



Minutes of the meeting of the Audit & Governance Committee held on 26 September 2024 when there were present:-

Chair: Cllr A Edwards

Cllr N Benson
Cllr L Breading
Cllr A Harbinson

Cllr J Huntman
Cllr D Silk

SUBSTITUTE MEMBERS

Cllr M Dearson substituting for Cllr B Wimbledon

VISITING MEMBERS

Cllr R Lillis, Cllr M Cortes, Cllr S Brooke

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr N Harvey and Cllr B Wimbledon.

OFFICERS PRESENT

A Hutchings	- Chief Executive
C Adlem	- Director, Corporate & Customer
A Law	- Assistant Director Legal & Democratic Services (MO)
L Wosko	- Assistant Director Finance & Procurement (S151)
D Ghela	- Assistant Director Housing, Health & Partnerships
A Barnes	- Head of Internal Audit (Southend City Council)
M Dineen	- Assistant Director for Counter Fraud, Enforcement and Community Protection (Thurrock Council)
R Kleinberg	- Fraud Manager (Thurrock Council)
S Worthington	- Democratic Services Manager
H Boyd	- Democratic Services Officer

A Motion moved by Cllr N Benson and seconded by Cllr M Dearson that Cllr A Edwards should Chair this meeting of the Audit & Governance Committee was agreed unanimously on a show of hands.

43 DECLARATIONS OF INTEREST

There were none.

44 MINUTES

The Minutes of the meeting held on 25 July 2024 were agreed as a correct record and signed by the Chair.

45 TREASURY MANAGEMENT UPDATE: FIRST QUARTER STAGE REPORT

The Committee considered the report of the Assistant Director, Finance & Procurement, which provided an update on quarterly treasury management activities. Council officers noted that the recommendation should replace "Cabinet" with "Council."

In response to Members' questions, officers confirmed that the numbers in Annex A, item 4 were correct and represented a range rather than a total. It was also noted that the treasury effectiveness of key controls had been ongoing for several weeks due to issues with capacity and delays in the financial statements but would be reported at the next meeting.

Regarding investments, officers confirmed that they were managed in-house and that the Council had a contract with an external treasury adviser costing approximately £7,000 - £8,000 per year. Members also requested that the ongoing audit be brought to the Committee once it was ready, and officers confirmed that this would be noted.

Cllr A Edwards moved a Motion, seconded by Cllr M Dearson, to approve the recommendation set out in paragraph 3.1 of the report, with the amendment to submit to Council instead of Cabinet. The motion was agreed unanimously on a show of hands.

Resolved

To note the first quarter treasury management report and submit to Council for their noting.

46 TREASURY MANAGEMENT UPDATE: 2023/24 ANNUAL REPORT

The Committee considered the report of the Assistant Director, Finance & Procurement providing an annual update on the Council's treasury management activities for 2023/24. It was noted that the recommendation should replace "Cabinet" with "Council."

Officers noted that the base rate significantly impacts investments. In the 2021/22 annual report, with interest rates at 0.32%, the interest received was only £122,000. In contrast, the current interest value of £1.977 million highlights the substantial difference that higher rate can make. This improvement in returns also reflects the Council's cautious approach to

managing liquidity. It was noted that when rates are rising, the Council's position is typically behind the curve; however, when rates are falling, the Council tends to over achieve due to its fixed investments.

In response to a Member query regarding investments, Officers advised that most investments were fixed for up to a year. In the past, some investments had been fixed for two years when appropriate. During the 2023-2024 period there had been more 3 or 6 month investments, with these changes depending on current rates. Officers noted that when rates are rising, investments are typically fixed for shorter periods; when rates are decreasing they may be locked in for longer durations to secure higher rates.

Officers also confirmed that a portion of funds is kept in the money market, allowing for immediate access. This cash flow forecast takes into account all necessary expenses including suppliers, investments and wages, ensuring that sufficient accessible funds are maintained.

Cllr A Edwards moved a Motion, seconded by Cllr J Huntman, to approve the recommendation set out in paragraph 3.1 of the report, amended to submit to Council rather than Cabinet. The motion was agreed unanimously on a show of hands.

