

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 7 NOVEMBER 2013 AT
2.00PM

Present:

Councillor E Dodd - Chairperson

Councillors

G Davies
G W Davies
C A Green

Councillors

R C Jones
J E Lewis
J R McCarthy

Councillors

E Venables
C Westwood
H M Williams

Lay Member: Mrs J Williams

Officers:

J Smith - Head of Finance and Performance
H Smith - Chief Internal Auditor
J Jenkins - Benefits and Financial Assessment Manager
R Ronan - Democratic Services Officer - Committees

83 APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members for the reasons so stated:-

Councillor M Reeves - Holiday
Councillor R E Young - Holiday

84 MINUTES OF PREVIOUS MEETINGS

RESOLVED: That the minutes of the meeting of the Audit Committee held on the 26 September 2013 were approved as a true and accurate record.

85 DECLARATIONS OF INTEREST

None.

86 FORWARD WORK PROGRAMME 2013-14

The Chief Internal Auditor presented a report to the Committee the purpose of which is to update Members on the 2013-2014 Forward Work Programme for the Audit Committee.

She informed Members that there was one outstanding item from November which was the Risk Management Update. This has been deferred until January 2014 in accordance with an agreed schedule from Corporate Management Board.

RESOLVED: That Members gave due consideration to the updated 2013-14 Forward Work Programme to ensure that all aspects of their core functions are being adequately reported.

87 HOUSING AND COUNCIL TAX BENEFIT FRAUD INVESTIGATIONS OUTTURN 2012/13 AND A COMPARISON OF POSITION IN THE FIRST SIX MONTHS OF THIS YEAR

The Benefits and Financial Assessments Manager presented a report to the Committee the purpose of which was to inform them of the activities that have been undertaken in the first six months of this financial year with regard to Housing and Council Tax Benefit fraud investigations, as compared with the position during the same period in 2012/13. In addition, the report also summarises the activities undertaken and the results achieved during 2012/13.

She explained that the Fraud Team currently consists of a Fraud Manager, three Fraud Investigators and one Administrative Officer.

Table 1 summarises the number of fraud referrals made during the first half of 2013/14 and the source of those referrals. There has not been a significant change in the overall number of referrals received, but an increase in those notified to the Authority by the public. It is thought that this increase may be in part due to the media coverage of Welfare Reform which has raised the profile of benefit fraud.

The Benefits and Financial Assessments Manager explained to the Committee that table 2 shows a breakdown of the types of cases that have been investigated in specific periods.

Alleged living together situations are still a high percentage of investigated cases; this type of case is however extremely difficult to prove, it requires a very strong standard of evidence and a large amount of surveillance.

Table 3 shows that 463 cases were closed during the first half of 2013/14 and indicates the closure categories. The percentage of fraud proven cases for April to September has increased from 31% in 2012/13 to 39% in 2013/14 of the total cases closed. The overall number of sanctions achieved during the first six months of 2013/14 is slightly down on that of the previous year, this may be in part due to the decrease in investigators and the lack of HBMS referrals which generally provides less complex investigations and 'quick hits' for sanctions.

The Benefits and Financial Assessments Manager updated Members on the formation of the Single Fraud Investigation Service (SFIS). She explained that to date this has not progressed greatly, the target date of April 2013 for the setting up of SFIS has passed with no definitive information on how this is to be achieved. The original four pilot sites for SFIS are still running but it has been concluded that not enough management information is yet available and therefore further pilot sites will be set-up in the near future.

The Benefits and Financial Assessments Manager explained to Members that from 1 April 2013, the responsibility to provide support for council tax and the funding associated with it was devolved to the Welsh Government. It is still not completely settled how cases of fraud in the Council's Tax Reduction Scheme will be dealt with as Authorities have the powers to investigate but not the ability to prosecute.

A Member of the Committee asked if there was any information available on the financial benefits to the Authority of closed cases against the financial detriment of carrying out the work.

The Benefits and Financial Assessments Manager explained that there was no detail on the recovery of overpayments. However if the claimant remained on benefits the rate of financial recovery was very slow for obvious reasons. She informed Members that she would collate some information and report back.

The Committee asked for an explanation as to what constituted a contrived tenancy. The Benefits and Financial Assessments Manager explained that a contrived tenancy was basically a tenancy that had been set up to take advantage of the benefits system, an example would be two home owners swapping houses so that rent could be claimed.

A Member questioned whether authorisation for the surveillance of suspected benefit fraud cases was difficult to obtain. The Benefits and Financial Assessments Manager answered that it was not so much difficult as lengthy. Each stage was to be carried out before approval is given and a strong case put forward. The Local Authority must seek authorisation under the Regulation of Investigatory Powers Act from the Magistrates' Court and due to the necessity of gathering sufficient evidence this type of investigation can be very time consuming.

The Committee asked who the employing organisation would be for the single Fraud Investigation Service and would existing staff be subject to TUPE. The Benefits and Financial Assessments Manager advised that the employer would be the Department of Works and Pensions (DWP) and it was expected that staff would be subject to TUPE.

A Committee Member asked if the Fraud Investigation team was ever used to carry out investigations on anyone other than benefit fraud cases, for example members of BCBC staff.

The Benefits and Financial Assessments Manager answered that they have been involved in a corporate investigation but this did not involve surveillance of BCBC staff.

The Committee questioned whether the formation of a single Fraud Investigation Service was as a result of Welfare Reform or is it an entirely separate initiative.

The Benefits and Financial Assessments Manager advised that it was announced at the same time as Welfare Reform and could be seen as part of the same reforms as essentially one benefit requires one investigation.

The Committee thanked the Benefits and Financial Assessments Manager for her report.

RESOLVED: The Committee noted the report.

88 NATIONAL FRAUD INITIATIVE 2012 - 13

The Chief Internal Auditor presented a report to the Committee the purpose of which was to update Members on the Council's response to the 2012/13 Audit Commission's National Fraud Initiative (NFI)

She explained that the NFI was established by the Audit Commission and is a data matching exercise designed to help participating bodies detect erroneous and fraudulent payments. It works by comparing different sets of data, for example payroll and housing benefits records and flagging unusual combinations. A match does not automatically mean fraud, often, there is a simple explanation for the data match and it allows bodies to update their records. Data matching assures bodies about their control arrangements and strengthens the evidence for the Council's Annual Governance Statement.

The Chief Internal Auditor explained that Internal Audit are the key contact for the Authority and ensure that all data matches are completed.

Table one shows the total number of data matches received for 2012/13 and the type of match.

Table two provides a breakdown of the matches, the number the NFI recommend be investigated as a minimum and the number that have actually been investigated and closed as at 24 October 2013.

The Chief Internal Auditor explained that most data matches have been closed with no issues and for all the matches closed to date none have reported any savings. The exercise can however be time consuming and there have been some issues regarding staff resources. It should be noted however that much of the detailed work is carried out by other sections. The system is an on line system and is updated regularly.

A Member of the Committee queried who recommends the matches to be investigated out of the total number of matches identified.

The Chief Internal Auditor explained that all data is looked at but investigations are carried out on the ones that are highlighted by departments.

The Committee questioned why if the overall risk was considered low we need to look at all matches, would it not be more productive just to concentrate on the recommended to investigate, especially in light of current resources.

The Chief Internal Auditor explained that the NFI exercise is mandatory and there is an expectation that all recommended matches would be looked at. She did agree that it would be sensible to only concentrate on the high risk areas, however by reviewing all matches, more assurance can be placed on the control environment.

A Committee Member suggested a costing exercise be carried out on the use of staff time and resources.

The Head of Finance and Performance explained that in terms of data matches looked at by the creditors section a lot of the work is automated and therefore does not require much in terms of staff resources. Also as checks have strengthened within the organisation over the years many discrepancies are now being picked up on at an earlier date.

RESOLVED: That Members gave due consideration to the content of the report to ensure that all aspects of their core functions are being adequately reported.

89 COMPLETED AUDITS

The Chief Internal Auditor presented a report to the Committee the purpose of which is to summarise for Members the findings of the audits recently completed by the Internal Audit Division.

She explained that Corporate Complaints received a substantial audit opinion and overall no major issues were identified. A number of strengths and areas of good practice were identified. In 2012/13 61 complaints were received by the corporate team, as at end of July 2013, 20 complaints had been received for 2013/14.

Rights of Way were also issued with a substantial audit opinion and it was noted that the section greatly benefits from a team of knowledgeable, experienced staff. The Committee queried the remit of the section. The Chief Internal Auditor explained that amongst other

duties they maintained the definitive map, administered applications for amending or re-routing Rights of Way and planned and scheduled improvement works.

Fleet Services supply fuel to BCBC vehicles and hire cars and the management of this fuel supply was given a reasonable audit opinion. There were issues regarding fuel stocks and it has therefore been agreed that staff will carry out fuel audits which should be regularly reviewed and stock discrepancies investigated.

The Chief Internal Auditor explained that the Volunteer Drivers service is administered by one coordinator and is currently supported by 22 voluntary drivers. An audit review of the Volunteer Drivers service was undertaken in November and the overall opinion of the controls in place at the time was that of limited assurance; as a result this area was re-visited. Although it is acknowledged that progress has been made to implement the recommendations agreed during the last audit, a limited opinion has again been issued.

This is a small area but it is high risk and the return audit found that information was still unavailable, annual reviews had not taken place for all drivers and very little current information was available. Assurances cannot be obtained that current drivers are operating with the correct insurance, valid MOT's, or up to date DBS checks etc.

The Chief Internal Auditor advised that she had received an update from the service manager this week regarding the eight audit recommendations. The manager explained that four recommendations had been implemented in full and the remaining four were ongoing. She therefore could not give the Committee complete assurance as internal audit would need to revisit this area as a matter of priority.

The Committee requested an update at its next meeting and assurance that all recommendations were being implemented. They also requested that their concerns be noted and queried if the Authority would be liable should an accident occur. The Chief Internal Auditor agreed that a further report would therefore be presented to the Committee at its meeting in January and the service manager would be requested to be present. On the issue of liability she would speak with the risk manager and seek clarification.

RESOLVED: That Members gave due consideration to the completed audits report to ensure that all aspects of their core functions are being adequately reported.

90 INTERNAL AUDIT - OUTTURN REPORT - APRIL TO SEPTEMBER 2013

The Chief Internal Auditor presented a report to the Committee the purpose of which is to inform the Audit Committee of actual internal audit performance against the six months of the audit plan year April 2013 to September 2013.

At its last meeting the Audit Committee were advised that due to an issue in the Vale of Glamorgan there was a shortfall in the total number of planned productive days. This has now been resolved and the section are starting to regain the lost days. The figures currently show that 591 actual days have been achieved, which is below that expected by 96 days, it is considered however that by the end of the year this will have evened out.

The Chief Internal Auditor advised that overall productivity is very good and the team are working well. The process of recruiting another permanent auditor is underway and this will be a full time post.

The Committee noted that the number of actual days in relation to Fraud and Error and Cross Cutting are way down. The Chief Internal Auditor explained that every year a contingency for Fraud and Error or unplanned work is scheduled and this is to provide some flexibility within the plan. Last year there were significant issues within the building maintenance section which used up these contingency days, to date this year no significant issues have arisen consequently the number of actual days used for Fraud and Error are low.

The Chief Internal Auditor advised that she would report back on the issue of Cross Cutting.

RESOLVED: That Members gave due consideration to the Internal Audit Outturn Report covering the period April 2013 to September 2013 to ensure that all aspects of their core functions are being adequately reported.

91 UPDATE ON INTERNAL AUDIT PERFORMANCE APRIL TO SEPTEMBER 2013

The Chief Internal Auditor presented a report to the Committee the purpose of which is to update them on the Internal Audit Shared Services (IASS) performance to the 30 September 2013 and propose a quality assurance and improvement programme (QAIP) for consideration and approval.

She advised that this was a new report and although Internal Audit already have quality procedures in place this programme would serve to strengthen them.

The Public Sector Internal Audit Standards (PSIAS) came into effect on the 1 April 2013 and replaced the Code of Practice for Internal Audit 2006. The PSIAS require the Head of Internal Audit to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP will be able to evaluate internal audit's activity conformance with the PSIAS and assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. The Chief Internal Auditor explained the proposed QAIP is attached at Appendix A.

She advised Members that at the completion of each audit, all recipients are asked to comment on their satisfaction with the audit process by way of a survey questionnaire ranging from a score of 1 for very satisfied to a score of 5 very unsatisfactory. The results to date for this financial year are summarised in table 1 of the report. For the first half of this year the response rate is 59%, therefore to aid the return rate it is planned that respondents will be able to complete the surveys online.

The Chief Internal Auditor advised the Committee that the Internal Audit Shared Service participates in the Welsh Chief Auditors Group (WCAG) benchmarking exercise. This is undertaken annually and compares our performance and data with all Welsh councils.

Table 2 shows that the Internal Audit Shared Service performance exceeds the average in six of the eight indicators. Two indicators were on a downward trend and the Chief Internal Auditor advised that every effort would be made to improve our performance on these indicators.

The Chief Internal Auditor explained to the Committee that KPMG – our external auditors carry out a review of Internal Audit on an annual basis. KPMG have not passed any adverse comments on the 2012/13 audit work and have always placed reliance on Internal Audit as part of their review for the basis of their work.

She advised that the purpose of the QAIP will be to provide reasonable assurance to its key stakeholders that it performs its work in accordance with its Charter, operates in an effective

and efficient manner and is perceived by its key stakeholder as adding value and improving the service that it provides.

Quality control is achieved through the elements listed at paragraph 4.7 of the report and it is planned that the QAIP will help to bolster these elements.

The Chief Internal Auditor will assume responsibility for the QAIP and there will be ongoing and periodic reviews undertaken by the Principal Auditors and/or Group Auditors. Timely and appropriate action will be taken and recorded by the Chief Internal Auditor to address any areas on non-conformance, or opportunities for service improvement identified from assessments.

A Committee Member asked if the assessments would feed into staff appraisals. The Chief Internal Auditor explained that they would feed into Personal Development Reviews which are conducted on an annual basis and updated every six months she also advised that staff have been fully consulted on the QAIP.

The Committee agreed that it was encouraging to see this further initiative to support staff and ensure that the Internal Audit Service was continually improving.

RESOLVED: That Members gave due consideration and approved the Quality Assurance and Improvement Programme and noted IASS's performance as outlined in the body of the report.

The meeting closed at 3.00pm.