

AUDIT COMMITTEE

8th December, 2008

PRESENT:- Councillor Isham (Chairman, for this meeting); Councillors Cadd, Kennell, Mrs Mallard, Mills and Mrs Rowlands. Councillor Mrs Morgan-Owen attended also as an ex-Officio Member.

APOLOGIES: Councillors N Blake (Chairman) and Chilver.

1. PERMANENT CHANGE TO MEMBERSHIP

The Committee was informed that there had been a change to the Liberal Democrat membership of the Committee, with Councillor Mrs Mallard replacing Councillor Lambert.

2. MINUTES

RESOLVED –

That the Minutes of the meetings held on 5th November, 2008 be approved as a correct record.

3. AUDIT COMMISSION – GOVERNANCE REPORT

The Committee received the final Governance Report which updated Members on the information previously reported to the 16th September, 2008, and the 5th November, 2008 meetings. The report combined the Accounts Memorandum and the Annual Governance Report and summarised the findings from the External Auditor's audit of the 2007/08 financial accounts and on the Council's value for money arrangements.

Members were informed that the Auditors had issued an unqualified opinion on the financial statements on 10 November, 2008 and had satisfactorily resolved all issues raised in the previous Governance Reports. An unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources had also been issued on 10 November 2008. The proposed Action Plan that was detailed at Appendix 3 to the Governance Report had yet to be fully discussed and agreed, and would be reported to Members in due course.

Members requested further information and were advised:-

- that the issues the External Auditors had identified had related to the preparation of the end of year financial statements and not to the normal day-to-day operations of the Council's accounts.
- on the current status of Council money that was on deposit with Icelandic banks. Negotiations with the banks were ongoing and the Council was hopeful that a significant amount of the funds invested would be recovered. The Minister for Local Government had also announced that regulations would be made so that Councils did not

have to make a provision in their 2009/10 budgets for any possible loss on these investments. This would give Councils time to adjust their medium term financial plans and be clearer about recovering their money before making decisions which affected their budgets or council tax.

- that, as mentioned at the last meeting, it was expected that a closer and better planned process and working relationship between AVDC and the external auditors would result in a significant number of the problems experienced this year with the end of year financial statements being resolved for next year.
- that it was likely that one of the first tasks for the new joint property venture would be to carry out a review of commercial rents to ensure that income was being maximised in this area, and to put a mechanism in place to ensure regular rent reviews were undertaken.

RESOLVED –

- (1) That the Annual Governance Report be noted.
- (2) That the Annual Governance Report Action Plan, detailed at Appendix 3 to the Committee report, be considered in more detail at the next meeting.

4. EXTERNAL AUDIT REVIEW OF DATA QUALITY

The Committee received a report updating it on the External Auditor's review of data quality at AVDC. The review had been undertaken in three stages:-

- (i) Stage 1 – management arrangements – the Council's overall management arrangements for ensuring data quality had been assessed as consistently above minimum requirements.
- (ii) Stage 2 – analytical review – the outcome of the analytical review work was satisfactory.
- (iii) Stage 3 – data quality spot checks – based on the outcome of Stages 1 and 2 the risk of errors in data quality had been assessed as low. The external auditors had therefore only been required to look at two Housing Benefit BVPIs at stage 3 of their work. These were BVPI 78a, average time taken to process new claims, and BVPI 78b, average time taken to process change of circumstances.
- (iv) The initial findings on both BVPI 78a and BVPI 78b had been unsatisfactory, but the results had been disputed by Officers on the grounds that the specific errors identified were not representative of the overall performance of the Council. The Council had subsequently accepted that there had been errors in the statement of BVPI 78a.
- (v) Further review work had been done on BVPI 78b which had showed that the indicator had been fairly stated and that the External Audit findings were not representative.

The draft Data Quality report circulated with the agenda for this Committee meeting would be re-written by External Audit to reflect the correct situation.

When the amended version was available and the Action Plan had been agreed with officers the Final report will be presented to the Audit Committee at a future meeting.

Members were informed that the external auditor's work had not identified any issues around either the amounts paid to benefit claimants or monies claimed from central government. There were also no issues arising that indicated that the wider systems and processes were not 'fit for purpose' or that the errors were in any way due to manipulation of data.

RESOLVED –

That the information on the external audit review of data quality be noted.

5. EXTERNAL AUDIT PROGRESS REPORT

The Committee received a report informing them on the progress made to date on work identified to be undertaken in the current financial year. This included progress on the whole of Government accounts (this work had to be undertaken after the audit of the financial statements), audit of grant claims (that had nearly concluded), and that the summary of the main findings from audit work for the last year would be submitted to the Committee in March 2009 in the Annual Audit and Inspection Letter.

Members were informed that an overall Use of Resources (UoR) score of 2 was being proposed for 2008. This was the same UoR score as for 2007 and reflected the issues that had been discussed in the Annual Governance Report. However, what the score did not reflect was that the standards required to be met to achieve UoR scores had risen year on year, so the Council had, in effect, had to improve its performance to maintain the same UoR score.

