

Minutes of a Joint Meeting of the Audit & Governance Committee and the Overview & Scrutiny Committee held at Riverside, Lowestoft on **Thursday, 11 January 2018 at 6.00pm**

Audit & Governance Committee Members Present:

Councillors S Woods (Chairman), E Back, M Barnard, T Gandy, I Graham, A Green and L Smith.

Overview & Scrutiny Committee Members Present:

Councillors N Webb (Chairman for the Overview & Scrutiny Committee), S Barker, M Cherry, L Coulam, J Craig, G Elliott, T Goldson, P Light and J Murray.

Others in attendance:

T Poynton – Audit Manager, Ernst & Young

Officers Present:

L Fuller (Audit Manager), H Javadi (Chief Finance Officer), S Martin (Head of Internal Audit), A Photi (Democratic Services Officer), S Taylor (Finance Manager, Financial Compliance), A Welham (Senior Accountant, Financial Planning) and N Wotton (Democratic Services Manager).

1 APOLOGIES / SUBSTITUTES

Apologies were received from Councillors S Allen, L Gooch, K Grant, K Robinson and K Springall from the Overview & Scrutiny Committee.

Apologies were received from Cllr E Back and T Gandy from the Overview & Scrutiny Committee as they were sitting as Members of the Audit & Governance Committee.

Apologies were received from Councillors C Punt as Cabinet Member for Housing and B Provan as Cabinet Member for Resources.

Councillor M Cherry substituted for Councillor T Gandy as a Member of the Overview & Scrutiny Committee.

Councillor J Craig substituted for Councillor L Gooch as a Member of the Overview & Scrutiny Committee.

Councillor Coulam substituted for Councillor K Robinson as a Member of the Overview & Scrutiny Committee.

2 CHANGE IN THE ORDER OF BUSINESS

The Chairman proposed a change in the order of business to allow item 7 - Annual Audit Letter for the Year Ended 31 March 2017 to be taken after item 4 – Minutes, in order to allow the External Auditor to depart the meeting before the joint items were taken.

RESOLVED

That item 7 - Annual Audit Letter for the Year Ended 31 March 2017 would be taken after item 4.

3 DECLARATIONS OF INTEREST

Councillor I Graham declared a Local Non-Pecuniary Interest in item 4 - Capital Programme 2018/19 to 2021/22, as he was the Mayor of Lowestoft.

Councillor A Green declared a Local Non-Pecuniary Interest in item 4 - Capital Programme 2018/19 to 2021/22, as he was a Lowestoft Town Council Councillor.

4 MINUTES

RESOLVED

That the Minutes of the Meeting of the Audit & Governance Committee held on 2 November 2017 be approved as a correct record and signed by the Chairman.

5 ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2017

The Chairman invited the Audit Manager from Ernst & Young (E & Y) to present the report.

The Audit Manager explained that the E & Y Annual Audit Letter communicated the key issues arising from their work to Members and external stakeholders, including members of the public. The detailed findings from E & Y's audit work had already been reported to the Audit & Governance Committee via the Audit Results Report in September 2017. Those findings had not been repeated in the annual audit letter.

The Executive Summary of the letter covered the areas of audit work undertaken and the conclusions of that work, while the Financial Statement Audit and Value for Money sections of the letter detailed the significant risks identified from E & Y's audit planning, along with the findings from their work in relation to these areas. There were no issues to report and an unqualified audit opinion and unqualified value for money conclusion were issued.

Appendix A of the letter detailed the audit fees, which showed that the final audit fee for core work had increased by £1,000 due to a revaluation error in relation to one of the Council's leisure centres.

RESOLVED

That the key findings within the Ernst and Young's Annual Audit Letter for the year ended 31 March 2017 were noted.

6 CAPITAL PROGRAMME 2018/19 TO 2021/22

The Chief Finance Officer introduced the report on the Capital Programme 2018/19 to 2021/22. She explained that the total General Fund Capital investment for the period was anticipated to be £80.33m, the largest for the Council in recent years. In addition to the

use of its internal resources and both internal and external borrowing, the Council would be benefiting from receiving £54.30m of external grants and contributions.

The total Housing Revenue Account Capital investment for the period was anticipated to be £68.50m and would benefit from receiving £9.64m of external grants and contributions.

