

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 16th September 2014 at 6.00 pm in Meeting Room 7, Ground Floor, Darby House, Telford

PRESENT: Councillors R Sloan (Chair), K Austin, C Mason, S A W Reynolds,
W L Tomlinson

Officers: R Partington (Managing Director), K Clarke (Assistant Director: Finance, Audit & Information Governance), A Astley (Assistant Director: Customer Services), J Marriott (Audit & Information Governance Manager), P Harris (Finance Manager), B Morris (Finance Team Leader), J Power (Delivery & Planning Manager), L Higgins (Benefit Service Delivery Manager) and J Clarke (Democratic Services Support Officer).

IN ATTENDANCE:

A Bunting – KPMG
I Pennington – KPMG

The Chair paid tribute to the late Cllr D Davies who had been the first Chair of the Audit Committee following the change in Administration and for all of his hard work which had set the Audit Committee on a good course.

AUC-17 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 30th June 2014 be confirmed and signed by the Chairman.

AUC-18 APOLOGIES FOR ABSENCE

Cllr I T W Fletcher

AUC-19 DECLARATIONS OF INTEREST

None

AUC-20 REPORT TO THOSE CHARGED WITH GOVERNANCE 2013/14

I Pennington gave a brief overview of the current position regarding the Council's accounts.

The accounts were almost complete with some minor tidying up work to be undertaken. They were a weighty document and there had been a huge effort on the part of the Finance Team during the detailed process and with all the necessary disclosures. I Pennington thanked the Finance Team for their hard work and support which he had found very useful being a reasonably new Member to the KPMG Telford Team.

No major adjustments or discrepancies had been found and all the basic numbers were agreed.

It was hoped that once Members had considered both the report and the accounts that the relevant paperwork would be signed off by the Chair during the meeting. KPMG would anticipate being able to issue an unqualified conclusion for both the audit and the Value For Money audit.

KPMG would be unable to issue a Certificate of Completion at present due to two outstanding items:

- Completion of the Whole of Government Accounts
- A question from a Member of the Public

These items were currently being dealt with and once they had been completed the audit would be closed.

A question arose regarding the deadline for issuing the Certificate of Completion and it was confirmed that this did not affect the signing of the Opinion

A Bunting gave a brief overview of the risks identified in respect to the audit which had been identified in the planning of the audit and reported to the Audit Committee in January 2014.

KPMG were happy in principle that the Council were complying with the Code on the changes in policies with regard to borrowing costs and the Minimum Revenue Provision (MRP). This had now been closed off.

With regard to the Local Government Pension Scheme (LGPS), this was a complex issue and KPMG had worked with the Pension Scheme, the Actuary and with the Council and this had now been closed off.

The Value For Money risks had looked at the Council's saving plans and had noted that the plan was in place, it was regularly monitored and it was being delivered. However, the challenges would be ongoing and this would roll on.

KPMG had looked at new projects and contracts in respect of income generation and had also reviewed the feasibility studies of two projects:

- Solar Farm
- New Homes Project

KPMG were satisfied that the costs had come in on budget at present but they had not considered any profits that may be made.

Regarding key risks, there had been a consistent improvement year on year with the quality of the accounts and working papers. There was one area, however, which could be improved being in relation to debtor and creditor working papers. This mainly involved the generation of reports and the Finance Team were continuing to work with KPMG to find a solution that more closely met the audit testing requirements. This would then improve the efficiency of the 2014/15 audit.

A question was raised regarding the determination, validity and expenses incurred with regard to the public questions and how it would be shown on the accounts. This would be dealt with by a separate letter to the elector and would be copied to all members the Audit Committee.

A discussion took place including:

- Single Status
 - Equality
 - Strategic Risk Register
 - Timeline
 - Working with Trade Unions
 - Restructuring

AUC-21 ANNUAL STATEMENT OF ACCOUNTS

P Harris presented the Statement of Accounts 2013/14 which informed members of the outcome of the Audit.