That the contents of the External Auditors' progress report and the proposed Use of Resources score for 2008 be noted.

6. AUDIT BRIEFING NOTE – NOVEMBER 2008

The Committee received a report which provided Members with an opportunity to respond to the matters raised in the Audit Briefing Note number 3 (November 2008) which had previously been distributed to Audit Committee Members. The matters covered in the note were:-

- (i) risk management (updated Risk Registers for Theatre, Waterside, the growth agenda and the offices).
- (ii) business continuity.
- (iii) the National Fraud Initiative (update).
- (iv) internal audit (reports issued, recommendations tracker and additional benchmarking information).

Prior to the meeting Members had submitted questions on a number of issues including the staff Motor Vehicle Loans scheme, debt advice and data security, and on whether all Directors had now reported on actions to be taken on non-compliant contracts. The Committee was provided with information

on these queries and informed that all Directors had now reported on actions to be taken on non-compliant contracts. Members were also advised that the Corporate Director (Resources) and the Head of People and Payroll would be reviewing the Motor Vehicle Loan Scheme.

Members raised concerns that the heating system was still not working at The Gateway offices. It was requested that information be provided back to the Committee on how this situation was being managed, in particular through business continuity and risk management.

RESOLVED –

- (1) That the contents of the Audit Briefing Note (November 2008) and replies to queries raised be noted.
- (2) That further information be reported back to the Committee on the issues raised on The Gateway offices.

7. DRAFT BENEFIT FRAUD POLICY

The Committee received a report informing Members that the current Benefit Fraud Prosecution Protocol had been approved by Cabinet in 2002. Since then there had been a number of changes in Council powers and in the management and delegation structure in the Council. As such, Members were being asked for their views on the enforcement of benefit fraud as a part of the policy review process. The first draft of a revised policy (Benefit Fraud Enforcement and Sanctions Policy) was attached to the Committee agenda.

Members requested further information and were advised that once an initial case had been investigated, documented and a formal interview held under caution, it was reviewed with the Internal Audit Manager to determine whether a prosecution was appropriate. The criteria include:

- (i) Evidential Test – to assess whether there was sufficient evidence to provide a realistic prospect of conviction.
- (ii) Public Interest Test – this involved considering and balancing a number of factors such as the level of an overpayment, period of any overpayment and whether a fraud was calculated and deliberate. Prosecution was less likely where the claimant was elderly, the offence was a genuine mistake or understanding, or the level of overpaid benefits was less significant.
- (iii) Other sanctions available to the Council as an alternative to prosecution, such as an administrative penalty or a caution. These alternatives were nationally recognised and applied. The evidential and public interest tests still applied.

Members were also informed:

- (a) that it was likely that the workload of the benefit fraud team would increase due to the current economic conditions. If necessary, additional temporary staff would be employed to assist the team.

- (b) that the Council would be receiving the first results of the National Fraud Initiative in February which would also increase the workload of the Benefit Fraud team.
- (c) that the benefit fraud team did liaise with colleagues from other local authorities to share good practice and lessons learnt.
- (d) that the Internal Audit Manager would report back to Members on whether a previous conviction for benefit fraud would affect the way any future claim from the same individual was handled. For example, whether additional verification checks would be performed before the claim was accepted.

RESOLVED –

- (1) That the contents of the draft Benefit Fraud Enforcement and Sanctions Policy be noted.
- (2) That the Officers be asked to consider the views expressed by the Committee in finalising the draft policy.

8. INTERNAL AUDIT PROGRESS REPORT

The Committee received a report on the progress made to date on work identified in the current financial year's Internal Audit Plan. A full list of the final audit reports agreed and issued during the current financial year had been detailed at Appendix C to the Audit Committee Briefing Note (November 2008).

The progress report included information on the National Fraud Initiative (NFI), and on the provision of Electoral Roll and Council tax information. Joint working had started with other Councils in the area, with staff from AVDC reviewing areas at other Councils and their auditors working on some audits at AVDC. Initially four audits had been identified at each Council after which there would be an assessment of the success of the joint working arrangements. This would include identifying any lessons learnt that could improve future joint working.

Members were also informed that the audit of AVDC's Payroll Service that would start in December 2008 would be a joint audit with resources provided by all Councils who used the AVDC service.

Members expressed their full support for joint working on audit work and asked that a report on the success and lessons learnt from this joint working be reported to a future meeting.

RESOLVED –

That the contents of the Internal Auditor's progress report be noted.

9. AUDIT COMMITTEE WORK PROGRAMME 2008/09

The Committee considered the draft Work Programme for the period up until March 2009. It was requested that agenda items on the Annual Governance Report Action Plan, a final report on review of the Data Quality, on The Gateway offices, and on joint audit working be added to the future Work Programme.

RESOLVED –

That the Work Programme be approved, as amended by the addition of the above items.

10. FUTURE MEETINGS

The next meeting of the Audit Committee would be held at 6.30 pm on the 16th March, 2009 in the Meeting Room at The Gateway, Gatehouse Road, Aylesbury.