

AUDIT COMMITTEE

25 JANUARY 2016

PRESENT: Councillor K Hewson (Vice-Chairman), Branston, B Chapple OBE, M Collins, A Hetherington, P Irwin, M Smith, R Stuchbury, D Town and H Mordue (ex-Officio)

IN ATTENDANCE: Councillor C Adams

1. ELECTION OF CHAIRMAN

RESOLVED –

That Councillor Hewson be elected Chairman of the Committee for the remainder of the municipal year.

2. ELECTION OF VICE - CHAIRMAN

RESOLVED –

That Councillor B Chapple OBE be elected Vice Chairman of the Committee for the remainder of the municipal year.

3. PERMANENT CHANGES TO MEMBERSHIP

The Committee was informed that there had been two permanent changes to the Conservative membership of the Committee, with Councillors Branston and Irwin replacing Councillors Mills and Mrs Renshell.

4. MINUTES

RESOLVED –

That the minutes of the meeting held on 9 November 2015 be approved as a correct record.

5. EXTERNAL AUDIT - CERTIFICATION OF GRANT CLAIMS AND RETURNS ANNUAL REPORT 2014-2015

The Committee received a report from the External Auditors on their work associated with the certification of grant claims for 2014/15 submitted by AVDC. This was the seventh year that an audit of grant claims had been done.

Certification work was not an audit. It involved executing prescribed tests which were designed to give reasonable assurance that claims and returns were fairly stated and in accordance with specified terms and conditions. Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014/15 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this the external auditors followed a methodology determined by the Department for Works and Pensions.

The external auditors had checked and certified the claim for the housing benefits subsidy claim with a total value of £44,815,924. The certification work had found errors which had required the external auditors to carry out extended testing in several areas.

The identified errors had been amended by the Council and had a small net impact on the claim. Underpayments, uncertainties and the extrapolated value of other errors were included in a qualification letter and further details of these were included in the Committee report.

The indicative fees payable for the grant claim work for 2014/15 was £16,600, which was a slight increase on fees payable for the 2013/14 work. The increase was attributable to the additional testing (40+) that had to be carried out in response to the errors identified but had been completed in time for the submission deadline.

Members requested additional information and were informed that, in total, the auditors had checked 100 claims.

RESOLVED –

- (1) That thanks be passed to the Revenues and Benefits Section for the good work that had been done in administering the claims for the financial year 2014/15.
- (2) That the external auditors report on the certification of claims and returns by AVDC for 2014/15 be noted.

6. EXTERNAL AUDIT - PROGRESS REPORT

The Committee received a progress report summarising the work already undertaken and the work planned for 2016 in accordance with statutory requirements and to ensure it was aligned with the Committee's expectations.

The auditors would continue to hold regular meetings with key officers as part of their on-going audit process including fortnightly meetings with key finance staff during the audit opinion visit to discuss significant risks around the accounts and updates on work, and quarterly meetings with the Director of Finance and senior Finance Officers to discuss the significant risks and other issues faced by the Council and the approach and progress with the audit.

The progress report included a timetable setting out how key audit work would be phased during 2015 and when the key deliverables and outcomes would be reported to the Audit Committee. The Audit Plan would be discussed with senior managers in late January early February and reported to Members in March 2016.

Members were informed that the Department of Communities and Local Government (DCLG) had announced that it had decided not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. From 2018/19 onwards, local authorities would be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

The National Audit Office had consulted on a draft Auditor Guidance Note in respect of auditors' work on value for money (VFM) arrangements. The guidance had now been issued and set out the proposed overall approach to work on VFM arrangements that would apply to audits from 2015/16 onwards. An initial VFM risk assessment would be carried out in early 2016 and be reported to the Audit Committee in March 2016.

In addition to the formal reporting and deliverables, the external auditors would continue to seek to provide practical business insights and updates on regulatory matters through their Sectors Briefings. The Local Government Audit Committee Briefing (November 2015) was attached to the Committee report.

Members requested further information and were informed:-

- (i) (Local government audit committee briefing) – Local Plans – that the auditors were bringing this information to the attention of the Council although it was not something that they intended to audit. The auditors agreed to clarify the accuracy of the data quoted regarding published local plans.
- (ii) (Local government audit committee briefing) – Housing Associations Right to Buy – that key issues for AVDC relating to RTB would be reported to the March 2016 meeting.

RESOLVED –

That the contents of the External Auditor’s progress report and the progress of work undertaken to date, and planned for 2016, be noted.

7. FRAUD PROGRESS REPORT - JANUARY 2016

The Committee received an update on the anti fraud and corruption work that had been undertaken over the last 12 months including the results of the fraud risk benchmarking assessment, and a report on the activity of the Compliance team for the first six months of 2015-16 following the transfer of staff to the DWP’s Single Fraud Investigation Service (SFIS).