The Chief Finance Officer advised that as part of the annual budget setting process, the Council was required to agree a programme of capital expenditure for the coming four years, together with a revision of the current year's programme. The Capital Programme played an important part in the delivery of the Council's Medium Term Financial Strategy (MTFS), which in turn supported the wider service delivery.

The capital expenditure within the Council was split into two main components, the General Fund Capital Programme and the Housing Revenue Account (HRA) Capital Programme.

The Capital Programme recognised the spending pressures within the Finance Settlement for 2017/18 and 2018/19 on the resources available. As a consequence, the programme continued to only incorporate projects that were either a statutory requirement or were essential to the Council's service delivery. The programme included schemes where the Council had been successful in securing funding from external grants and contributions, and also schemes where the Council was pro-actively working with external bodies to secure funding. It was important that the funding was secured in order for the schemes to go ahead.

The Capital Programme had been compiled taking account of the following main principles, to:

- maintain an affordable four-year rolling Capital Programme;
- ensure capital resources were aligned with the Council's Business Plan,
- maximise available resources by actively seeking external funding and disposal of surplus assets; and
- not to anticipate receipts from disposals until they were realised.

The current economic climate also placed further emphasis on ensuring that the levels of Capital Receipts were maximised through improved asset management and through the sale of surplus and underused assets. The Council had a successful track record of disposing of land and buildings surplus to its requirements, which had supported the overall financing of capital investment and at the same time reduced the demand on the revenue budget.

The capital investment proposals contained within the Medium Term Financial Strategy (MTFS) relied upon an overall funding envelope made up of a number of sources, including internal borrowing, capital receipts, and capital grant and revenue contributions.

The local Government Act 2003 gave local authorities the ability to borrow for capital expenditure provided that such borrowing was affordable, prudent and sustainable over the medium term. The Council was required to complete a range of calculations (Prudential Indicators) as part of its annual budget setting process to evidence this. This

ensured that the cost of paying for interest charges and repayment of principal by a minimum revenue contribution (MRP) each year was taken into account when drafting the Budget and Medium Term Financial Strategy. Over the course of the MTFs, prudential borrowing of £22.26m has been assumed for the General Fund Capital Programme, being £6.26m (internal borrowing) and £16m (external borrowing).

The Council's external borrowing limit was set at £123m with a General Fund limit of £35.74m and actual borrowing of £13.48m. The HRA borrowing limit was set at 87.26m with actual borrowing of £77.41m.

Capital Receipts were generated when a non current asset was sold and the receipt was more than £10k. Capital Receipts could only be used to fund capital expenditure or repay borrowing. In determining the overall affordability of its Capital Programme, the Council had taken a prudent approach of not including anticipated Capital Receipts as a source of funding in the Programme until such a time when the income was received and realised.

The programme, set out in the report was affordable without the need to rely on future Capital Receipts, the extent and timing of which were unknown. Any receipts not used within the year were transferred into the Capital Receipts Reserve to be used for future capital investment financing.

The Council received a Capital Grant, which was additional grant funding for a variety of purposes and from a range of sources. These included the Department of Communities and Local Government funding for Disabled Facility Grants and the Environment Agency funding for Coastal Management projects.

It was anticipated that the General Fund Capital Reserves and Capital Short Life Asset Reserve would continue to fund assets with a life of less than 10 years, primarily being IT equipment and vehicles purchases.

Regarding the Housing Revenue Account (HRA) Right to Buy (RTB) Capital Receipts, the RTB scheme helped eligible Council tenants to buy their home with a discount of up to £78,600 or 70%, whichever is lower. The Council received the sale proceeds of the Council House.

HRA Other Capital Receipts were generated when a fixed asset was sold and the receipt was more than £10k. Capital Receipts could only be used to fund capital expenditure.

The HRA Contributions funding for capital expenditure on housing could be met from within the HRA. The future funding requirements would be informed by the revised 30 year HRA Business Plan.

With regards to the HRA Capital Reserves, although the HRA subsidy system had ceased to exist, transitional arrangements allowed the Council to continue to place the Major Repairs Allowance, as detailed in the settlement determination, in the Major Repairs Reserve. This was exclusively available for use on HRA capital expenditure.

