

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 24TH JANUARY, 2019 AT 7.30 PM
IN THE COUNCIL CHAMBER - COUNCIL CHAMBER**

Present:	Councillors Coley (Chairman), Poonian (Vice-Chair), Alexander, Hones, Scott and Yallop
Also Present:	Clare Lewis (Fraud and Risk Manager), Martin Klaassen (Senior Governance Officer), Richard Barrett (Head of Finance, Revenues and Benefits Services), Craig Clawson (Principal Auditor), Charlotte Cooper (Leadership Support Officer)
In Attendance:	Keith Simmons (Head of Democratic Services and Elections)

54. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were received from Councillor Bray (with no substitute).

55. MINUTES OF THE LAST MEETING

The minutes of the previous meeting of the Committee, held on 27 September 2018, were approved as a correct record and signed by the Chairman.

56. DECLARATIONS OF INTEREST

There were no declarations of interest made on this occasion.

57. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 37

There were none.

58. REPORT OF THE DEPUTY CHIEF EXECUTIVE - A.2 EXTERNAL AUDIT REPORT - CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017/18

At the request of the Committee Chairman Agenda item 6, report A.2 was the first to be discussed by the Committee,

The Committee had before it a report (A.2) which presented the External Auditor's certification of claims and returns annual report 2017/18. Chris Hewitt, Audit Manager for Ernst and Young attended the meeting to explain the report further to the Committee. In summary, the key outcomes from the annual report were set out as below;

- The Housing Benefit Subsidy claim was subject to audit certification by the Councils External Auditor in 2017/18.
- The External Auditor's detailed report was attached to this report. A qualification letter has been issued although there has been only a marginal effect on the subsidy receivable.
- To date no response has been received from the Department for Works and Pensions in response to the External Auditor's qualification letter. Although they have not done so in previous years, the DWP may require the Council to undertake further work or claw back subsidy that has been paid. As there have only been a limited number of relatively minor issues identified this risk is low.

Having considered the External Auditors report it was **RESOLVED** that;

- a) the contents of the External Auditor's certification of claims and returns annual report 2015/16 be noted.

59. REPORT OF THE AUDIT AND GOVERNANCE MANAGER - A.1 - REPORT ON INTERNAL AUDIT

PERIODIC REPORT ON INTERNAL AUDIT – SEPTEMBER - DECEMBER 2018

The Councils Acting Audit and Governance Manager (Craig Clawson) provided a periodic report on the Internal Audit Function for the period of September to December 2018.

The Acting Audit and Governance manager informed the Committee a total of nine audits had been completed in the period in question, of which four had been given Substantial Assurance, four have been rated Adequate Assurance and one had been rated improvement required. No audits had been raised Significant Improvement Required.

The Committee was informed that the audit completed in the period under review which had received an 'Improvement Required' opinion and which therefore required reporting to members was-

Facilities Management (FM)

It was reported that the scope of this review was to cover all facilities across the council and ensure that all were compliant with mandatory maintenance including periodic Health and Safety requirements. A number of significant issues along with associated actions have been identified, some of which have already been addressed.;

It was also reported that, with regards to the *Bank Account* audit, although this did not receive an 'Improvement Required' opinion overall, there was one significant issue identified in respect of the paperwork required to support credit card payments which required further attention. It has been agreed that the Head of Finance, Revenues and Benefits Services will distribute an email reminding staff of the correct process to follow when submitting credit card payment details and if the lack of supporting documentation continues, their use of the Corporate Credit Card will be withdrawn.

The Committee was reminded, that at its previous meeting there had been one significant issue reported –“*Development Management. Retention of Funds by Third Party Company (Income Management)*” which had been addressed within this report.

The Committee was made aware that with regards to the Transformation Board Project currently taking place no significant issues have been highlighted in terms of audit. There have been some changes in delivery with the 'digital transformation', however the expected outcomes remain the same. The IT and Corporate Resilience Manager has ensured that key stages are to be signed off throughout the project. It has been reported that 95% of the Network Re-Design budget has been used however, the IT and Corporate Resilience Manager has advised that the additional budget required is not significant and can be managed through existing service budgets.

60. REPORT OF THE CORPORATE DIRECTOR (CORPORATE SERVICES) - A.3 - TABLE OF OUTSTANDING ISSUES

The Committee had before it a report (A.3) of the Deputy Chief Executive presenting to Members the progress on outstanding actions identified by the Committee.

It was reported that the table of outstanding issues had been reviewed and updated since it was last considered by the Committee at its meeting held 27 September 2018. A detailed update was provided following a risk review undertaken by the Council's insurers that was requested by the Committee. A number of points were raised by the Committee that will be reflected going forward.

It was further reported that there were no significant issues to bring to the attention of the Committee, with updates provided against individual items, as set out in Appendix A to item A.3 of the Report of the Deputy Chief Executive, or elsewhere on the agenda where appropriate.

Having considered the report (A.3) of the Deputy Chief Executive, it was **RESOLVED** that the progress on the outstanding issues be noted.

61. REPORT OF THE DEPUTY CHIEF EXECUTIVE - A.4 CORPORATE RISK REGISTER - JANUARY 2019

The Committee had before them a Report of the Deputy Chief Executive (A.4) which presented to Members the updated Corporate Risk Register, last presented to the Committee July 2018

It was reported that, within the period under review, no new risks had been added to the register, no risks had been removed, one risk score had been amended, no items are currently under review and no items have been amended.

Risk scores have been amended in respect of;

- (1) 2a Coastal Defence.

It was reported that during the year a review had been carried out by the Council's Internal Audit Team relating to Risk Management. The following table sets out the recommendations identified and the current position against each of those actions;

Agreed Action	Current Position
Management Team to promote the importance of operational risk management within the organisation and ensure that Senior Managers implement a process for identifying and mitigating risks in coordination with the Corporate Fraud and Risk Manager.	Management Team are currently working with the Fraud and Risk Manager to effectively promote the importance of operational risk management within the Council. The Corporate Fraud and Risk Manager attends Management Team meetings on a quarterly basis and provides monthly updates.
One to one meetings will continue to take place between Senior Managers and the Corporate Fraud and Risk Manager to identify and record key operational risks within their service areas. Support to be provided by Internal Audit if required	One to one meetings have now concluded and feedback received. A deadline has been set for Heads of Service to finalise their departmental risk assessments to conclude this action. Once concluded any required changes to the corporate risk register will be made.

<p>Once all departmental risk registers are implemented, the Corporate Fraud and Risk Manager is to embed a quality control process for monitoring business risks and verifying the recorded mitigating controls. This should involve process walkthrough's, reviews of supporting documentation and assessments of target dates / resources required to implement controls</p>	<p>Following on from the comments above, a quality control process will be implemented once departmental risk registers have been finalised.</p>
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Members recalled that at its meeting on 26 July 2018 the Committee requested that Officers review a number of risks to explore whether they should be treated as separate risks within the register given their potential impact on the Council. It was updated that this review has been completed with the outcomes set out below;

Issue Raised	Outcome from Review
<p>The delivery of the Waste and Recycling Service given recent events elsewhere in the country and the failure of large contractors nationally.</p>	<p>The contractor is considered to be a stable contractor and there are no issues relating to their financial performance. A 7 year extension to the existing contract has recently been negotiated.</p> <p>Item 9b of the corporate risk register addresses the associated general business continuity risk without itemising specific contractual areas.</p>
<p>The delivery of the Planning Service as loss of key staff could contribute towards the failure to comply with legislative requirements</p>	<p>Entry 4a on the risk register specifically relates to loss of key staff; whilst in Planning the existing margin is slight, efforts are in place that over the next three years through the grow your own programme will significantly reduce this risk in planning.</p> <p>It is not proposed to include a separate item on the corporate risk register over and above the item 4a mentioned above.</p>
<p>Emergency Planning arrangements, in</p>	<p>It is recognised that should the impact</p>

<p>respect of flooding or some other major incident, could result in the Council providing a significant number of alternative residences for a protracted period. This could seriously divert Council Officers from various departments and significantly deplete the financial reserves of the Council in the medium term.</p> <p>The Council should also be mindful that, in these circumstances, experience shows that the Council will potentially be the target of financial fraud. This would also divert Officers from their normal responsibilities and deplete Council funds.</p>	<p>occur it would be significant but the likelihood based on previous years, and the counter measures already in place such as insurance teams as well as our own housing teams being familiar with the existing client base, and having access to a wealth of client data, means vulnerability to fraud on the scale of Grenfell is remote and does not need specific entry on the register.</p> <p>Emergency planning under entry 9a will form part of existing plans for specifically rehousing existing clients; whilst entry 3d addresses fraud and corruption risk.</p>
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After consideration of this item it was **RESOLVED** that the contents of the updates provided to the current Risk Register be noted.

62. **REPORT OF THE DEPUTY CHIEF EXECUTIVE - A.5 FRAUD AND CORRUPTION STRATEGY**

The Committee had before it a Report of the Deputy Chief Executive (A.5) which presented to the Committee an updated Anti-Fraud and Corruption Strategy.

The Committee was informed that the Council's Fraud and Corruption Strategy was last updated in 2012. Following various changes, including the recent establishment of a dedicated Corporate Fraud Team within the Council, significant changes to the existing strategy have been required. The Committee considered an updated Anti-Fraud Corruption Strategy at its 26 July 2018 meeting for consultation. The updated strategy incorporated the various elements of CIPFA's code of practice on managing the risk of fraud and corruption which was adopted by the Committee at its 22 March 2018 meeting.

An updated Anti-Fraud and Corruption Strategy was before the Committee (as an appendix to item A.5 of the Report of the Deputy Chief Executive) which reflects a number of amendments emerging as part of the consultation process.

Having considered the Report (A.5) of the Deputy Chief Executive, it was **RESOLVED** that the Committee approved the amended Anti-Fraud and Corruption Strategy.

The meeting was declared closed at 8.34 pm

Chairman