Members of the Audit Committee had attended at a training session on the Accounts prior to the Committee Meeting.

It was proposed that the 106 page document, together with a three page summary would be produced. This would be in a more understandable format and, as per the accounting regulations, these documents would be published on the Council's website, together with the Certified Draft Statement, for public inspection.

The Audit Committee had been granted delegated authority to approve the accounts. There had been no financial adjustments this year although the report needed some presentational changes.

The Audit had gone well and there was a good working relationship between KPMG and the Council.

Members congratulated the work which had been undertaken which was a testament to the staff. It was requested that the Managing Director send a form of thank you to all relevant members of staff for their hard work.

RESOLVED – that

- a) the 2013/14 Statement of Accounts be approved;**
- b) delegated authority be granted to the Assistant Director Finance, Audit & Information Governance to make any presentational changes required to the Statement of Accounts prior to publication; and**
- c) the updated (for presentational changes) Annual Governance Statement be approved.**

AUC-22 AUDIT COMMISSION FRAUD SURVEY RESULTS 2013

A Bunting presented a report on Protecting the Public Purse Fraud Briefing.

This was a survey that had been undertaken by the Audit Commission and the data related to 2012/13.

The national picture captured at that time showed that there were 107,000 total cases detected with a value of £178m (excluding social housing fraud).

This report showed that Telford and Wrekin Council came in at the lower end of the benchmark for cases of fraud being reported which was on the good side of the scale.

The fraud drivers were:

- Opportunity
- Rationalisation
- Pressure

The Council needed to ensure that they continued to have controls in place to prevent fraud as there would be further cuts.

A question was raised with regard to the amount of money the Council had recovered through fraud case. It was suggested that the figures were produced and circulated to members of the Committee.

L Higgins gave a response to the findings and tabled a presentation.

The Benefit Fraud Investigation Team had provided information for the report which used the DWP very narrow definition that fraud must be proved – “beyond reasonable doubt” to have been committed prior to inclusion in the figures.

If there was evidence to prove that a fraud had been beyond reasonable doubt the following action would take place:

- Legal action
- Sanction
- Caution

If the Council was to use a wider definition of fraud it would be able to include other significant amounts of savings or values that had been achieved. As an example, in addition to the 91 cases that had been reported to the Audit Commission, a further 95 cases had led to a reduction of benefit being paid.

With a much broader scope for anti-fraud prevention work this would mean significantly more work.

There had been many thousands of cases identified as a mistake or couldn't be proven to have been done on purpose. As these cases are identified the issues were recorded and loopholes closed, where possible, in order to prevent further cases.

The Council was pro-active with their work and from this year the Fraud Team would report all of the work that they undertook including that of single person discount, council tax support scheme and non-domestic rates.

A discussion took place on the gateway to claiming benefits which included:

- Face-to-face contacts
- Ease of process
- Customer service appointments
- Levels of security
- Annual benefits reviews

A Astley discussed the Crisis Support Line which had been set up. The Team asked claimants probing questions to ascertain if there was a genuine level of need and if it could not be proved that it was an essential need then the claim was rejected and no money would be provided. The staff were very well trained and this had greatly reduced the support that had been given out

A Bunting had recently been working within the Benefits Team and had seen evidence of the staff asking questions and challenging the claimants.

L Higgins explained to the Audit Committee that from June 2015 the DWP would be taking over the Housing Benefit Fraud work which meant that any investigations would only be done by the DWP. The Council's Fraud Team were concerned that currently the Council Tax fraud and Housing Benefits fraud work was undertaken as a joint exercise and that the DWP would not be investigating Council Tax fraud and that the direct link may be lost.

A Astley reported to the Audit Committee that she would be putting forward a business case for the Council to retain some fraud functionality as an invest to save venture in order to keep the level of expertise in the Council and to reduce any risk to the Council in respect to Council Tax fraud. It was hoped that subject to the business case that the current staff may be retained.

