



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT ADVISORY COMMITTEE Monday 26 June 2017 at 6.30 pm

PRESENT: Mr David Ewart (Chair), Mr Eugene Sullivan (Independent Member) and Councillors Davidson, Long, Naheerathan and Nerva

ALSO PRESENT: Councillor McLennan

The Chair welcomed everyone to the meeting and explained the order in which the agenda items would be considered.

The Chair asked everyone to introduce themselves as this was the first meeting of the new Audit Advisory Committee and it was Michael Bradley's (the Council's Head of Audit and Investigation) first meeting.

1. **Apologies for absence and clarification of alternate members**

Apologies for absence were received from Councillors A Choudry (with Councillor Long substituting) and Dixon.

2. **Declarations of personal and prejudicial interests**

None.

3. **Deputations (If Any)**

There were no deputations received, but Nikolay Manov (Governance Officer at the London Borough of Brent) informed the Committee that Mr Phillip Grant had requested to address the Committee in relation to Agenda Item 7. This had been agreed with the Chair.

4. **Minutes of the previous meeting**

RESOLVED that the minutes of the previous meeting, held on 20 March 2017, be approved as an accurate record of the meeting.

5. **Matters arising**

(i) *Internal Audit Report – Torah Temimah Primary School*

Conrad Hall (the Council's Chief Finance Officer) informed the Committee that the school had not been able to obtain the outstanding qualification in the time between the meeting of the Audit Committee in March 2017 and the middle of June 2017. He said that he would update the Audit Advisory Committee once he received a confirmation that the qualification had been achieved.

(ii) *Planning Applications Audit Report*

The Chair said that it was still unknown who had switched the System Audit Trial controls off and that the Committee had to know whether these were turned on when the supplier had released the software to Brent Council. Conrad Hall, the action's owner, confirmed that he was awaiting formal information and that he would inform the Committee accordingly.

(iii) *Annual Report on Grant Claims and Returns*

It was noted that an officer from Housing Benefit was in attendance to provide an update on the monitoring of self-employed income assessments carried out under the department's improvement plans for this high risk area as identified in KPMG's Annual Report on Grant Claims and Returns.

The Chair clarified that this matter would be discussed under Item 14 to the Agenda.

(iv) *Improving the Working of the Committee*

A Member of the Committee enquired about the existing arrangement for reporting to Full Council. The Chair explained that the Vice-Chair, who was the most senior Elected Member, would report at each meeting of Full Council. In addition, he confirmed that a training session had taken place the week before for all Members of the Committee and an Annual report would be presented to Full Council.

6. Order of Business

RESOLVED that the order of business be amended as set up below.

7. Draft Risk Management Strategy 2017-2019 and Strategic Risk Register

The Audit Advisory Committee formally welcomed Michael Bradley (the Council's Head of Audit and Investigation) who introduced himself and spoke of his professional experience.

Carolyn Downs (the Council's Chief Executive) delivered a presentation on Fire Safety in High Rise Tower Blocks and outlined her involvement in the cross-London response to the fire at Grenfell Tower tragedy. She said that Brent was supporting the Grenfell Tower Response Team set up by London Gold emergency planning and fire resilience colleagues in providing humanitarian response to the disaster. She compared the fire to the attacks on 7 July 2005 and pointed out that one of the main differences was that people had lost their homes and had been displaced completely. She highlighted that the situation was ongoing and pointed out that any council (both nationally and locally) would not have been able to cope with the situation on its own, especially as resilience had diminished. Ms Downs stated that Brent had to prepare for its response going forward which would require the Audit Advisory and the (Housing) Scrutiny Committees to work together.

Ms Downs informed the Committee that the response in Brent started on the first day after the fire by checking if any buildings with cladding in the Borough existed.

