

Crawley Borough Council

Minutes of Audit Committee

26 July 2016 at 6.30pm

Present:

Councillor K Sudan (Chair)
Councillor C R Eade (Vice Chair)
Councillors R D Burrett, I T Irvine and Portal Castro.

Also in Attendance:

Councillor A C Skudder.
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
Mark Rice	Housing Fraud Investigator
Paul Windust	Corporate Accounting Manager

1. Apologies for Absence

With all the Committee's Members being present at this meeting, there were no apologies for absence.

2. Members' Disclosures of Interests

There were no disclosures of interest.

3. Minutes

The minutes of the meeting of the Committee held on **9 March 2016** were approved as a correct record and signed by the Chair.

4. **Fraud Team Report**

The Committee considered report **FIN/389** of the Corporate Fraud and Inspections Manager, which focused on activity for the period from 18 February 2016 to 7 July 2016. The Team had looked further into a wide range of fraud and loss against the Council.

As indicated in the report, the Team had continued to perform successfully. The Chair thanked the Fraud Team generally for its ongoing positive performance, whilst recognising that the successful outcomes being achieved were sending out a clear message in discouraging people from undertaking the type of fraudulent acts being investigated.

RESOLVED

That the report be noted.

5. **Audit and Risk Manager's Annual Report 2015/2016**

The Committee considered report **FIN/387** on the Audit and Risk Manager's Annual Report for 2015/2016.

The Committee acknowledged that the Annual Report had been produced in accordance with the requirements set out in the Public Sector Internal Audit Standards. 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.

In response to Members comments, the Audit and Risk Manager:

- indicated that with regard to the requirement of the Public Sector Internal Audit Standards (PSIAS), whereby an external assessment had to be carried out (or was planned to be carried out) at least once every 5 years, it was considered that the assessment of this Council would be undertaken in approximately eighteen months' time.
- indicated that with regard to the Council's Risk Management Strategy and its move in culture from being risk averse to risk cautious, the expected management of that risk cautious approach, as explained in the report, meant that a number of unnecessary and onerous controls which were stifling a more streamlined and effective working environment, were being removed, whilst not compromising the control of major risks. The intention was to ensure that all major risks would continue to be effectively managed, and procedures and resources had been focussed to meet that objective.
- emphasised, with the Head of Finance, Revenue and Benefits, that there were sufficient resources within the Audit Division to undertake work at Mid Sussex District Council, whilst still meeting objectives at this Authority, including the audit of areas where the potential for risk was not so high. The Audit and Risk Manager further explained that the Council's Audit Plan, together with regular discussions with the Head of Service, helped to govern resources to meet those commitments

RESOLVED

That the Audit and Risk Manager's Annual Report for the period 2015/2016 be noted.

6. Internal Audit Progress Report as at 30 June 2016, Incorporating Risk Management Update as at 30th June 2016

The Committee considered report **FIN/386** 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 and 2016/2017 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 Crawley Deposit Service (formerly known as the Rent Deposit Service), and in response to issues previously raised by a Member of the Committee, Officers provided an update on the Service as it operated currently. The update included comparisons with the former service and improvements made. Whilst this was the case, and following comments from the Member concerned, it was now acknowledged that what was actually required was a follow-up review regarding the audit in May 2012 on the former Service, and to include assurances that concerns previously raised regarding that Service had now been dealt with and resolved accordingly. Officers indicated that they would submit the information sought to the Committee's next meeting in September, with a summary of how actions (which had been reported since the May 2012 report) had been implemented. It was indicated that the current Service (the Crawley Deposit Service) would be formerly reported on as part of the Audit Progress Report at that September meeting with an anticipated audit opinion of Substantial Assurance.

With regard to the update provided on Risk Management, Members were advised that clarification would be circulated to Members shortly on:

- the deadline date to spend the approved Section 106 funding allocated towards the delivery of improvement works to the Three Bridges Station Forecourt.
- the agreed delegated process for approving the use of monies from Section 106 Agreements.

The Committee briefly discussed and received clarification on other issues relating to the Risk Management update. In response to a further matter raised by a Member, Officers indicated that they would approach the DWP (Department of Works and Pensions) to enquire as to whether the Department would be willing to provide us with outcomes on its investigations into local cases of housing benefit fraud, this being from the point that the work had been transferred to the DWP from local authorities.

RESOLVED

That the Internal Audit Progress Report as at 30 June 2016, Incorporating the Risk Management Update as at 30 June 2016, be noted.

7. Annual Audit and Certification Fees 2016/2017

The Committee welcomed Paul King and Malcolm Haines, the external auditors of Ernst and Young LLP, to the meeting and considered a letter from Ernst and Young on the Annual Audit and Certification Fees for 2016 /2017. The letter was attached as **Enclosure E** to the agenda.