AUC-23 CORPORATE ANTI-FRAUD & CORRUPTION POLICY 2013/14 ANNUAL REPORT AND POLICY UPDATE

J Marriott presented a report on the Council Corporate Anti-Fraud & Corruption Policy and the annual report for 2013/14.

The report contained information from 2013/14 on counter fraud and investigation activities within benefits, Internal Audit and Trading Standards which also included Licensing. The Council's procedures and controls have been designed to minimise any opportunity for fraud to take place and to highlight, where possible, any fraudulent activity that may have occurred. Other areas of fraud had been highlighted by referrals, data matching and overpayments detected. The overpayments that had been detected during the sanction cases in 2013/14 had amounted to £311,244.

A proactive amount of work was undertaken by the staff to prevent cases of fraud and the Council has a statutory responsibility to provide data to the Audit Commission for the prevention and detection of fraud. A full National Fraud Investigation exercise was due to commence from October 2014.

The Council ensure that both Members and Officers are made aware of their responsibilities in respect of the Council's Anti-Fraud and Corruption Policy. All new staff within Revenues and Benefits received Fraud and Awareness Training from the Corporate Training Team and ongoing training was provided to existing staff. During 2013/14 286 fraud referrals came from members of staff.

The Trading Standard and Licensing Services played a significant role in the Council's statutory responsibilities to business related fraud. This helped to improve the local situation of residents. Regional initiatives were also undertaken.

One of the main challenges for 2014/15 would be the reduction in control and supervision of the fraud cases being investigated by the DWP.

The Anti-Fraud and Corruption Policy was reviewed in 2013 and the Committee agreed that the Policy would be reviewed annually to coincide with the annual report. The suggested amendments to the Policy could be found at Appendix B to the report and highlighted minimal changes to policy to reflect organisational changes and to ensure consistency with the Constitution.

A discussion took place including:

- Loan sharks and legal loan sharks
- Referrals

RESOLVED - that

- a) the 2013/14 Annual Report on Corporate Anti-Fraud and Corruption Activity be noted;**
- b) the updated Policy be agreed; and**
- c) the updated Policy be recommended for adoption by the Council.**

AUC-24 CUSTOMER FEEDBACK PERFORMANCE 1ST APRIL 2013 TO 31ST MARCH 2014

A Astley presented the Customer Feedback Performance report from 1st April 2013 to 31st March 2014.

The key points were:

- 17% increase in compliments
- 9% reduction in complaints

This was against a backdrop of £53m in savings.

There had been a significant reduction in the number of complaints partly or fully upheld which had reduced from 66% in the previous year to 54% during the reporting period.

The highest level of complaints had been received by:

- Neighbourhood & Leisure Services
- Customer Services

Appendix A to the report listed the top 10 areas of complaints that were investigated at Stage 1. The top two areas were Refuse and Kerbside with 283 complaints and Council Tax & Benefits with 195 complaints.

The majority of the complaints received by Council Tax Benefits coincided with the going live of the new welfare reforms and high numbers of the complaints were not upheld.

A Astley suggested that she circulate the full report to the members of the Audit Committee.

The Audit Committee were pleased to note that 87% of the Stage 1 complaints were responded to within 15 working days against a target of 83%.

Adults & Children's Statutory Complaints differed to that of corporate complaints with their response to complaints being

- Adults – 42 days
- Children – 17 days

This area needed to improve and the figures were currently being monitored on a 2 weekly basis. Copies of the reports were circulated to the Senior Management Team and to the Assistant Directors.

MP enquiries over the reporting period had been received as follows:

- David Wright - 152
- Mark Pritchard - 35
- Others - 13

Of the enquiries received by 31st March 2014 the Council had responded to 67% within the target of 10 working days and 82% within 15 working days. It was hoped that these figures could be improved.

There had been a considerable drop in Parish enquiries from 1,538 to 752 during the reporting period. Parish Environmental Teams (PET) had been placed in the local areas and this seemed to be a success.

Freedom of Information requests had increased by 25% and 1076 had been received during 2013/14. Requests responded to within the 20 working days was 95%.