She said that both the Council's own housing stock and registered providers' properties had been checked. 100% of the 37 high rise (over five storeys) blocks had been assessed and all of them were compliant with fire safety regulations. Ms Downs stressed that Brent had never used Rydon Limited or Harley Facades Limited (the companies involved in renovating Grenfell Tower) and that more than £10 million had been spent in the last four years on reducing the risk of fires in council-run properties in Brent. The Committee heard that there was only one block with cladding (Watling Gardens) where extra checks had been implemented and a meeting had been held with residents and the manufacturer of the cladding which was made of different material from the one used at Grenfell Tower. In relation to high rise blocks, managed by registered housing providers, Ms Downs said that Elizabeth House, managed by Octavia, had some cladding which was of the same type and she had contacted Octavia Housing, the Member of Parliament and central government. Assurance had been given to the residents that there had been no need to evacuate the building and that it was fire safety compliant, with sprinklers fitted in every room and special equipment designed to extract smoke from stairways being fitted. In addition, officers had checked building control documents and it had been confirmed that officers had authorised what they believed to be entirely compliant cladding.

One of the main developers in Brent, Quintain, had confirmed that all new build blocks met fire safety standards. However, Ms Downs pointed out that there was an issue associated with permitted developments as these did not need to go through the planning process in the same way as major developments. She emphasised that this was an area of concern due to the deregulation which had taken place and that government, not council legislation, was responsible for checking fire safety.

Ms Downs spoke of the support provided to the Grenfell Tower Response Team – 122 members of staff had been in contact with the local authority or had volunteered to support the response and recovery stages, with 30 core staff supporting the Grenfell Tower Response Team. Ms Downs praised the calm and professional approach demonstrated by all Brent employees and ensured the Committee that Brent had responded as well as it could have.

A member of the Committee noted that there had been a lot of information on the Council's website about fire safety and pointed out that it could be useful to publish information when the webpage had been last updated.

Members of the Committee commented that the Brent Housing Partnership audit had achieved no assurance so this could be included in the Committee's agenda. It was pointed out that lessons learned were important in terms of risks associated with building control and incident response. A Member of the Committee asked a question that related to fire safety in block of flats of five or less storeys. Ms Downs responded that the newly-established Housing Scrutiny Committee would look at the matter. She acknowledged that building control had become more complicated since the deregulation as it was difficult to define clear lines of responsibility as building control was not exercised only by the local authority. Therefore, the issue of recording and archiving building control decisions would be examined.

In response to a question that related to the factors affecting the decision to evacuate a building, Ms Downs explained that the Fire Brigade was key to making

such a decision, with a number of factors taken into account alongside cladding, including overcrowding which existed in both social and private housing.

The Chair reminded the Committee that fire safety audit had resulted in a nil assurance report and requested an update to be provided at the next meeting.

RESOLVED:

- (i) The Audit Advisory Committee's deepest sympathy for the people affected by the fire at Grenfell Tower be formally recorded;
- (ii) The Audit Advisory Committee's gratitude to Ms Downs and Brent Council's staff for the work they had been doing be formally recorded; and
- (iii) An update on fire safety assurance be provided at the meeting of the Audit Advisory Committee in September 2017.

The Chair invited Michael Bradley (the Council's Head of Audit and Investigation) to introduce the rest of the Draft Risk Management Strategy 2017-2019 and Strategic Risk Register report. Mr Bradley said that review of arrangements reported at the March Audit Committee, had given positive assurance regarding the management of risk. However, he noted that opportunities to strengthen arrangements had been identified - in particular ensuring that communication between interrelated risks at the operational level was enhanced and that risk was linked more closely to performance data ensuring that it was monitored and reported. The Committee heard that the Risk Management Strategy had been refreshed with some key principles in mind – the process had to be as simple and efficient as possible; guidance had to be reviewed as part of the implementation plan; and risk management had to be visible to other Members, including the Cabinet. Mr Bradley said that an implementation plan had been drafted (included in Appendix B to the report) to support the new strategy. In relation to the Strategic Risk Register, Mr Bradley said that it had been developed with risks linked to the objectives outlined within the Council's 2020 Vision, with input from the Council's Performance Team, Risk Management Group, Internal Audit and Corporate Management teams. Moreover, it would be possible to enter risk at both departmental and corporate level. Mr Bradley drew Members' attention to paragraph 4.10 of the report on page 73 to the Agenda Pack and noted that the inherent risks would be incorporated into the Strategic Risk Register when net or mitigated risk ratings were deemed to be of a level that exceeded the appropriate tolerance (rated as over 20).

The Independent Member commented that the policy statement was in line with good practice. However, he said that the Strategic Risk Register felt like work in progress and pointed out that some risks had not been included as they had not been identified as high risk, which was contrary to his preference of having all risks included in the list. In addition, the Chair commented that the document was a good start, but additional actions had to be completed.