Resolved

To note the 2023/24 annual treasury management report and submit to Council for their noting.

47 INTERNAL AUDIT – QUARTERLY PROGRESS REPORT

The Committee considered the report of the Head of Internal Audit (Southend City Council), which provided an update on the progress made in delivering the 2024/25 Internal Audit Strategy. Officers noted that the proposed plan of work reported on at the meeting on 11 April had been approved and this report was a regular update to the Committee. Appendix 1 provided a status update and was continuously under review.

It was noted that the level of sickness had improved due to someone on long term sick leave no longer remaining with the Council this year. Audit work was progressing well; a quarter of planned audits were completed with some awaiting final completion and another quarter were in progress with plans to deliver ahead of the annual report due in July 2025.

The team was currently recruiting for an audit manager after unsuccessfully recruiting to the role, while an apprentice had started the previous week.

The summaries of the three completed audit reports were included in appendixes 2 and 3. The reports emphasised that procedures needed to be updated to enable staff to understand and perform their duties effectively with clear guidance to enable others to pick up the work if required. Quality

assurance needed enhancing, together with the introduction of a new service improvement plan to improve consistency of reporting and performance indicators. Changes in technology should be utilised to drive the service to seek more innovative and effective ways of working.

The contract management piece of work in appendix 3 noted that the approach wasn't delivered in a consistent manner across the Council and there was a need for more enhanced documentation for contract managers. Resources had already been improved with the introduction of a procurement manager and filling this role should be used to drive improvement in this area, particularly through training and support for staff.

The recent significant changes to the Procurement Act presented a timely opportunity to update the procurement rules and procedures accordingly. With the addition of a procurement manager, the Council would have the capacity to implement these updates in alignment with the Act and to provide oversight over the Council's delivery of the Act's requirements and its own needs.

In response to a Member's question regarding the number of errors audited and the timeframe for completed records and risk ratings, officers explained that an audit universe existed and annual audit plans were driven by discussions with management, allowing for flexibility as issues arose. While historical information was possible to be shared, future plans were undetermined.

Members noted that out of 27 fraud risk items, 22 had a fraud risk rating, while one lacked a rating. They enquired if risk levels could be adjusted and if additional parameters could confirm genuine fraud in those areas. Officers acknowledged that the omission of a risk rating on one item was an oversight and that it would be corrected.

Officers also clarified that not all fraud risks were monetary; some indicate elements of fraud or operational risk that needed further investigation. It was also noted that fraud encompassed various issues, including false complaints and compensation claims. It was acknowledged that improvements in contextualisation on the report were necessary and would be reviewed for the next meeting.

Regarding completion dates for the transformation programme and performance management timelines, officers stated that the transformation programme was ongoing and the Committee would receive quarterly updates, while the performance management timeframe was expected in early September. It was explained that this report served as a summary, supported by a detailed report with timelines and information. Each project had its own timeline agreed upon with relevant service areas.

The Chief Executive explained that the transformation programme aimed to restore the organisation's health. The first phase, restructuring, had been completed and the next phase involved service reviews across all areas to

identify processes which needed updates and modernisation. This would be a significant undertaking, with substantial evidence to be completed this autumn. The recent LGA peer challenge review had revealed historical issues, and a report was to be shared with Members shortly. The Council had been transparent throughout this peer review and noted that it addressed many of Members' concerns.

Additionally, a report would go to Cabinet regarding a client management system that would enable data sharing across service areas to assess risk and performance. This work had been largely completed over the year.

Officers confirmed that the housing delivery date was set for quarter 4. In response to enquiries regarding balancing the General Ledger despite gaps, it was clarified that these gaps related to an oversight in reconciliation processes rather than the reconciliation itself, highlighting the need for quality control oversight. Members were assured that should any significant amounts have remained outstanding, these would have already been included in the report and would not further impact the overall findings.

Members requested that the General Ledger be prioritised for Q3 and officers agreed to discuss this possibility with the Section 151 Officer. Members also questioned why petty cash was reconciled only once a year and how many departments managed petty cash. Officers indicated that only around four departments handled petty cash, with some amounts as low as £5. Despite these small sums, reconciliation still occurred annually.