Questions from Members

- **How much did the Council expect to borrow and what would the repayment period be?** The Chief Finance Officer advised that there would be £22million in extra borrowing, £6million of which would be funded from internal resources. The repayment period would depend on the asset. Housing stock would normally have a repayment period of 40-50 years.
- **Had Suffolk Coastal District Council been involved in any of the discussions and decisions regarding borrowing as it would involve them in the future?** The Chief Finance Officer advised that each authority was currently making its own decisions with regards to finances and borrowing.
- **A Member asked for clarification on “internal borrowing”.** The Chief Finance Officer explained that surplus funds which were not committed to projects were held in reserves and therefore used for “internal borrowing”.
- **A Member asked for explanation on why there were big year on year forecasted differences from 2017/18 through to 2021/22 in the General Fund Capital Charges and HRA Capital Charges as shown in the table in 6.3 of the report.** The Chief Finance Officer explained that the majority of projects in the Capital Programme were delivered over many years. The decisions for the Capital Programme were made very early on in October and November of each year and set the tone for the following years. Capital Expenditure did not have a linear relationship with finance as the profile of the expenditure was changeable. Slips, though not desirable, and flexibility was accepted in the Capital Programme due to the nature of the expenditure. Coastal Management was an example of this whereby an unexpected winter could set the entire time frame back, and was something which could not be anticipated. Slips in the expenditure were acceptable as long as they justifiable and occurred within the entire timeframe.
- **Members asked for specific breakdowns and explanations with regards to particular projects.** The Chief Finance Officer explained that it was not possible to provide detailed answers with regards to individual projects at the meeting as specifics would need to be addressed by the respective service areas.
- **How realistic were the forecasted figures?** The Chief Finance Officer explained that working very closely with relevant services, yearly assessments and reviews were carried out whereby assumptions were made. The assumptions in the report were made over a year ago and remained valid.
- **Where did asset transfers made to Lowestoft Town Council (LTC) feature in Appendix A: General Fund Summary and Detailed Capital Investment Projects?** The Finance Manager explained that these had been detailed under Resources on page 12 of the report.
- **Why had the Total Budget Expenditure for ICT increased from an Original Budget of £79k in 2017/18 to a Revised Budget of £173k and was it related to the merger of the two Councils?** The Chief Finance Officer explained that only the expenditure relating to WDC was included in the Capital Programme. There had been a number of additional

ICT requirements which would come out of the reserves. The operational requirements were listed in the report, and it was not possible to provide a further level of detail during the meeting.

- **A Member asked for clarification on the costs associated with video conferencing; namely where the video conferencing facilities were located?** The Chief Finance Officer explained that video conferencing was used by Officers and Partners in various office locations.
- **A Member asked that in the event that the projects marked as “subject to business case” did not receive the necessary funding, did contingency plans exist.** The Chief Finance Officer explained that full and detailed business cases would go to Cabinet, at which point a decision would be made. The Chief Finance Officer explained that this stage of the Capital Programme was a key component of the budget setting process. Every potential project needed to be considered when setting the revenue budget. All projects were subject to a strong business case and there were a number of processes in place to ensure affordability and value for money.
- **With regards to Oulton Broad Parish Council, should the grant intended for the charity be paid to the Parish Council or directly to the charity itself?** The Finance Manager explained that the charity received funding from various sources, including the Parish Council, as it did not generate enough money to operate. The Parish Council administered the funds therefore the grant was paid to the Parish Council.
- **Was Waveney Norse using assets paid for by the Council to carry out private work?** The Finance Manager explained that the Council received 50% of profits received on third party work carried out by Waveney Norse.
- **A Member queried why the St Peter’s Court sprinkler system had not appeared under the Housing Repairs on page 15.** The Senior Accountant explained that there had been a typing error on the report, and the £250k figure stated under “replacement water tank” related to the sprinkler system. This would be amended in the report going to Full Council.
- **A Member commented that there was no mention of the Beccles Quay refurbishment considering it was in the Council’s Business Plan.** The Finance Manager advised the Committee that a response would be provided following consultation with the relevant service department.

Following Members questions, it was

RESOLVED

By the Audit & Governance Committee and Overview & Scrutiny Committee that the Capital Programme for 2018/19 to 2021/22, including revisions to 2017/18 was recommended for approval by Full Council.

7 HOUSING REVENUE ACCOUNT BUDGET

The Chief Finance Officer gave a presentation on the Housing Revenue Account (HRA) Budget which highlighted the background issues, key points, national policies, central government proposals and the key components of the report.