A Member of the Committee enquired if any changes had to be made to the Risk Management Strategy, having in mind the fire at Grenfell Tower and the aftermath of the disaster. Mr Bradley confirmed that changes may be needed, but emphasised that these would be known at a later stage. In response to a question that related to risks affecting decisions taken by the Local Authority, Mr Bradley said

that risk awareness should be embedded and considered when projects were discussed. This led to a question to the external auditor, KPMG, about what is examined when external auditing was carried out. Andrew Sayers (Partner at KPMG) said that embedding risk management and using it effectively were essential as well as delivering value for money. Moreover, Conrad Hall (the Council's Chief Finance Officer) said that risk management was related to the culture of the organisation, which should allow for sensible enquiries to be made; an open mind approach to risks; and consideration of additional risks beyond the ones presented.

RESOLVED:

- (i) The Draft Risk Management Strategy 2017-2019 and Strategic Risk Register report be noted;
- (ii) The 2017/19 Risk Management Strategy be approved;
- (iii) The draft implementation plan to embed the new Risk Management Strategy be noted;
- (iv) The current Strategic Risk Register be noted;
- (v) An update on the Draft Risk Management Strategy 2017-2019 and Strategic Risk Register, reflecting changes in the aftermath of the Grenfell Tower fire be presented at the Audit Advisory Committee meeting on 20 September 2017.

Councillor Davidson entered the meeting at 6:46 pm.

8. Remit and Operation of the Audit Advisory Committee

Debra Norman (the Council's Chief Legal Officer) introduced the report which explained the remit and operation of the New Audit Advisory Committee. She emphasised that the main change had been that the Independent Members had equal status with other members of the Committee, allowing them to vote on matters considered by the Committee. Ms Norman said the Audit Committee would meet as and when required to make decisions (such as approving the Draft Statement of Accounts). She informed Members that the terms of reference of two Committees were included in Appendix A to the report (page 13 to the Agenda Pack).

RESOLVED that the contents of the Remit and Operation of the Audit Advisory Committee report be noted.

9. External Audit Progress Report

Andrew Sayers (Partner at KPMG) presented the report which summarised the audit activities undertaken by KPMG in the period March 2017 to June 2017. He said that there were no particular issues that had to be reported at this stage and that any outstanding items would be included in the annual audit letter. Mr Sayers drew the Committee's attention to key work undertaken by KPMG which could be found on page 16 to the Agenda Pack. He highlighted that KPMG had commenced work on the Pension Fund annual accounts on 12 June 2017 and that work on the

main financial statements had started on 19 June 2017, with an expectation to be completed by the end of July 2017. The Committee heard that work on the objections to the accounts continued and KPMG's provisional view on the objections made relating to the payment to the former Human Resources Director and associated matters would be shared with the Council and the objectors in July 2017, along with material documents KPMG had relied upon. Mr Sayers said that KPMG had requested additional information from the Council on the Lender Option Borrower Option (LOBO) objection which the Council was currently compiling.

The Chair invited Mr Grant to address the Committee. Mr Grant stated that the objectors were disappointed with the lack of progress and expressed concern that the investigation process may have changed without any notice given to the objectors. Mr Grant explained that the objectors expected to receive all documents which Mr Phillip Johnstone considered material to his decision, so they could have the opportunity to make further comments, before Mr Johnstone made additional enquiries and that KPMG's provisional findings would be shared with them. Mr Grant said that the objectors still had not received any documents (due by the end of June) as per Mr Sayers' email from 3 May. He requested the Committee to invite Mr Sayers to clarify the process the investigation was following and to encourage him to provide a timetable for the steps in the process he intended to take in order to resolve the objections. In response, Mr Sayers said that the actual process had not changed and that there was a slight amendment on timing as he had decided to share the provisional views with the material documents so objectors could consider both together. This in his view was likely to be more helpful. As far as the timetable was concerned, Ms Sayers explained that KPMG had been considering information received at the end of March which accounted for some delay to the process. He said that he expected both the Council and the objectors to respond to the provisional views and then he estimated it would take six weeks for a final decision to be issued unless a new strand of investigation was required.