It was agreed that Members could have further detailed discussions outside the meeting if there were any outstanding queries regarding the audit process.

Resolved

To note the progress made in delivering the 2024/25 Internal Audit Strategy.

48 COUNTER FRAUD AND INVESTIGATION ANNUAL REPORT 2023/24 AND PROPOSED STRATEGY 2024-2027

The Committee considered the report of the Assistant Director for Counter Fraud, Enforcement and Community Protection (Thurrock Council), which provided an update on counter fraud and investigation performance during 2023/24 and sought approval for a Counter Fraud Strategy for 2024-2027.

Officers noted an 80% increase in referrals and emphasised the importance of prioritising these referrals to focus efforts on cases that show potential for resolution. The estimated value of fraud cases had increased from £300,000 to over £785,000, while the cost of the service had not risen despite a 104% increase in the number of properties visited.

There was a strong collaboration between the Counter Fraud Investigation (CFI) team and the housing and neighbourhood policing teams. Officers

explained that their work extended beyond economic crime, with 2 referrals made to Essex Police regarding drugs and 4 referrals to Social Services at Essex County Council.

It was noted that the current fraud strategy was outdated. While there were no dramatic changes, several areas needed updating to ensure a commitment to protecting public funds and minimising any losses. The strategy would concentrate on the following themes:

- culture
- capability
- capacity
- competence
- communication
- collaboration

In response to Members' questions, officers reiterated their focus on prioritising referrals to maximise efficiency. They explained that every crime was logged on the system and assigned a value based on the potential loss to the Council, which could be updated as investigations progress.

Of the 88 properties in question, these cases arose from reports by the public, officer enquiries, intelligence about rubbish and individuals living in properties where they shouldn't be, primarily involving Essex Police and the Housing team.

When recovering social housing properties, there were several processes, with the most common being the issue of a notice to quit signed by the resident. If a property was empty efforts were made to locate the tenant, discuss the situation, and secure the signed notice. Officers noted that enforcement was not always the best course of action.

In response to specific scenarios regarding warrants, officers stated that while they cannot comment on Essex Police's procedures. Police Officers are legally present during the auditor process which was in place in the tenancy agreement and can also provide information to the Police.

Members emphasised the importance of social housing for those in need. They enquired about the recourse for recovering lost funds. Officers confirmed that they could use the Asset Recovery Incentivisation Scheme (ARIS) available upon conviction; however, prosecution may not always be the best option unless there was significant gain. While recovery had occurred in the past, it had not happened in the last year.

When questioned about timelines, officers stated that work was ongoing with the goal of completing 45 National Fraud Initiative (NFI) matters this year, assisted by the benefits team. This would involve addressing the longest standing cases first. Once this was completed a single person discount (SPD) review would be undertaken.

The Chief Executive emphasised professional independence, advising that the CFI operated independently from the Council and CEO. The Assistant Director for Counter Fraud, Enforcement and Community Protection assured the Committee that his professional role was for Thurrock Council, working independently from Councillors, Council officers, and the Chief Executive, who did not interfere in their operations. CFI operated under the same legislation as the Police, adhering to the Criminal Procedure and Investigations Act 1996 (CPIA), while retaining and disclosing data as required.

Cllr A Edwards moved a Motion, seconded by Cllr N Benson, to approve the recommendations set out in paragraph 3.1 of the report and this was agreed unanimously on a show of hands.

Resolved

- (1) That the Committee examines the performance of the Counter Fraud & Investigation team I 2023/24.
- (2) That the Committee approves the Counter Fraud & Investigation Strategy 2024 – 2027 being adopted by the Council. **(Appendix 2)**
- (3) That the Committee approves the Counter Fraud, Bribery and Corruption Policy being adopted by the Council. **(Appendix 3)**
- (4) That the Committee approves the Whistleblowing Policy being adopted by the Council. **(Appendix 4)**
- (5) That the Committee approves the Anti Money Laundering Policy being adopted by the Council. **(Appendix 5)**

The meeting closed at 8.07 pm.

Chair

Date

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