



Minutes of the Audit Committee

25 September 2019

-: Present :-

Councillor Loxton (Chairman)

Councillors Hill, Howgate, Kennedy, O'Dwyer, Doggett and Long

188. Apologies

It was reported that, in accordance with the wishes of the Liberal Democrat Group, the membership of the Committee had been amended for this meeting by including Councillors Doggett and Long instead of Councillors Heyse and Dart.

189. Minutes

The Minutes of the meeting of the Audit Committee held on 18 June 2019 were confirmed as a correct record and signed by the Chairman.

190. Grant Thornton - The Audit Findings for Torbay Council

Members considered and noted a report that highlighted the key issues regarding the Council's financial statements for the year ended 31 March 2019. Sarah Ironmonger, Key Audit Partner, Mark Bartlett, Manager, Grant Thornton outlined the submitted report. Sarah informed Members that they conducted their on examination of the Council's financial statements during August instead of June and would give their audit opinion before the audit deadline of 30 September, due to resourcing constraints within Grant Thornton.

The examination did not identify any adjustments affecting the Council's financial statements that have resulted in an adjustment to the Comprehensive Income and Expenditure Statement, and they had not needed to exercise any of their statutory powers. Sarah advised that she anticipated issuing an unqualified audit opinion following today's Audit Committee meeting on the Council's financial statements.

Sarah further explained that as the Council's external auditors they proposed to give a qualified 'except for' value for money (VFM) conclusion, on the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources, except for in relation to understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management and for planning. Organising and developing the workforce effectively to deliver strategic priorities. This was due to Children Service's being rated as inadequate by Ofsted.

191. Statement of Accounts and Annual Governance Statement 2018/2019

Members considered a report that sought approval of the Council's Statement of Accounts for the year ended 31 March 2019 by a committee of the Council before 30 July 2019. The Head of Finance, Martin Phillips, informed Members that the accounts show a true and fair view of the financial position of the Council's income and expenditure for the year 2018/19 and its assets and liabilities as at 31 March 2019 in line with the CIPFA Code of Practice.

Resolved:

- (i) that Audit Committee having reviewed the accounts including the significant accounting policies and considered the External Auditor's report and opinion on the Accounts, approve the Statement of Accounts and Annual Governance Statement 2018/19 (attached at Appendix 2 to the submitted report); and
- (ii) that the Letter of Representation (attached at Appendix 1 to the submitted report) be approved.

192. Treasury Management Mid-Year Review 2019/20

Members considered and noted a report that provided a review of Treasury Management activities during the first part of 2019/20. The Head of Finance, Martin Phillips, informed Members that the Treasury function aims to support the provision of all Council services through management of the Council's cash flow, debt and investment operations.

The Head of Finance referred to the following key points of the Treasury Management review:

- New borrowing of £32million taken in year to date (as at early September 2019);
- Substantial increases approved to the Capital Plan for the Torbay Economic Growth Fund (£100m) and Investment & Regeneration Fund (increased by £100m) but with spending assumed in later years;
- Re-profiling of capital expenditure reducing the overall borrowing need in 2019/20 but no change to the approved borrowing limits;
- Total borrowing currently over-borrowed ahead of completion of Investment Fund acquisitions. Primary strategy of internal borrowing remains in place;
- Revised interest rate forecast with delayed rise in Bank Rate; and
- Investment performance exceeding the Benchmark.

Members discussed the governance in connection with investment decisions and suggested the benefit of reviewing the value of our investment assets in light of Brexit and bringing an update on investments to the next meeting.

193. Housing Benefit Subsidy Certification - Financial Year 2017/18

The Audit Committee considered and noted a report which provided details of the Housing Benefit Subsidy Certification for 2017/2018. Housing Benefits was a means-tested benefit that helps households on low incomes pay rent. This was administered by local authorities who undertake the day-to-day administration and payment which was then reclaimed as a subsidy from the Department to Work and Pensions. The total subsidy claimed for Rent Allowance (private sector) and Rent Rebates (temporary accommodation) for 2017/18 was £60,452,407.

The certification process identified error with a number of earned income calculations detailed in the submitted report and as a consequence the claim was financially qualified, resulting in a potential loss in subsidy to the Local Authority of £475,282, however, following engagement with the DWP and further testing it was agreed that the full subsidy would be granted. The total subsidy claimed for Rent Allowance (private sector) and Rent Rebates (temporary accommodation) for 2017/18 was £60,452,407.

Members acknowledged the hard work of the Benefits Team in managing large complex caseloads and that this was the first time this type of error had been found. A peer review had identified a number of current good working practices and minor changes had been made to reduce the likelihood of this type of error being made in the future.

194. Corporate Fraud Update

Members noted a report that provided an update on the work undertaken by the Corporate Counter Fraud Officer. Work has continued to be concentrated on the Council's income to ensure the collection fund is maximised and accurate with an emphasis on prevention. Council Tax and Business Rates remained the highest area of risk from fraud for the Council. Work of the team has resulted in over £500k being identified.

The Council was one of six pilot authorities in the South West who matched Business Rates data against alcohol licenses, food registrations, creditors standing data, residential care homes and the business rates charge bases of other Local Authorities which resulted in identifying over £304k in small business rates fraud. This initiative was now being offered nationally.

(Note: Councillors Doggett, Hill and Long left the meeting during discussion of this item.)

195. Performance and Risk Report Quarter 1 2019/20

Members noted the Corporate Performance Report for quarter 1 for 2019/2020. Member's attention was drawn to:

- increased demand for Children's Services;
- number of children looked after;
- child protection plans;

- % of children having an initial child protection conference within 15 days;
- recruitment and retention of social workers;
- future negotiations of adult social care risk share;
- number of people on housing waiting list and in temporary accommodation;
- waste and recycling; and
- variance to the budget in year and risks to future budget.

The Committee noted that this was an interim performance report based on the priorities of the Partnership and that future reports would be developed around the key themes of the Corporate Plan, once approved. A separate report would be circulated to the Committee on complaints in order to raise awareness of this area. It was agreed that members of the Committee would raise with the Chairman any specific areas of performance they wished to consider at the next meeting.

Members discussed issues in connection with the forthcoming Ofsted update visit and overspend in Children's Services and questioned if the quarter 2 budget monitoring report could be considered at this next meeting together with the Ofsted report, if this was deemed an appropriate forum for presentation by the Director of Children's Services.

196. Planned Audit Fee for 2019/20

Members noted the 2019/20 Planned Audit Fee Letter which set out the scale of fee's which were determined by the Public Sector Audit Appointments Limited (PSAA). The PSAA prescribed scale of fee's are based on the expectation that audited bodies are able to provide the auditor with complete, materially accurate financial statements, with supporting working papers, within agreed timescales.

Members noted that the fee for 2019/20 was the same as the fee for 2018/19 (i.e. £78,581).

197. Whistleblowing Complaints

Members noted the report and exempt appendix. Arising from the discussion of this item, the Committee requested the Head of Finance to consider adding work around procurement fraud to the Corporate Fraud Work Programme with support from Internal Audit.

(Note: prior to consideration of the item in Minute 197, the press and public were formally excluded from the meeting on the grounds that exempt information (as defined in paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) was likely to be disclosed.