Mr Grant addressed the Committee in relation to material documents to the payment the electors had objected to. He asked why the objectors had not been provided with the documents that had been given to KPMG in December 2016 by Conrad Hall. He explained that if he had seen the documents, he might have withdrawn his objection (if the documents meant he was satisfied) or he could have made specific comments, clarifying the points he disagreed with. This led to a short discussion about the meanings of 'legal privilege', 'constructive dismissal' and 'unfair dismissal' which Debra Norman (the Council's Chief Legal Officer) explained. Mr Grant asked the Audit Advisory Committee to recommend that officers of the Council notify Mr Sayers that the Council consented to him sharing any documents, including "legally privileged" documents, with the five objectors, subject to strict confidentiality conditions; and to reassure the Chief Executive, and any of her staff, that giving such consent would not be considered to be a breach of their duties to the Council. Mr Sayers responded he would not comment on the legal position, and KPMG would take its own legal advice if required, but he reassured the Committee that he had not been restricted in any way and he had all the information he needed to complete his work on the objections.

A Member of the Committee asked if KPMG would have taken a different approach if the legal privilege did not exist. Mr Sayers said KPMG would have shared documents that were material to their decision and if there was a potential data protection issue, would if necessary have sought its own legal advice. Conrad Hall

(the Council's Chief Finance Officer) reminded Members that a meeting had been held between Carolyn Downs (the Council's Chief Executive), himself and the objectors in early December 2016 when a number of documents were discussed. Mr Hall emphasised that information had been shared and that the Council had not been trying to limit information sharing. In response to a question that related to the nature of the objection, Mr Sayers said that he would not discuss details of the objections received at the meeting. He explained the actions available to the auditors, which are to apply to court for a declaration that the item was unlawful or to prepare a public interest report. Mr Sayers explained that it was a judgement of the auditor to decide whether or not to raise a public interest report.

Mr Hall updated the committee on the work undertaken on the other objection to the accounts (related to the LOBO treasury transactions). He said that all of these transactions were undertaken more than seven years ago and that, at the time of the meeting, officers were seeking to locate relevant documents, some of which would date back to the 1990s, and that it would therefore be some time before a more substantive update was possible.

RESOLVED:

- (i) The contents of the External Audit Progress Report be noted; and
- (ii) A report detailing the timetable of the investigation into the objections made relating to the payment to the former Human Resources Director, the costs incurred and an update on progress (or the final findings) be presented at the Audit Advisory Committee meeting in September 2017.

10. Draft Annual Governance Statement 2016-17

Michael Bradley (the Council's Head of Audit and Investigation) introduced the report which set out the draft Annual Governance Statement for 2016-17 as required by the Accounts and Audit Regulations 2015 and in accordance with the Cipfa / Solace Delivering Good governance in Local Government Framework 2016. He informed the Audit Advisory Committee that the draft statement followed the seven core governance principles and that potential issues had been discussed by the Council's Corporate Management Team. Mr Bradley asked the Committee to consider any changes to the report that may be required. He drew Members' attention to the section of significant governance issues (page 35 to the Agenda Pack) for which action plans had been put in place during 2016-17. He emphasised that the two issues relevant to the fire at Grenfell Tower (Statutory Compliance - Health & Safety and Brent Housing Partnership – Integrated Asset Management Partnership) had been picked up by the Council and had been closed. The Committee heard that as part of the on-going effort to strengthen governance arrangements all actions within the plans had been completed and this had been confirmed through the 2016/17 formal review of effectiveness undertaken as part of the process to produce the Annual Governance Statement. Moreover, no significant governance issues had been identified during 2016-17.

The Independent Member said that the principles and best practice in producing governance statements had been captured well. He stated that good governance had to be ensured both theory and practice so he recommended that more

independent assurance that the procedures prescribed worked well was sought. The Chair stated that this would be look at as part of the audit programme.

A Member of the Committee asked a question about attendance at Member Learning and Development sessions related to regulatory services (see paragraph 3.7.1 on page 27 to the Agenda Pack). The Committee heard that turnout had not been satisfactory and that a report could be brought to the Committee's attention. It was noted that a new approach to Member Learning and Development would be adopted from the start of the next full four-year cycle, i.e. after the local elections in 2018.

