landlord to assist that landlord in its own fraud investigation work, and for whom the Team were achieving positive results.
- The Team had also been involved in a successful prosecution of a landlord following an investigation which established evidence that a house in multiple occupation (HMO) was overcrowded and in a very poor state of repair.
- A further two properties had been recovered as a result of work undertaken in the area of tenancy fraud. Neither of those properties had been recovered as part of the recent Tenancy Fraud Amnesty, which the Committee had been advised of, and which closed on 1 September. In terms of that Amnesty and in response to enquiries that had been made to Councillor Burrett as to exactly how many of the five properties recovered had we previously been aware of, the Committee was advised that whilst there was no definitive answer, it was clear that had it not been for the Amnesty, the keys for the five properties would not have been returned. It was agreed that a copy of the response relating to an associated FOI request, which detailed the matters concerned, would be provided to Councillor Burrett to assist him in responding to enquiries made to him, and also to the Cabinet Member for Housing, should he be required to further clarify issues around this matter.
- Work continued to be developed in terms of investigating housing applications. The Team in this reporting period had prevented three further properties from being allocated and lost from the Council's stock.
- The Team was continuing to respond to allegations of fraudulent Single Person Discount (Council Tax) applications. As a result of investigations, 10 further cases had their Council Tax Single Person Discount removed, resulting in a £5,342 loss being recovered in this period, and a £28,503 recovery for the year to date.
- 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) for New Homes Bonus. The Team had identified 126 properties which had previously been classified as long term empty, as being in use and occupied. In explaining issues around this matter further, and whilst emphasising that there were no issues of fraud in relation to properties inspected, Officers advised that the value of the bonus would amount to a significant sum paid by DCLG, although the actual amount would be subject to consultation with the Government following a recent announcement as part of its Comprehensive Spending Review.
- 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.

The Committee conveyed its thanks and appreciation to the Fraud Team generally for its continuing positive performance.

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 Internal Audit Progress Report as at 13th November 2015, Incorporating Risk Management Update as at 17th November 2015 (Item 6 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 (Annual Audit Letter).

25. Internal Audit Progress Report as at 13th November 2015 Incorporating Risk Management Update as at 17th November 2015

The Committee considered report **FIN/375** 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 2015 / 2016 Internal Audit Plans, and to report on the progress made in implementing the previous recommendations. The report also included an update on the Council's Strategic Risks.

The Committee discussed and noted all the Audit Plan reviews in progress, along with other work as detailed in the report. With regard to the Strategic Risk update, and in response to issues raised by Members in relation to the Government's imposed rent reduction on Crawley Homes properties - and the possibility that the Council might not be able to deliver against all its plans for the HRA, it was reiterated that Staff and Members were looking at mitigating actions to enable the Council to still meet the manifesto commitment on housing delivery. Particular reference was made to the Government's proposal for the sale of high value homes: payment from the HRA to the Government. It was emphasised to the Committee that this was still an unknown impact at this stage, with, for example, the Government currently seeking information from local authorities to help it categories high value homes around the Country.

Following an update on the Rent Deposit Scheme, and issues raised as part of a discussion on this matter, A Member sought clarification on the value of funds advanced in relation to this matter, and how much had been written off during the life of the Scheme. Members were advised that these details, as well as further information as to how the Scheme operated, would be circulated as soon as possible after this meeting. It was considered that the Scheme's systems and processes, which had been the subject of an audit, were robust, and Officers suggested that should further assurances be sought, arrangements could be made for any Member who wished to do so, to visit the respective Teams to witness personally the processes in place.

In response to comments as to whether there was sufficient capacity within the Audit Division to undertake audit work at this Authority as well as work for Mid Sussex District Council, Officers considered that there was sufficient capacity, and in so doing indicated that the Team was confident that this Council's 2015 / 2016 Audit Plan, would, as intended, be completed by the end of March.

RESOLVED

That the Internal Audit Progress Report as at 13th November 2015, Incorporating the Risk Management Update as at 17th November 2015, be noted.

26. Annual Audit Letter

The Committee considered the Annual Audit Letter from Ernst and Young LLP. The Letter was attached as **Enclosure C** to the agenda. Paul King presented the Letter which provided a summary of Ernst and Young's assessment of the Council for 2014 / 2015 and highlighted the key issues.

Those issues included the fact that an unqualified audit opinion had been issued on the financial statements (2014/15) and that an unqualified conclusion had been issued in relation to value for money. In terms of looking ahead, reference was made to the requirement to bring forward the date of preparation of the financial statements with effect from 2017/18, and also to proposals for local government bodies (not just highway authorities) regarding accounting practices for Highways Network Assets. Paul King indicated that work on the Housing Benefits claim had now been completed and that the Annual Certification report for 2014/15 would be issued in early 2016. The Committee acknowledged that consideration would need to be given to current contract arrangements and requirements for auditing services for which there was provision for Ernst and Young to extend its current contract with this Authority for one further year to 2017 / 2018, and at which point the Council would need to have Audit arrangements in place for 2018 / 2019.

RESOLVED

That the Annual Audit Letter be noted.

27. Closure of Meeting

The meeting ended at 7.50 pm.

W A WARD
Chair