In October 2013, an assessment was performed of the Council’s Anti Fraud and Corruption policies and processes compared to the three themes outlined in the Local Government Fraud Strategy: Acknowledge, Prevent and Pursue. The actions identified in the Anti-Fraud and Corruption Improvement Plan had largely been addressed and were reported to the Audit Committee in October 2014.

Since the previous fraud risk assessment new best practice guidance on anti-fraud in the public sector had been released by the Chartered Institute of Public Finance and Accountancy (CIPFA). In addition, the Council had undergone significant change with corporate restructure, setting up the new business model and seeking to increase commercial trading. The transfer of the Fraud Investigations team to the DWP SFIS had also had an impact on resources available and the mandate for investigation.

CIPFA’s “Code of practice on managing the risk of fraud and corruption” supported organisations seeking to ensure they had the right governance and operational arrangements in place to counter fraud and corruption. It was a voluntary code that could be applied in any public service organisation.

In March 2015 the Fraud Investigation Team transferred to the DWP SFIS as part of the government’s new aims to try to tackle welfare benefit fraud. This had left the Council without a dedicated fraud investigation resource. The Compliance Team which was part of the Revenues and Benefits Service had been established to undertake interventions and reviews of customer’s council tax liability, housing benefit and council tax reduction entitlement, and to ensure account/claim records were correct, identifying errors and recovering overpayments as well as applying penalties where appropriate.

Attached as Appendix A to the Committee report was a summary (mid year report) of the Compliance Team’s work for the first half of 2015-16.

Using the CIPFA Tool, Business Assurance Services (BAS) had performed a fraud benchmarking assessment of the current state of the Council’s governance structures and processes against the CIPFA code. The results of the assessment and action plan were attached at Appendix B to the Committee report. The Council was currently performing at 40% of the CIPFA standard. For an organisation of this size and

complexity aiming for 100% may not be appropriate, but the assessment showed that there were some key areas where further attention was needed to strengthen both the governance and operational arrangements in place to manage the risk of fraud. The actions identified would help to improve the Council's governance structures and ability to demonstrate effective financial stewardship and strong public financial management.

Members referred to Appendices A and B and in response to questions were provided with further information as follows:-

- (i) that it was difficult to assess how the Council's current performance at 40% of the CIPFA standard compared to other Councils. However, the assessment was a starting point and it was expected that working on the areas of improvement (high level set of actions) identified in the action plan would strengthen the Council's position in managing the risk of fraud and support good governance.
- (ii) that the Council did take fraud seriously and believed that it had developed some resilience to fraud awareness and risks. However, it had not always been able to evidence this and it would be addressed as part of the Action Plan.
- (iii) an explanation was provided on the work being done by the Compliance team, who focussed their work on reviewing Council Tax discounts and exemptions, Council Tax reduction and Housing Benefit entitlement and undertaking work through the National Fraud Initiative and data matching, and real time (wages checking) with the Inland Revenue Service.
- (iv) that the Council fraud risk work was currently assessed as strongest in Revenues and Benefits with the biggest challenges faced relating to financial controls. However, all of these areas would be improved through the set of actions set out in the Action Plan.
- (v) that a report on the governance arrangements regarding the Council's interaction / monitoring of the commercial companies that had been set up over the last 12-18 months would be reported to the March 2016 meeting.

Members also commented:-

- (a) that based on the results of the fraud assessment, the Council might want to consider setting a target of performing to 60-65% of the CIPFA code, although it was recognised that its performance would be variable across the 68 measurable steps and it would be important to perform well in some key identified areas.
- (b) that, if possible, they would like to see information on the cost of fraud prevention / resources devoted to fraud included with future Quarterly Finance Digests reported to the Finance and Services Scrutiny Committee.

RESOLVED –

- (1) That the mid year report of the Compliance Team be noted, and a full year report be submitted to the July 2016 meeting.
- (2) That information on historic levels of fraud for AVDC be reported to the March 2016 meeting (i.e. for the current and 2 previous years on number of instances of fraud detected, value of the fraud and assessment of the impact on AVDC).
- (3) That the Action Plan put together in response to the benchmarking assessment comparison to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption be agreed.

(The Business Assurance Services Manager would be meeting with the Transition Board to agree responsibility and targets for the individual actions, including relevant timescales).

8. BUSINESS ASSURANCE SERVICES - PROGRESS REPORT

The Committee received a progress report against the 2015/16 Business Assurance Plan that highlighted the following matters:-

(i) Assurance reviews completed since the last progress report:

Housing Allocations – the process and controls for Housing Allocations including processing applications in accordance with Bucks Home Choice policy had been reviewed. Generally the processes operated by AVDC's Housing Service was good and had been given an overall reasonable assurance rating.

One medium priority recommendation had been raised relating to a wider review against the BHC policy objectives, recommending that an annual review of the objectives was undertaken.

Two low priority recommendations relating to the 'Common Housing Register and Nomination Rights' in place between AVDC and the Vale of Aylesbury Housing Trust and ensuring that routine management checks were carried out at the point of entry to the housing register had also been raised.

(ii) Assurance Plan Work in Progress – the following work from the 2015/2016 plan had started:-

- Technology One (Accounts Payable / Debtors) – actions were being agreed with management based on a draft report and recommendations that had recently been issued. The report would be presented to the Committee in March 2016.
- Council Tax and Business Rates collections – the review was being scoped with a view to issuing terms of reference and starting the review in January 2016.
- Housing Benefits and Council Tax reduction – the review was being scoped with a view to issuing terms of reference and starting the review in January 2016.
- Data Protection – Home working and use of personal devices – a high level scope had been provided to an external provider and the Council was awaiting quotes that would then allow the detailed scope and start date to be confirmed.
- Policy Compliance – Policy Hub had gone live in November 2015. A compliance programme was being planned including policy review and update and staff training.

(iii) Service Risk Assurance – the Service Risk Assurance process had commenced in December 2015. The information submitted was being reviewed and risk rating updated with a view to reporting the results to the Committee in March 2016.

- (iv) Revised Assurance Plan – the revised Plan had been approved by Members in September 2015. The plan had been further reviewed and updated to reflect changes which meant that some reviews were no longer a priority for this year and, in other cases, they had been merged with other reviews or removed altogether. Appendix 2 to the Committee report detailed the work completed, outstanding and the changes.
- (v) Overdue Audit Recommendations and follow up work
- Technology One – an update on the new finance system had been reported to Members in November 2015 regarding identified financial control weaknesses that had not yet been addressed. As previously reported, the Assurance Plan review work on Technology One was being completed and the results would be reported to the Committee in March 2016.
 - Transparency Code – the two areas that had previously not been compliant, relating to data about the ‘Organisation and Salaries’ and on ‘Land and Property ownership’, had now been uploaded onto the Council’s website. This recommendation had now been fully implemented and all data that the Council was required to publish as part of the Transparency Code could be found on the website under ‘Accessing Our Information – Open Data’.
 - Network Drives – a project to fully replace the Z drives had commenced and would take 6-9 months to complete. This would involve replacing the Z drives with an Enterprise Content Management solution called ‘Box’. Box was a cloud based solution that allowed for the easy sharing of documents whilst reducing the number of e-mail attachments that were sent.
 - Outstanding - Section 106 (Developer Contributions) – an action had been agreed to provide an addendum relating to the Community Infrastructure Levy (CIL) to Supplementary Planning Guidance. However, the addendum had not yet been written.

Members sought and were provided with additional information as follows:-

- (a) Bucks Home Choice allocations policy – that the Housing Division had indicated that some very minor amendments needed to be made to the policy, mainly to make the scheme lawful in response to a statutory instrument). However, they did not have any plans to make changes to the current sub group arrangements.
- (b) Safeguarding – that there had been a slight delay in commencing the review due to the Bucks Safeguarding Children Board currently revising the Section 11 audit requirements with an increased focus on outcomes and evidence of impact. Business Assurance Services would support the Service with independent challenge and validation of evidence for the Section 11 audit in 2016/17. It was also planned to extend the scope of the review to considering the policy and processes for safeguarding vulnerable adults.

Members also commented that if a wider review of the Bucks Home Choice policy and the Housing Register and Nominations policy was undertaken, that it should also be scrutinised by the Environment and Living Scrutiny Committee.

RESOLVED –

That the progress report be noted, including the progress made by Business Assurance Services against work identified in the Assurance Plan for 2015/16.

9. WORK PROGRAMME

The Committee considered the future Work Programme for 2016 which took account of comments and requests made at Audit Committee meetings and the requirements of the internal and external audit processes. Additions to the Work Programme included:-

- Audit Committee Annual Report – moved to 25 July 2016 meeting.
- Fraud Progress (information on historical levels of fraud) – report to 21 March 2016 meeting.
- Fraud Progress (Compliance Team full year report and report on fraud risk actions) – report to 25 July 2016 meeting.
- Governance arrangements regarding the Council's interaction / monitoring of commercial companies set up over the last 12-18 months – report to the March 2016 meeting.

Members commented that they would like to receive more frequent information reported to the Committee on the performance and management of strategic risks, and were also informed that where New Homes Bonus money was awarded to Parishes for local projects, Parishes were then only paid that money upon the production of paid invoices.

RESOLVED –

That the future Work Programme as discussed at the meeting be approved.

10. DATE OF FUTURE MEETINGS

The next meeting of the Audit Committee would be held at 6.30pm on 21 March 2016 in the Olympic Room at The Gateway, Gatehouse Road, Aylesbury.