RESOLVED:

- (i) The contents of the Draft Annual Governance Statement 2016-17 be noted;
- (ii) The Annual Governance Statement be approved for submission to the Chief Executive and the Leader of the Council for signature.

11. Internal Audit and Counter Fraud Progress Report

Michael Bradley (the Council's Head of Audit and Investigation) introduced the report which provided an update on the progress of the Internal Audit Plan and counter fraud work undertaken since the meeting of the Audit Committee in March 2017 as well as the counter fraud work completed in quarter four of 2016-17. Specific points which Mr Bradley covered included Internal Fraud (page 41 to the Agenda Pack), Housing Tenancy Fraud (page 42 to the Agenda Pack) and Other External Fraud (page 45 to the Agenda Pack). Mr Bradley advised Members that more information was presented in the Internal Audit Annual Report – 2016/17 which had been included in the agenda for this meeting.

The Independent Member reflected that the closing casework numbers were lower than the opening which presented a good result over the course of the year.

RESOLVED:

- (i) The contents of the Internal Audit and Counter Fraud Progress Report be noted;
- (ii) The work of the Fraud Investigation Team on the Housing Tenancy Fraud be formally commended.

12. Internal Audit Annual Report - 2016/17

Michael Bradley (the Council's Head of Audit and Investigation) presented the paper which included the opinion on the overall adequacy and effectiveness of the Council's internal controls and presented a summary of the audit work undertaken during the year. Mr Bradley highlighted that the report had been prepared by Vanessa Bateman (former Interim Head of Audit and Investigation) and, therefore, reflected her views (paragraph 3.2 on pages 47 and 48 to the Agenda Pack). He reminded members that the Audit and Investigation service had been shared with the London Borough of Ealing for the first half of the 2016-17 financial year. The Committee heard that the total number of projects completed was 55 out of a total plan of 61, with the remaining items scheduled to be completed in 2017-18. Mr

Bradley drew Members' attention to paragraphs 3.8, 3.9, 3.10 and 3.13 of the report (pages 50-53 of the Agenda Pack) and noted that the improvement of the level of assurance and having three Priority One recommendations no longer applicable were positive features. The Committee heard that the approach to schools assurance had been reviewed in light of Member and Management concerns to ensure increased assurances were available to Governing Bodies and the Council in 2017/18.

Mr Bradley informed Members that the London Borough of Brent would take part in a peer review between all London Boroughs where a peer borough would be picked at random to assess Brent's Service against the standards. In response to a question from the Chair related to timescales, Mr Bradley said that Brent aimed to complete self-assessment in September 2017, produce an action Plan by December 2017 and take part in a peer review in March 2018.

The Independent Member highlighted that the number of items with limited assurance had increased and recommended actions to be taken to ensure that audit plans and action plans were on target.

The Chair thanked the Audit Service for the work completed.

RESOLVED that the contents of the Internal Audit Annual Report – 2016-17 be noted.

Councillor Naheerathan left the meeting at 8:01 pm.

13. **2016-2017 Treasury Management Outturn Report**

Gareth Robinson (Head of Finance at the London Borough of Brent) informed the Committee that this was a statutory report which was presented to the Committee twice a year. He said that there was a slight reduction in the Debt and Investment Portfolio Position as of 31 March 2017, while PFI remained small (page 64 to the Agenda Pack). He noted that the average rate of interest paid on the Lender's Option Borrower's Option (LOBO) loans had been little different to that on Public Works Loan Board (PWLB) debt (4.75% compared to 4.71% at 31 March), with the most expensive LOBO being at 6.234% on 31 March, compared with the most expensive PWLB at 8.875%. In terms of interest earned, this was confirmed to have been £1 million, representing an average return of 0.52% on the average cash balance of £199 million. Mr Robinson informed the Committee that the Council had recovered 98% of its £10 million deposit with Heritable Bank, but the administrators had not made any further estimate of final recoveries yet (£200,000).

The Independent Member said that Brent Council had to work hard, but he was positive about the assurance achieved by this paper. The Chair noted that the Council was in compliance with the regulations and the Treasury Management Strategy. He further referred to page 69 to the Agenda Pack, commenting that the Council was careful to ensure that it had sufficient revenue to cover financing costs and that it was not overextending itself.

In response to a Member's question related to long-term debt, Conrad Hall (the Council's Chief Finance Officer) gave an example of a loan of £3.05 million at a rate of 8.875% which would have costed the Council £0.935 million to repay which constituted a 30% premium on the value of the loan before the cost of re-financing.

Mr Hall said this made it prohibitive to repay the loans at present but in the future, the situation could change and this would be reviewed if interest rates were to rise significantly.

RESOLVED:

- (i) The contents of the 2016-17 Treasury Management Outturn Report be noted.
- (ii) The 2016-17 Treasury Management Outturn Report be presented to the Cabinet and Full Council, in compliance with CIPFA's Code of Practice on Treasury Management.

14. Statement of Accounts

Benjamin Ainsworth (Head of Finance at the London Borough of Brent) presented the paper which outlined the draft Statement of Accounts prior to their submission for audit. He paid specific the table on page 7 to the Supplementary Agenda Pack which reflected the structure of the Council and compared revenue budget to outturn. Mr Ainsworth commented on each line of the table and reported that the total outturn for the general fund was 0.0. He drew Members' attention to a table on page 9 to the Agenda Pack outlining the Capital Outturn and said that there were plans to address the underspend in 2017-18. This led to a question about the assurance that the money would be spend in the 2017-18. Conrad Hall (the Council's Chief Finance Officer) responded that the capital budget underspend had been acknowledged and dealt with and that sometimes project managers were too optimistic about the amount of money they were going to spend (e.g. the Schools Programme). The Committee heard that the Capital Programme Board met monthly to review progress and that a number of potential causes of underspending had been identified (for example, unrealistic profiling and issues related to capacity). The Chair requested that a report be presented to the next meeting on the monitoring of the Capital Programme.

Committee Members enquired about overspending in various departments, among which Community and Wellbeing, Resources and Regeneration and Environment. Mr Ainsworth attributed the overspend in the Community and Wellbeing Department to late delivery of the New Accommodation for Independent Living, the increased number of Adult Social Care clients and the missing of targets related to technical change. In relation to overspend in the Resources Department, Mr Hall said that some significant savings in legal services had been made, but it had been difficult to reduce legal support as this could have led to increased risks and could have been counter-productive. He noted that the targets that had been sent unrealistically ambitious. Althea Loderick (the Council's Strategic Director for Resources) added that the legal budget would be reduced by up to £900,000 by introducing more efficient ways of working. Mr Hall pointed out that 2016-17 had been an unusual year for the Regeneration and Environment Department as over- and underspends matched in various areas. He stressed that underspending in the department had not been delivered by cuts, but through savings already planned and agreed, without affecting the level of the service provided. He said that he would discuss some budget adjustments with the Deputy Leader before these were included in a report to the Cabinet and he informed the Committee that would be able to share the document before it was published.

Mr Ainsworth directed Members' attention to the following pages of the Supplementary Agenda Pack:

- Page 10, stating that it was the most important page of the whole report as it contained the Council's balance sheet and noting that liabilities fluctuated every year.
- Page 14, commenting that there was very little movement on most lines with the exception of some liabilities, with some of the bigger movements explained in the narrative of the report.
- Page 32 onwards, where information on financial issues and LOBOs was contained
- Page 41 which detailed senior officer's remuneration
- Page 50, detailing the Housing Revenue Account. Mr Ainsworth said that any movement on the value of council dwellings had a big impact on the Council's balance sheet. The Committee heard that there had been a slight fall (2-3%) in housing values in Brent.

A Member of the Committee asked a question that related to the impact of Right to Buy on the housing revenue account. Mr Ainsworth explained that it had an effect on the number of assets, which had reduced by approximately 160 in the last year. He clarified that some of this reduction could be as a result of movement of assets to the South Kilburn Regeneration Programme.

In response to a Member's question, Mr Hall said that it was a legal requirement to publish information about the remuneration of the Chief Executive, officers who reported directly to her (mostly the Council's Management Team), and statutory officers. He emphasised that all senior officers were paid via Payroll and that in 2016-17 there had been a large increase in the number of officers paid via Payroll.