The HRA was ring-fenced account following the Local Government & Housing Act 1989. This created a clear separation between the HRA and General Fund finances.

Since the Welfare Reform Act in 2012, the HRA had become self financing by borrowing on housing stocks and retaining greater rental income.

The Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016 made specific and significant provision for changes to the law affecting social housing providers with effect from April 2016. The changes included the statutory reduction of rents by 1% each year for four years, the higher-value levy on void sales and revisions regarding the granting of new social housing tenancies.

For the first time in many years the Government implemented legislations regarding social rents, by the inclusion of sections within the Welfare Reform and Work Act 2016 compelling Councils and Housing Associations to reduce rents by 1% each year from April 2016 to April 2019 inclusive (i.e. 2016/17 to 2019/20). The move had been made by the Government in an attempt to help reduce the country's Housing Benefit bill.

Previous to the change, the HRA Financial Business Plan was modelled on an annual rent increase of 3.1%. By reducing the rents by 1%, the impact was a 4.1% decrease year on year, on the rental income forecast until 2019/20. This subsequently had a knock on affect on all future years thereafter. This had a significant impact on the HRA Financial Business Plan, as the Business Plan has forecasted a shortfall on rental income of £7.7 million over the four year period alone.

Whilst the impact of the compulsory rent reduction was contained within the existing parameters of the HRA, the effect of four years of enforced reductions had resulted in reduced funds available to invest in the new Housing Development Programme. Any additional capital works had to be carefully considered, to maintain a balanced budget.

The welfare reform introduced Universal Credit to replace most existing working-age benefits with a single payment made directly to the claimant. The new Universal Credit would also limit the total amount of benefit a household could claim. As a result of the change there was a high risk that income previously guaranteed to the HRA would not be collected.

Universal Credit was rolled out across the country and was introduced in Lowestoft and Beccles in March 2015. The introduction initially only applied to people that were single and would have previously applied for Jobseekers Allowance. During late spring 2016, the roll out had expanded to Lowestoft to include all new claims to what was called "legacy benefits". These included benefits such as; Housing Benefit, Working Tax Credit, Child Tax Credit, Income Support, Jobseekers Allowance and Employment and Support Allowance.

Universal Credit had given cause for concern with landlords nationally. Landlords, including Local Authorities who were once guaranteed income and now had to rely on claimants to make payments. Measures were being implemented to monitor the effects of Universal Credit since the roll out in spring 2016.

From April 2018, the claimants wait time would reduce from 6 weeks to 5 weeks. If they already received Housing Benefits, they would continue to receive it for the first two weeks of the claim process. This would help reduce pressure on tenants, and potentially have a positive impact on future rent arrears.

In addition to the loss of rental income, there was growing concern regarding rent arrears. In 2015 the Housing Benefit cap was reduced from £26k to £20k. This, combined with the roll out of Universal Credit in Waveney in spring 2016, the under occupancy charge, and other general factors relating to the economy, had increased the risk of rent arrears not being collected.

Rent arrears as at 31 March 2017 were at £739k, compared to £511k the previous year. More recent reports taken from December 2017 showed a further increase to £1.066 million. This was an increase of £555k (52%) in just over 18 months. This represented a strong correlation with the roll out of Universal Credit. Measures were being implemented to help manage the situation. A full time Universal Credit Officer was in post, helping claimants with their Universal Credit journeys. Other measures would be achieved through the Digital Transformation Programme, which was exploring new approaches such as improved data collection, text messaging services to tenants, and new online portals for tenants to manage their rent accounts. New tenant sign ups were now taking place at the Marina Centre, combining the process with applying for Universal Credit, therefore reducing waiting times. Work was on going, to help manage the effects of Universal Credit, and in turn reducing rent arrears. This would continue to be monitored closely by the Tenants Services Manager.

The Chief Finance Officer advised that significant lobbying efforts had been made by the Waveney Member of Parliament to make positive changes to the Universal Credit scheme in order to help and support claimants.

After several rounds of consultation, central Government enacted proposals around a compulsory version of the “Pay to Stay” policy, whereby higher-earning tenants were automatically charged a higher rent (whether at market or “affordable” levels) within the Housing and Planning Act 2016.

