

GOVERNANCE AND AUDIT COMMITTEE

17 JANUARY 2017

Present:- Councillor Pearson (Chair), Councillor Barlow, Councillor Chaplin, Councillor Chillingworth, Councillor Willetts

Substitution:- Councillor J.Maclean for Councillor F.Maclean

Also present;- Councillor Cory

38. Minutes

RESOLVED that the minutes of the meeting held on 22 November 2016 were confirmed as a correct record.

39. Work Programme 2016-2017

Councillor Pearson introduced the Work Programme for the Governance and Audit Committee. Councillor Pearson informed the Committee that the Annual Audit Plan would be included on the Governance and Audit Committee meeting for 7 March 2017.

The Democratic Services Officer informed the Committee that the Covert Surveillance Policy would also be included on the agenda for the meeting on 7 March 2017. In addition, the Democratic Services Officer reminded the Committee about the Review of Meetings and Ways of Working public meeting sessions that are taking place, and the publication of an online survey for members of the public to respond to. Councillor Pearson encouraged members to circulate information about the Review of Meetings and Ways of Working.

RESOLVED that;

- a) The Annual Audit Plan and the Covert Surveillance Policy be added to the Work Programme for the meeting on 7 March 2017.
- b) The Work Programme be noted.

41. Certification of Claims and Returns – Annual Report 2015/16

Steve Heath, Finance Manager, introduced the Certification of Claims and Returns Annual Report 2015/16. The report requests that the Committee note and comment on the contents of the Certification of Claims and Returns annual report from the external auditor, Ernst and Young. This is the final report presented to the Committee relating to work from the financial year 2015/16.

Kevin Suter presented the report and informed the Committee of the main highlights of the report. Kevin Suter stated that the key work undertaken on certification of claims and returns relates to Housing Benefit Subsidy Claim; the value of which is £55m. In addition to this, Ernst and Young are also required to complete a set programme of work as stated by the Department of Work and Pensions. The process includes testing 20 cases of each benefit type; where errors are identified 40+ testing is then carried out. The testing requires 40 further cases to be tested each time an error is encountered; on this occasion there

were four areas that required 40+ testing. The result of the work was provided to the Council in a qualification letter. The net impact of the qualification was £11,028, representing 0.02% of £55m; this is within the usual standards compared to other local authorities in providing accurate benefits for the claimants.

Kevin Suter stated that because of the higher number of errors found compared to previous years, the indicative fee has increased by £1,083; this related to one more set of 40+ testing and the additional time spent reviewing claim adjustments. In terms of the future, Kevin Suter informed the Committee that there are two more years with the current arrangement. From 2018-19 the Department of Work and Pensions will require the Council makes its own arrangements for the certification of the claim. Discussions are already taking place with Officers to ensure that appropriate measures in place.

Councillor Pearson asked for clarification about what Colchester Borough Council is intending to do in the future regarding the changes. Steve Heath stated that a report has been submitted to the February Cabinet meeting to recommend that the Council opts in to the appointing persons arrangements made by Public Sector Audit Appointments for the appointment of external auditors.

Councillor Willets questioned whether the net impact on the claim of £11,028 relates to the extended block of 40+ testing, or whether this relates to an extrapolated value. In response, Kevin Suter stated that 40+ testing is only undertaken when there is an error which requires a further 40 cases to be tested. The £11,028 claim refers to a total extrapolation of all errors identified through the testing process. The total number of cases is approximately 180-200 in total through the whole process; of those claims the amounts will vary for each error.

RESOLVED that the Certification of Claims and Returns Annual Report 2015/16 be noted.

42. Interim Review of the Annual Governance Statement Action Plan

Hayley McGrath, Corporate Governance Manager, introduced the report, which requests that the Committee consider and note the work undertaken to implement the current Annual Governance Statement Action Plan.

Hayley McGrath stated that the Governance and Audit Committee received a report on the Annual Governance Action Plan for 2016-17 in June, and this report provides an updated position on the work undertaken to implement the action plan. Hayley McGrath confirmed that there had been progress against all the issues identified in the action plan and that the audit of the final accounts for 2015/16 did not raise any concerns with the Annual Governance Statement or the action plan.

Councillor Pearson highlighted the need to explain the acronyms within the report. Councillor Willets requested further information about the changes to the payroll system at Colchester Borough Council following reports of difficulties in transferring services. In response Hayley McGrath clarified that issues identified in June with regard to the payroll refer to the previous year's audit. The new system went live on 1 April 2016 and is expected to be audited shortly. Ann Hedges, Chief Operating Officer, added that the Council re-tendered for a payroll supplier and the previous supplier did not wish to proceed into a handover period prior to the new service starting. This meant that the Council had to set up a bureau system in advance of the new supplier starting, which originally caused some difficulty with management reports. Councillor Cory confirmed that there was some difficulty with the bureau system; including Councillors allowances, however this had been

rectified and also moved to a paperless system. Switching to the new supplier for the payroll system will deliver digital challenge savings.

Councillor Willetts also questioned the theft of equipment at Rowan House in particular whether there was any data on the devices that were stolen. Ann Hedges confirmed that only unused equipment had been taken which contained no sensitive data; the theft did also include money being stolen and damage to property.

RESOLVED that the work undertaken to implement the current Annual Governance Statement.

43. Mid-Year Internal Audit Assurance Report 2016/17

Hayley McGrath, Corporate Governance Manager, introduced the Mid-Year Internal Audit Assurance Report 2016/17. The report requests that the internal audit activity between 1 April 2016 and 30 September 2016 and the performance of internal audit by reference to national best practice benchmarks be reviewed.

Hayley McGrath stated that there is a usual imbalance at 6 months, as more of the audited days are used in the second half of the year compared to the first. Hayley McGrath also highlighted that there had been increases in assurance ratings to Full for the Visitor Information Centre Cash up, Fuel Usage, Housing Benefit/Local Council Tax Support and Leisure World Cash Up. Hayley McGrath also highlighted that the audit of IT Capital Revenues and Use of Machinery/Vehicles had given a limited assurance level. All recommendations from the limited audits have been accepted.

In response to a query from Councillor Pearson, Hayley McGrath confirmed that the number of audit days allocated to each part of the year is fluid. Whilst audits are planned in different service areas there may be reasons why days need to be moved either through time off, or significant issues; Hayley McGrath confirmed that there had been some circumstances of this so far this year. Going forward, some of the days that have not been used have been reallocated.

Councillor Willetts questioned whether it is possible for Colchester Borough Council to have fully tested a disaster recovery plan given the capacity required to do it. Hayley McGrath stated that the IT system as a whole has not been tested, but the key systems have testing built in, for example, the housing systems are tested each year. The whole ICT system was moved last year, which required the systems being switched off and powered back on; this was completed successfully.

Councillor Willetts also questioned, with regard to the audit of the use of machinery/vehicles, whether there had been any employees driving council vehicles in circumstances that would invalidate the insurance. Hayley McGrath stated that there is a robust system in place including a comprehensive handbook which includes the requirement to check licenses often. The reason behind the recommendation following the audit being classed as a category 1 is due to gaps in the recording of information.

Councillor Pearson requested further information about which recommendations had been implemented. Alan Woodhead, Mazars, stated that the recommendations go through periodic and ad-hoc reviews; the implementation date for the recommendations is 30 November, and this will be reviewed next month.

RESOLVED that the internal audit activity for the period 1 April 2016-30 September 2016 and the performance of internal audit be noted.

44. Risk Management Progress Report

Hayley McGrath, Corporate Governance Manager, introduced the Risk Management Progress report. The report requests that the Committee note and comment upon the work undertaken during the period 1 April to 30 September 2016 and the current strategic risk register.

Hayley McGrath stated that this was a quarterly update on risk management at Colchester Borough Council. A review of the risks had taken place with the Executive and Senior Management teams during September; no changes were recommended. Hayley McGrath stated that the key risk continues to be the potential impact of future government decisions to reduce public funding or that of Colchester Borough Council partners. The second key risk relates to the failure or inappropriate performance management of one or more strategic partnerships or key contracts.

Hayley McGrath confirmed that a full review of the risks would be undertaken in March as part of the Governance review; this will involve a series of meetings with each area of the Council.

Councillor Pearson welcomed the report, and concurred with the assessment provided by Officers.

RESOLVED that the work undertaken during the period 1 April to 30 September 2016 and the current strategic risk register be noted.