The Chair advised the Committee that Mr Ainsworth would be available to take further questions from Members in writing. He asked Mr Hall to comment on the level of reserves, to which Mr Hall said that the £12 million general reserves was an appropriate level for a local authority of Brent's size. Mr Hall stated that it would be difficult to have lower level of reserves with the current risk profile, highlighting that Local Authorities had to attain separate reserves against contingency (to be used in emergency situations).

RESOLVED:

- (i) The contents of the Statement of Accounts report be noted; and
- (ii) The opinion of the external auditor on the Statement of Accounts be provided at the Audit Advisory Committee meeting on 20 September 2017.
- (iii) A report on the monitoring of the Capital Programme be presented at the meeting of the Audit Advisory Committee in September 2017.

15. Housing Benefit Subsidy Audit Update

Russell Gibbs (the Council's Benefits Subsidy and Policy Manager) presented a report which updated the Committee on the monitoring of self-employed income assessments carried out under the department's improvement plans for this high-

risk area. Mr Gibbs reminded Members that the 2015-16 Subsidy Audit had identified an error rate of 42% for the 125 claims that had been audited. Members heard that a forward plan had been put in place to facilitate the tackling of issues related to Housing Benefit claims and that an interventions exercise had started. As a result, a total of 2768 claims had been identified as requiring review, the criterion for which being that the self-employed income that had been used in the assessment had been, at that point, greater than one-year old. 10% of these claims required a face-to-face appointment in order to spot check levels of expenses being declared. In addition, a revised policy had been put in place to reduce the number of errors which had led to an improved rate –one error had been found out of 27 quality assurance checks (accuracy – 96%). Mr Gibbs said that interventions were scheduled to continue between July 2017 and November 2017, with an aim to review the remaining 2508 claims. The development of an online form had been delayed and it was not expected to become operational until the third quarter of 2017-18. Therefore, an interim solution had been discussed and it was expected that it would be completed by August 2017. Mr Gibbs expressed confidence that there were no major concerns among members of his team and that work would finish on time.

A Member of the Committee asked how self-employment income was going to work once Universal Credit was rolled out. Mr Gibbs said it was not known when exactly Universal Credit would be introduced (expected by September 2018) and what the speed of the roll-out would be. However, he pointed out that it would be administered by the Department for Work and Pensions (DWP) so assessing applications would become DWP's responsibility.

The Independent Member enquired whether errors were following a similar patterns to which Mr Gibbs responded that more complex cases tended to have greater variation in the types of errors. This led to an enquiry whether higher error rates could be expected in 2016-17. Mr Gibbs confirmed this, stating that this was due to the fact that there had not been enough time to implement the revised measures to influence the outcomes in 2016-17, but reassured Committee Members that claims for the 2017-18 financial year should not have unusual levels of errors.

RESOLVED that the contents of the Housing Benefit Subsidy Audit Update report be noted.

16. **Audit Advisory Committee Forward Plan**

The Chair requested actions related to the preparation for a Peer Review in March 2018 to be added to the Forward Plan.

RESOLVED:

- (i) Audit Advisory Committee Forward Plan be noted;
- (ii) Audit Advisory Committee Forward Plan be revised by the Chief Finance Officer, the Head of Audit and Investigation and the Governance Officer supporting the Committee as and when necessary; and
- (iii) Audit Advisory Committee Forward Plan be added as a standing item on the agenda of the Committee.

17. **Election of Chair for the Rest of the Meeting**

Mr Ewart left the meeting during the consideration of Agenda Item 18.

RESOLVED that The Independent Member, Mr Sullivan, chairs the rest of the meeting.

18. **Any other urgent business**

Conrad Hall (the Council's Chief Finance Officer) notified the committee that Mr Ewart's term was finishing in June 2017. He proposed that Mr Ewart was re-appointed for another two-year term on the existing terms and conditions. The Independent Member seconded Mr Ewart's nomination and the remaining Members of the Committee expressed their support for the proposal.

RESOLVED that a recommendation be made by the Audit Advisory Committee to Full Council to appoint Mr David Ewart to position of Chair of the Audit Advisory Committee for a two-year term

19. **Date of next meeting**

The date of the next meeting of the Audit Advisory Committee was scheduled to take place on 20 September 2017 at 6:30 pm.

The meeting closed at 8.55 pm

D EWART
Chair