The policy was due to commence in April 2017. On 21 November 2016 the Minister for Housing stated that the policy would no longer be made mandatory from April 2017. Local Authorities and Housing Associations continued to be able to introduce the policy on a voluntary basis. The scheme would have been costly and time consuming for the Council to implement and maintain. It was unlikely that many tenants would have seen their rents increase. Waveney District Council would not be implementing “Pay to Stay” at present and had no future plans to do so at this stage.

The Housing and Planning Act 2016 contained sections setting out the Government’s intention to require Local Authorities to remit sums to them equivalent to the value of

sales of higher-value void properties. The Department of Communities and Local Government (DCLG) intended to estimate this figure in advance and therefore Local Authorities could, if they were able, finance this by other means than void property sales.

It was the Government's intention to part-fund the extension of Right to Buy (RTB) to Housing Association tenants by this route. In late November 2016, DCLG indicated that since the voluntary RTB extension had been supplanted as a policy priority by the need to prepare for the United Kingdom's exit from the European Union, the policy had been formally postponed to some future date. The Council's HRA had not set aside any budget for this, due to the uncertainties which surrounded it. It had been flagged as a potential future risk.

In April 2012 the Government reinvigorated the RTB scheme by increasing the maximum discount available to 70% or £78,600 as at 6 April 2017, whichever was lower. This figure increased each year in line with inflation. In 2012 the Council entered into an agreement with the DCLG to retain a share of its RTB receipts to reinvest in the provision of new affordable homes. The receipts used could only fund up to 30% of any investment into new affordable homes.

From April 2012 the number of properties sold through the RTB scheme had steadily increased. In 2012/13 only 9 properties sold through the scheme, compared to 27 in 2016/17. As at December 2017, 20 properties had been sold through the schemes with four months remaining. Future year estimates had increased to 30 per annum inline with the increasing trend.

The implications of RTB sales was a reduction in dwelling rents received. The annual income lost through RTB sales in 2016/17 was £118k, adding to the importance of increasing the HRA housing stock. These were taken into account when setting the budgets.

The Chief Finance Officer outlined the key components of the HRA Budget which included:

- Rental income
- Repair and maintenance
- Housing management
- Debt repayment costs
- Capital Programme
- Revenue cost of capital
- Reserves and balances

The development of more social housing was critical in terms of rental income and bringing more money into the system which could be reinvested.

In summary, there were significant challenges namely the hardships that claimants were going through due to the changes in policy and maintaining the housing stock. However, the Council had a good long term plan to increase housing stock, had a good housing maintenance programme with Waveney District standards being higher than the "Decent Homes" standard and the HRA was in a very strong and healthy financial position.

Questions from Members

- **Why had the “Hardship Fund” not been fully utilised and how was the Council promoting it?** The Chief Finance Officer explained that more detail would need to be sought from the relevant service area. She commented that people were reluctant to take on funding that they would have to pay back at a later date. It was also possible that the fund was not promoted as well as it could have been.
- **A Member advised that one of her constituents was in between a Universal Credit and pension claim and was not aware that the hardship fund existed. The elderly also needed to be aware of any eligible funds.** The Chief Finance Officer advised that people needed a permanent solution to the problem and were reluctant to accept a temporary solution. She reiterated that this matter needed to be taken back to the relevant service area.
- **Referring to the Council’s working balance of £4.63 million as stated in the revised 2017.18 budget, could it be used to pay some of the debt and reduce the interest?** The Chief Finance Officer advised that the early repayment penalties would be greater than the savings in interest.
- **Could the Council lend money to its Capital Programme?** The Chief Finance Officer explained it could only be lent to the HRA Capital Programme.
- **Was the “Pay to Stay” scheme voluntary and if implemented, who would benefit from the increased rent?** The Chief Finance Officer advised that the scheme was originally compulsory however the compulsory element was not pursued due to the lobbying efforts from local government. Central government would benefit from the increased rent charge.
- **What was the timeframe in which the Council expected to catch up with rent arrears?** The Chief Finance Officer explained that there were ongoing arrears as well as arrears linked to the impact of Universal Credit. Once tenants were in receipt of their funds, their payments were expected to come through.

If tenants defaulted by three months, the Council may be able to receive the funds directly as they would have the same rights as private landlords. The Council would need an overarching approach to arrears management in order to help and support tenants in maintaining their payments.