There had been no cases of maladministration reported to the Ombudsman during 2013/14.

A discussion took place including:

- PETs
- Quarterly monitoring to prevent a drop in performance
- Refuse & Kerbside complaints
- Report It App

It was suggested that A Astley produce statistics regarding the use of the Report It App and it was also requested that Members use the app as much as possible to highlight areas of concern in their ward areas.

AUC-25 REVIEW OF THE STRATEGIC RISK REGISTER – JUNE 2014

J Power presented a report on the review of the Strategic Risk Register which was undertaken in June 2014.

The Council needed to keep the Strategic Risk Register under constant review in order to reflect the changes affecting the Council, its risks and the effectiveness of the controls implemented to manage these risks. The risks were designed to be clear and strategic in nature.

The Register included:

- Governance Framework
- Business Continuity Plans
- Budget Strategy
- Information Governance Strategy

The Council had been extremely driven in responding to reductions in the Government's Grant and land slippage within the Gorge.

The Register gave details of actions and controls in place to manage the risks identified and the Lead Director.

The risks within the Strategic Risk Register were not prioritised but were strategic in focus. The Register was a live document and would be taken back before Cabinet in October 2014.

There were some existing strategic risks being managed through appropriate significant projects ie Single Status. Others were listed at the end of the report.

A discussion took place including:

- Housing Investment Programme
- Better Care Fund
- Safeguarding of Children and Adults
- Licensing of Taxis

RESOLVED – that the Strategic Risk Register be noted.

AUC-26 PUBLICATION OF INFORMATION ON COUNCILLORS WHO TRADED WITH THE COUNCIL DURING 2013/14

The Audit & Information Governance Manager presented a report on the publication of information on Councillors who traded with the Council during 2013/14.

The information was collected as part of the 2013/14 final accounts process and this report represented information for 2013/14.

The Information would be reported to Council following the Audit Committee meeting.

RESOLVED – that

- a) the Audit Committee note that the report would be published on the Council's website; and**
- b) the report be noted.**

AUC-27 AUDIT COMMITTEE ANNUAL REPORT 2013/14

J Marriott presented the Annual Report on the work of the Audit Committee which included the Council's governance and assurance arrangements. This included work on:

- raising awareness on good governance (including risk management)

- demonstrating the objectivity and fairness of financial and other reporting
- reinforcing the importance and independence of the internal and external audit
- providing additional assurance through a process of independent and objective reviews by a cross-party group of elected Members who could and did challenge Cabinet Members and Senior Officers

A summary of the business conducted by the Committee during the reporting period could be found at Appendix A to the report.

There had been a reduction in numbers of meetings of the Audit Committee to 3 per year as part of the Council's continuing wider savings and efficiency programme. This did not appear to have affected the effectiveness of the Committee but had resulted in comprehensive agendas. There was the opportunity to call additional meetings if Members required them between the scheduled meetings in June, September and January.

A discussion took place including:

- Risk Register
- Effective Audit Team
- Cuts
- Encourage Staff to ask for help

RESOLVED – that the Annual Report 2013/14 be noted.

AUC-28 INTERNAL AUDIT UPDATE QUARTER ONE 2014/15 AND PUBLIC SECTOR INTERNAL AUDIT STANDARDS INFORMATION GOVERNANCE UPDATE AND INFORMATION GOVERNANCE FRAMEWORK

J Marriott presented the Internal Audit Quarter One report together with the Internal Audit Standards update and the Information Governance Framework.

The report updated Members on the work of Internal Audit during April-June 2014 and the implementation of the Public Sector Internal Audit Standards (PSIAS) Action Plan. The report also provided information on the work of Information Governance (IG) and the Council's Information Governance Framework.

The new structure within Audit and Information Governance (IG) Team had become effective on 1st April 2014. There was still currently one vacancy despite two external adverts to recruit a fixed term Auditor post until 2016. The Team were currently looking at options including the use of the framework contract.