As part of its discussion on the fees generally, the Committee was advised that with regard to page 2 of the letter, and in particular the "Summary of fees", the need for a clerical correction was raised whereby the total planned fee for 2015/16 of £77,114 should be deleted and replaced with the figure of £76,699.

RESOLVED

That the Annual Audit and Certification Fees for 2016/2017 be noted.

8. Ernst and Young – Audit Results Report for the year ended 31 March 2016

The Committee considered the Audit Results Report for the year ended 31 March 2016 which was included as **Enclosure F** to the Agenda. The report set out the current status of the audit, indicating that subject to satisfactory completion of items identified in the report, Ernst and Young had completed its audit of the Council's financial statements for the year ended 2015/16. (In line with the external auditors' comments at the meeting, the Council had since received an updated Audit Results Report. This included amended text on the Council's housing stock, as recently valued to 31 December 2015, to confirm the considered view that the movement in the stock's valuation was minimal and non-material, whilst the updated report also removed a comment about not having a response from the Council's external valuer, as that had in fact been received).

The Committee considered matters raised, and in so doing noted that it was proposed to issue an unqualified opinion on the financial statements, and that it was also intended to issue an unqualified conclusion in relation to value for money.

With regard to the Letter of Representation, the need for a clerical correction was raised whereby the confirmation signature on the Letter's last page was required to be undertaken by the "Chair" of the Committee, as opposed to the "Chairman".

The Head of Finance, Revenues and Benefits confirmed that this Council was the first in West Sussex to have its accounts signed-off for the year, and took this opportunity to convey her sincere thanks to Paul King and Malcolm Haines (the external auditors of Ernst and Young LLP) for all their help and commitment, and to Sejal Patel (an Audit Senior at Ernst and Young) who had worked exceptionally hard to ensure that the audit had been completed to the deadlines set. The Chair also thanked Paul, Malcolm and Sejal, as well as Karen Hayes (the Head of Finance, Revenues and Benefits) and Paul Windust (Corporate Accounting Manager) and indeed all staff in the Finance Team for the excellent work which had been undertaken.

RESOLVED

That the report from Ernst and Young LLP be received and noted.

9. Approval of the 2015/2016 Statement of Accounts

The Committee considered report **FIN/390** of the Head of Finance, Revenues and Benefits. The purpose of the report was to seek Committee approval of the 2015/2016 Statement of Accounts, to comply with the statutory deadline of 30 September 2016.

The 2015/2016 Statement of Accounts was attached as Appendix 3 to the report and as stated in Ernst and Young's Audit Results Report (Minute No. 8 above refers) it was proposed to issue an unqualified opinion.

The Committee received clarification on a number of issues referred to, whilst the need for the following clerical corrections was raised:

- with regard to the Letter of Representation (Appendix 1 to the report), and as indicated in the previous item on the Audit Results Report, the confirmation signature on the Letter's last page was required to be undertaken by the "Chair" of the Committee, as opposed to the "Chairman".
- with regard to the Statement of Responsibility for the Statement of Accounts (Page 19 of the Accounts), delete at the foot of the page the name of "Councillor W. A. Ward" and replace with the name of "Councillor K Sudan".
- with regard to Page 25 of the Statement of Accounts, second bullet point, delete "Overview and Scrutiny Committee" and replace with " Overview and Scrutiny Commission", and with regard to that Page's fifth bullet point, delete the 3 references to the "Audit and Governance Committee" and replace with "Audit Committee".

RESOLVED

- (1) That the 2015/2016 Statement of Accounts be approved.
- (2) That the Chair of the Committee be authorised to sign the 2015/2016 Letter of Representation.
- (3) That the Chair of the Committee be authorised to sign the 2015/2016 Statement of Accounts on behalf of the Council.

10. Supplemental Agenda

At the Chair's request, an item in relation to a Homes and Communities Agency Compliance Audit was to be considered as a supplemental agenda item, as the matter had arisen subsequent to the agenda being published.

11. Homes and Communities Agency (HCA) Compliance Audit

The Chair advised the Committee that she had received a letter and an associated report from the Homes and Communities Agency confirming that the intended independent audit of the Brunel Place residential development had now been completed and that the development had complied with HCA requirements. Such audits were common practice in cases involving Registered Social Landlords where the HCA contributed £1m towards the cost of a scheme. The Chair advised that she had a duty to report this outcome to the Committee and to sign the report received.

12. Closure of Meeting

The meeting ended at 8.15 pm.

K SUDAN
Chair