- **How many properties had been purchased via “Right to Buy” in the last year and what percentage of the money was used to build new properties?** The Chief Finance Officer advised that the number was in the lower double digits. RTB receipts can fund up to 30% of a new build.
- **A Member asked for clarification on what the HRA included in terms of building assets.** The Chief Finance Officer advised that the figures in the report related to residential housing stock only.

- **Was the reduction in Universal Credit claimants wait time from 6 to 5 weeks from April 2018 part of government policy?** The Chief Finance Officer advised that it was due to a change in government policy.
- **Had the Council worked with local job centres to promote the schemes and inform the public?** The Chief Finance Officer advised that she would seek a detailed answer from the relevant service area and send the response to Committee Members via Democratic Services.
- **Where did the Council expect to see growth in terms of the changing demographics over the next thirty years?** The Senior Accountant explained that the Council aimed to provide 100 new homes per annum however there were challenges in locating land. The Chief Finance Officer added that the Council needed to take into account the age profile of the district in order to provide the right sized properties.
- **How many non residential assets such as garages and commercial properties did the Council possess which could potentially be converted into much needed dwellings?** The Chief Finance Officer advised that non residential properties came under the responsibility of the Asset Management team. There were wider areas of development and opportunity which could be explored and suggested that a separate briefing be provided to Members on the housing strategy. The Audit & Governance Committee Chairman agreed that the suggestion be taken up with the Cabinet Member for Housing.

The Senior Accountant advised that the Council has converted assets into dwellings in the past to meet housing needs.

- **Members expressed concern regarding the growing rent arrears.** The Chief Finance Officer explained that the Council's revenues and balances and access to external funding were sufficient to mitigate the risks.
- **Considering the demographics in Waveney and the ageing population, there was a need to look at accessibility and the necessity for 1-2 bedroom dwellings. What percentage of the future housing stock was planned with this in mind?** The Chief Finance Officer advised that she would request further information to be presented to Members by the relevant service department.

A Member of the Local Plan Working Group advised that 60% of new homes would be 1-2 bedroom dwellings.

The Chairman advised at this point that the discussion was entering into the detail of housing stock, which was outside of the scope of the meeting.

- **Was there a time limit on the 1% compulsory rent reduction?** The Chief Finance Officer advised that it may be possible to increase rents post 2021.
- **Did the potential exist for rent arrears to be written off?** The Chief Finance Officer advised that this was not intended or anticipated. All efforts would be made to recover the arrears.

- **A Member asked for clarification on the increase in heating costs as outlined in Appendix A.** The Senior Accountant explained that there had been a decrease in heating charges during the last three years. Although the charges had gone up, efficiencies had brought the costs down. Those eligible for housing benefit or Universal Credit would see this reflected in their payment.

Following the question session, it was

RESOLVED

1. The Audit & Governance and Overview & Scrutiny Committee recommended that the following be approved by Full Council;

- a) The Housing Revenue Account Budget for 2018/19, the revised estimates for 2017/18 and the indicative figures for 2019/20 to 2021/22;
- b) Movements in Reserves and Balances;
- c) Weekly housing rent decrease of 1% for 2018/19, giving an average weekly rent of £83.06 over a 50 week collection period; and
- d) Service Charges and associated fees for 2018/19.

2. That the Committee noted the changes affecting public and private sector housing and welfare.

THE MEETING ADJOURNED AT 7.23PM AND RECONVENED AT 7.26PM TO ALLOW THE MEMBERS OF THE OVERVIEW & SCRUTINY COMMITTEE TO LEAVE THE MEETING

8 COVERT SURVEILLANCE POLICY – REFRESHED

The Head of Internal Audit presented the report which explained that on the 1 September 2017, The Office of Surveillance Commissioners, The Intelligence Services Commissioner's Office and The Interception of Communications Commissioner's Office were abolished by the Investigatory Powers Act 2016. The Investigatory Powers Commissioner's Office (IPCO) was now responsible for the judicial oversight of the use of covert surveillance by public authorities throughout the United Kingdom.

The refreshed version of the existing Covert Surveillance Policy had only changed in respect of Officer Contact details, naming Nick Khan as Strategic Director and the change in the judicial oversight in the United Kingdom.

A Member asked if anything relating to covert surveillance was reported to Members in terms of statistics on what and how many had been carried out? The Head of Internal Audit advised that a total of zero had been carried out in the last three years. This information was included in the March Audit Plan and the June Fraud Report.

She also explained that should there be a need to use the legal tool that it would be appropriately reported.

RESOLVED

That the refreshed Covert Surveillance Policy was noted.

9 INTERNAL AUDIT: PROGRESS AGAINST THE AUDIT PLAN 2017-18

The Head of Internal Audit presented the report which provided an update of progress made against the Internal Audit Plan for 2017 - 18, for the period of 1 April 2017 to 31 December 2017. There had been further updates since the report was published and introduced the Audit Manager to present the updates.

The Audit Manager advised the following updates to the report:

- The joint SCDC/WDC Car Parks report was complete and a meeting had been set for late January to discuss and agree the action points.
- The Charities report was near to completion.
- Health & Safety Inspection Regime at SCDC/WDC with Partners would be published soon.
- Housing Repairs & Maintenance would be published soon.
- Payroll was complete and would be shared week commencing 15 January 2018.

Questions from Members

- **Why had the Fixed Asset audit been deferred?** The Audit Manager advised that this was a joint SCDC/WDC status report. It was taken to the SCDC Audit & Governance meeting in December 2017 and it was concluded that it would be better to use the existing report and review the asset register at a later date due to the asset changes which were taking place.
- **Were the activities relating to money intended for charities being paid to Parish Councils subject to internal audit?** The Audit Manager advised that it was subject to an internal audit and that finance would be presenting information to the Charity Board. Internal Audit looked at the accounts and would be giving their opinion before the Charity Board met.

The Head of Internal Audit added that their role was to audit the movements and accuracy of what money went in and out of accounts. An independent audit of the charities was not carried out as it was not within the remit of the Internal Audit department.

- **A Member asked for clarification on the audit function between the Council and the charities.** The Head of Internal Audit explained that the Council's Internal Audit function was to look at the charities which had assets previously owned by Waveney District Council, and who were largely funded by the Council. No other relationships existed between the Council and charities outside of this scope.

A Member commented that in regards to Nicholas Everitt's Park, their income was minimal and not enough to run the facility. Without the support of the District and Parish Council, it would cease to exist.

- **The Chairman asked the Head of Internal Audit if she was confident that the Audit Plan for 2017/18 would be completed by the year end.** The Head of Internal Audit advised that she was satisfied with the progress of the plan and that the team now had the necessary resources. There was potential for some items to remain outstanding as the plan was a risk based strategy. Any which were not expected to be complete would be stipulated in the March 2018 report.

Following Members questions, it was

RESOLVED

That the output of Internal Audit Services from 1 April 2017 to 31 December 2017 was noted.

10 CURRENT POSITION OF THE WORK PROGRAMME

The Chairman advised the Committee that item 11 – Internal Audit: Status of Recommendations would be presented at future meetings as a standing item during the exempt session.

The Chairman also advised the Committee that twenty days of Internal Audit work had been offered to the Committee by the Internal Audit Department and welcomed suggestions on any matters that Members wished to add to the Work Programme. The Head of Internal Audit advised Members that she would be happy to answer any questions on an individual basis.

A Member asked if a Member Briefing on the tendering and procurement process would be arranged. The Head of Internal Audit advised there had been a delay in delivering a briefing as the Procurement team had recently been reorganised. A new Procurement Manager was now in place and the procurement process was being reviewed and revised.

The Head of Internal Audit advised the Committee that she would be happy to provide the Committee with more information with regards to audit in whichever format and style the Committee preferred.

RESOLVED

That the current position of the Audit & Governance Committee's Work Programme for 2017/18 as set out in Appendix A to the report was noted.

11 EXEMPT/CONFIDENTIAL ITEM

RESOLVED

That under Section 100(A)(4) of the Local Government Act 1972 (as amended), the public were excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

12 INTERNAL AUDIT: STATUS OF RECOMMENDATIONS

RESOLVED

That the Audit & Governance Committee, having considered and commented upon
The information provided in the report agreed that:

- a) the Chairman and Head of Internal Audit would review the Status of Recommendations prior to the next meeting and
- b) senior service area Officers would be required to attend future meetings to take Members questions on items with unsatisfactory progress.

The meeting was concluded at 8.05pm.

Chairman