The Internal Audit Team had been able to provide Madeley Town Council with an Internal Audit Service at short notice and had now secured this additional work for the next 3 years (2014/15 – 2016/17) which had in turn generated additional income.

The following appendices were attached to the Report:

- Appendix A – List of final report issued in quarter one together with grading
- Appendix B – List of all work undertaken for quarter one for a period of 1 day or more
- Appendix C – Previous graded reports January 2012-March 2014 with their current status

- Appendix D – Summary of the amber reports issued in quarter one

There were 13 reports issued in quarter one. All areas were below their budgeted amount of time, this mainly being due to well-prepared schools.

There were 4 Amber reports issued during quarter one and management actions to implement the recommendations had been agreed and Internal Audit had planned follow up work or this was already in progress. Internal Audit were confident that management would implement the remaining recommendations to provide the appropriate assurance to improve the grading.

Three areas had required the service of Internal Audit over 10 days and these were:

- Advice and Consultancy
- Adult Social Care – Financial Process Review
- Shared Lives - (now transferred to A Astley's area)

J Marriott highlighted the amber reports which remained amber being:

- Abacus System & Concerns – back to Audit Committee January 2015
- Transport Post Implementation Review – slow progress on follow up due to supplier issues
- Moorfield School – had now moved from Red to Amber. There was a new Headteacher in place and it was expected that there would be further progress.

Follow ups were in progress.

Attached at Appendix E to the report was the updated position of the PSIAS Action Plan. The Quality Assurance and Improvement Programme (QAIP) had been delayed slightly due to the restructure and work for the ASS. There was now a new deadline of 31 October 2014. Action 13 on Appendix E had been transferred to the Team Leader due to staff vacancies.

In respect of Information Governance, there had been 399 Freedom of Information requests between April and July. There had been an 89% response rate within the 20 working days against the benchmark of 80%. There had been 22 Subject Access Requests and 100% had been responded to within the 40 calendar day deadline. Responses had been provided together with additional information where required. There had been one complaint to the ICO which had been a premature complaint and one that had been carried forward from the previous year.

There had not been any major data breaches during the reporting period and therefore no reports to the ICO. However, there had been 20 minor data breaches which were self-reported by officers and had resulted in further improvements to the Council's robust systems. Five formal complaints had been received but these had been resolved satisfactorily.

Appendix F to the report gave a picture of the Information Governance Framework and showed the IG Code of Practice that was in place. This had also been put on "Ollie" the Council's on-line learning tool to be shared by the staff.

A discussion took place including:

- MIS – concerns and contingency plans
- ICT – storage and deletion of e-mails

RESOLVED – that

- a) the Internal Audit Update for quarter one be noted;
- b) the progress on the implementation of the PSIAS action plan be noted;
- c) the work of the Information Governance Team from April-July 2014 be noted;
and
- d) the Council's Information Governance Framework be noted.

AUC-29 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED – that the press and public be excluded from the meeting for the following item of business on the grounds that it may involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

AUC-30 CAPITAL RECEIPTS UPDATE

The Service Delivery Manager for Regeneration and Investment gave a verbal update on capital receipts.

The disposals of assets were at different stages:

- Sold and funds received
- Completion
- Sold Subject to Contract
- Currently being advertised for sale
- Seeking Planning Permission

A schedule for disposal of assets had been drawn up covering 2014/15, 2015/16, 2016/17 and 2017/18. This schedule was subject to further change in response to market trends and was regularly reviewed. As additional sites were identified for disposal they were added to the disposal programme but the overall income target was maintained to reduce reliance on any one receipt. There appeared to be an improvement in market conditions which it was hoped would be reflected in values and the timeliness of disposals. Regular monthly meetings took place to look at timing for the disposal of assets noting that there were instances where an earlier disposal for a lower capital receipt was favourable in some circumstances.

A discussion took place including:

- Treasury Management
- Shaping Places land allocations
- Improving Market Conditions

The meeting ended at 7.48 p.m.

Chairman:

Date: