

AUDIT COMMITTEE - THURSDAY, 19 NOVEMBER 2015

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3,
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 19 NOVEMBER
2015 AT 2.00 PM**

Present

Councillor E Dodd – Chairperson

GW Davies MBE
C Westwood

RC Jones
CL Jones

JR McCarthy
G Davies

JE Lewis

Lay Member:

J Williams

Officers:

Helen Smith - Chief Internal Auditor
Randal Hemingway - Head of Finance and ICT
Roger Martin - Insurance and Risk Manager
Mark Galvin - Senior Democratic Services - Committees

212. APOLOGIES FOR ABSENCE

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

Councillor D K Edwards – School Governor business
Councillor C A Green – Other Council business
Councillor M Reeves – Work commitments
Councillor D Sage - Unwell

213. DECLARATIONS OF INTEREST

Councillor C L Jones declared a personal interest in Agenda item 9, in that the school of which he was a School Governor, was mentioned in the Appendix (A) to the report.

214. APPROVAL OF MINUTES

RESOLVED: That the Minutes of a meeting of the Audit Committee dated 24 September 2015, be approved as a true and accurate record.

215. CORPORATE RISK ASSESSMENT 2015-16

The Corporate Director – Resources submitted a report, reminding Members that the Audit Committee oversees risk management within the Council. The purpose of the report was to inform the Audit Committee of amendments to the Risk Management Policy and procedures, as well as the changes made to the 2015-16 Corporate Risk Assessment which have arisen out of the quarterly reviews undertaken during the year.

The Insurance and Risk Manager gave some background information, then confirmed that the Corporate Management Board (CMB) had reviewed the Authority's Risk Management Policy, as well as agreeing that this be shared with Senior Management

Team (SMT). The reason for this he explained, was that these Officers often have a hands-on day to day involvement with the risks of the Council, and have a high level understanding of these, as some of these Risks were in their service areas.

The Insurance and Risk Manager confirmed that he reported these Risks to CMB and SMT on a quarterly basis, suggesting any changes that may be required to the Council's Risk Management Policy, and if necessary, incorporating these changes into the Policy.

He referred Members to Appendix 1 attached to the report, which was a Corporate Risk Assessment which had been reviewed and updated by SMT, and this identified the main risks facing the Council, and the likely of these on Council's services and the wider County Borough, what was being done to manage the risks, and allocates responsibility for the Council's response.

The Insurance and Risk Manager then gave a resume of the principal changes to the Authority's Risks as outlined in paragraph 4.4 of the report, and explained in more detail in the attached Appendix 1. The areas the changes were made in were as follows:-

- Using Resource Effectively
- Welfare Reform
- Local Government Re-organisation
- Supporting Vulnerable People
- Economic Climate and Austerity
- Disposing of Waste
- Healthy Lifestyles Maintaining Infrastructure
- Collaboration with Partners
- Educational Attainment
- Health and Safety

A Member referred to Local Government re-organisation and asked if the Risks explained in the report and attached Appendix 1, accounted for any costs associated with this proposal.

The Insurance and Risk Manager replied that they didn't, adding that no extra funding would be made available by WAG to support the proposals.

A Member noted that in respect of the Economic Climate and Austerity, it reflected that these were improving in some areas of the country, the dollar was improving against the pound and exporting of goods was also on the rise. He asked how these things were taking place in a period of austerity.

The Insurance and Risk Manager confirmed that he had further statistics in respect of the above that were presented to the Council's Corporate Performance Assessment Team as part of other data and statistics. Different parts of the country were performing differently in the recession he added, and also recovering at different paces.

A Member asked if residual risk in the Council has improved (or not), and if it had, perhaps this could be further explained in future such reports.

The Insurance and Risk Manager advised that he could give further explanation in future such reports as to why the levels of scoring of the Risks identified had changed, ie the reasons for these changes.

With regard to Healthy Lifestyles, a Member advised that Clubs and Associations who manage certain Sports Pavilions which teams use when they play rugby and football etc,

have in place a Management Agreement with the Council to maintain these premises. He was aware that the Authority gave these between £2 - £4k a year to maintain these establishments, and asked Officers if this money would still be provided by the Authority following the relevant Asset Management Transfers being completed.

The Head of Finance and ICT confirmed that he would obtain a response to this question and advise the Member accordingly outside of the meeting.

RESOLVED: That Members considered the changes to the Corporate Risk Assessment that have been made during 2015, and receives a further report in January 2016, concerning the 2016-17 Corporate Risk Assessment and review of the Risk Management Policy.

216. **HOUSING AND COUNCIL TAX BENEFIT FRAUD INVESTIGATIONS OUT TURN 2014/15 AND A COMPARISON OF POSITION IN THE FIRST 6 MONTHS OF THIS YEAR**

The Corporate Director – Resources presented a report, the purpose of which, was to inform the Committee 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, compared with the position during the same period in 2014/15. In addition, the report also summarises the activities undertaken and the results achieved during the financial year 2014/15.

The Head of Finance and ICT confirmed that The Fraud Team of the Benefits Section was responsible for the investigation of allegations of Housing and Council Tax Benefit fraud. Fraud Investigators were required to conduct the whole investigation from the initial allegation being received, to closure of the case and preparation of a sanction if appropriate. The Fraud Team consisted of a Fraud Manager, 3 FTE Fraud Investigators and was supported by a Collator/Administrative Officer.

He then confirmed, as was expanded upon within the report, that under the Government's proposal to create a single fraud investigation service (SFIS) the majority of staff within the Fraud Section had recently transferred to the Department for Works and Pensions (DWP) as part of a phased programme running from June 2014 to March 2016.

The Head of Finance and ICT then referred to paragraph 4.5 of the report, where Table 1 in this paragraph summarised Fraud Referrals, which reflected that during the first half of 2015/16, there had been a significant decrease in the number of referrals accepted by the Team.

He then referred to paragraph 4.6 of the report, and Table 2, which illustrated a breakdown of the types of cases that have been investigated in the periods shown ie April – September 2014 and April – September 2015.

He confirmed that investigations into alleged living together situations remained a major element of Benefit Fraud investigation within the County Borough. This type of investigation was extremely difficult to prove as it required a very strong standard of evidence. It cannot be decided on prescriptive criteria, but relies solely on judgement made on a case by case basis related to the evidence available. Inevitably, due to the necessity of gathering sufficient evidence this type of investigation can be very time consuming he added.

Paragraph 4.8 of the report, then confirmed that during 2014/15, 315 cases were closed and the closure categories were shown in Table 3 in this part of the report.

The Head of Finance and ICT then confirmed to the Committee that once a case has been closed as fraud proven and the overpayment calculated, the case is referred to the Benefits Sanctions Panel. The Panel, consisting of three senior members of the Benefits Team, use the Benefits Prosecution Policy to decide what, if any, further action should be taken (beyond overpayment recovery). The recommendation of the Sanctions Panel is considered by the Council's Legal Department and a final decision on the sanction is made.

Table 4 in paragraph 4.10 then illustrated the sanction action taken in the relevant periods shown in this Table.

RESOLVED: That the report be noted.

217. UPDATE ON NATIONAL FRAUD INITIATIVE 2014

The Chief Internal Auditor submitted a report, in order to present to Members for review and consideration, a status report on the progress made to date on the National Fraud Initiative (NFI) 2014.

She explained that the NFI had been run every 2 years since 1996, and to date, has been used to identify fraud and overpayments totalling over £26m in Wales.

Since the abolition of the Audit Commission in March 2015, the NFI had become part of the Cabinet Office, which is now co-ordinated in Wales by the Wales Audit Office in collaboration with equivalent bodies in England, Scotland and Northern Ireland.

The Chief Internal Auditor added that data was last submitted by the Council in October 2014, with the results being released in January 2015. Council Tax data was submitted separately and matches were released at different dates. Two reports were issued in 2014, in April and December of that year.

In respect of Creditor Matches, she explained that in recent years, Internal Audit had undertaken specific reviews of the AP Forensics system and deemed the matching exercises it performs to be superior to those undertaken as part of the NFI. Furthermore, it was worth noting that the daily checks performed were proactive as opposed to the NFI ones which related to a historical point in time. In April 2015, the Corporate Director - Resources gave approval for the NFI matches specifically in relation to creditors to no longer be investigated, as reported matches would have already been identified, investigated and where necessary corrected via the internally generated matches.

With regard to Payroll to Creditor Matches, the Chief Internal Auditor advised that as part of the 2015/16 Internal Audit Plan, it was agreed that as a one off exercise Internal Audit would review the recommended Payroll to Creditor matches. Whilst in itself this did not uncover any issues and all matches were deemed genuine, it did cause questions to be raised by one service area about the need for Departments to maintain declarations of interest for their staff, with appropriate advice being provided.

The next part of the report referred to Housing Benefit Matches, which identified that the current NFI exercise had identified 1,257 matches in relation to Housing Benefits, compared to 1,985 in the 2012 exercise.

The Chief Internal Auditor then referred to Concessionary Travel Passes, confirming that for a number of NFI cycles, large volumes of matches had been identified in

relation to Concessionary Travel Passes. Resource implications and a change in personnel this year has meant that only a small number of the matches have been reviewed. The purpose of these matches is to appropriately cancel the Concessionary Travel Passes of individuals that appear on the DWP deceased list, for whom the Authority has not already been notified. Whilst there is a compensating control in that all passes contain a photo of the pass owner, this control is only as good as the check the driver performs when a passenger gets on the bus. The ultimate control is the deactivation of the pass thus preventing it swiping when attempting to be used on a bus. Given the ongoing high number of matches, it was anticipated that Internal Audit would undertake further work in this area in the future.

She then referred to the last section of the report and Council Tax Matches. These were fairly lucrative the Chief Internal Auditor advised, as from these was derived a single persons discount (of Council Tax). She added that from the December 2014 report, £34,195 of incorrect discounts had been identified and stopped to date, of which £24,309 was deemed to be recoverable.

A Member asked in terms of a single persons discount in Council Tax, if after these were claimed by the single people in question entitled to a rebate, if anything more was done after this to ascertain if the persons circumstances had changed, ie they got married, and were therefore no longer entitled to receive such discount.

The Chief Internal Auditor confirmed that unfortunately there were insufficient resources available, to check situations such as this in their entirety. A lot of reliance was therefore given to single people coming forward and confirming that their circumstances had changed if they had become married, or were 18 years of age and no longer permitted to claim a discount. There were spot checks however carried out by staff.

RESOLVED: That Members considered and noted the NFI update report.

218. INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor submitted a report, in order to summarise for Members the actions and information requests made by the Audit Committee at its last meeting on 24 September 2015.

In this regard, the Committee had requested further information at its last meeting on the Public Sector Internal Audit Standards – External Assessment, and an update on the current status of this was shown in table format in paragraph 4.1 of the report.

The Chief Internal Auditor confirmed that a further report in respect of this item would be submitted to Members at the next scheduled Committee meeting in January.

RESOLVED: That the report be noted.

219. COMPLETED AUDITS

The Corporate Director – Resources submitted a report, that provided Members with a summary of the findings of the audits recently completed by the Internal Audit Shared Service.

The findings of these completed audits were summarised in Appendix A attached to the report, and covered the following work areas:-

1. Banking Contract
2. Timesheets

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3. Money Laundering
4. Access to Records (Subject Access Requests)
5. Learner Transport Project Review
6. Supported People Grant
7. Communities First

The Chief Internal Auditor advised that the Management Implementation Plans that accompany the reports issued and which contains all the recommendations made by the Internal Audit Shared Service as a result of the audits undertaken had all been received, complete with the management responses on how and when the recommendations will be implemented and by whom.

A Member made the point that Timesheets should now be completed and authorised electronically rather than in paper format, and that individual Managers of staff who complete these should sign these off rather than a member of the HR Department in terms of authorising their payment. This would put in place a more accountable process in terms of authorising timesheets, which would then in turn, allow for a more effective audit trail in respect of monitoring that the Timesheets have been both completed and authorised correctly.

A Member enquired if there was planned sometime in the future, a review of back office staff for reasons of securing efficiency savings.

The Chief Internal Auditor replied that value for money related studies were carried out periodically, however, there was insufficient resources available for this in the current year though this would be revisited in the next financial year.

She also added that she would follow-up Members other queries raised above and update the Committee on these at the next scheduled meeting.

RESOLVED: That Members considered and noted the summary of Completed Audits, to ensure that all aspects of their core functions are being adequately reported.

220. SCHOOLS SUMMARY REPORT 2014-15

The Corporate Director – Resources submitted a report, in order to present to Members a copy of the report issued to the Corporate Director Children’s Services, summarising the findings made by Internal Audit in relation to the school based audits concluded in the 2014/15 audit year.

The Chief Internal Auditor confirmed that during 2014/15, a total of 12 audit visits were conducted, 10 were planned visits whilst one was a follow-up where the previous visit identified control weaknesses, and the other site visit was undertaken at the request of the Corporate Director Resources and Section 151 Officer. The report presented showed attached at Appendix A, provided Members with details of the key findings made during these audit visits.

The Chief Internal Auditor then gave a resume of the main points and findings outlined in the attached Appendix A, particularly with regard to School Audit visit findings, including any follow-up audits.

She added that any recommendations relating to Internal Audit’s findings will have been presented in a report directly to the School and Governing Body concerned.

The Chief Internal Auditor culminated her submission by confirming that in order to ensure that audit days available are used in the most effective way, changes will be

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made to the school audit programme for 2015/16, which will allow for more in depth coverage of high risk areas. Therefore, a CRSA will be issued to all schools annually which will enable schools to self-evaluate the controls they have in place to mitigate risks.

Members also requested that the Control Risk Self-Assessment Questionnaires (CRSA) in respect of the schools outlined in the report, be shared with Members of the Committee at a future meeting, for their information.

RESOLVED: That the Committee gave due consideration to the Internal Audit Annual report on schools to ensure that all aspects of their core functions are being adequately reported.

221. INTERNAL AUDIT SHARED SERVICE OUTTURN REPORT - APRIL TO SEPTEMBER 2015

The Chief Internal Auditor presented a report, the purpose of which, was to inform the Committee of actual Internal Audit performance against the 6 months of the audit plan year covering April to September 2015.

She confirmed that the 2015/16 Internal Audit Plan was submitted to the Committee for consideration and approval in April 2015, and outlined the assignments to be carried out and their respective priorities. The Plan provided for a total of 1,296 productive days to cover the period April 2015 to March 2016.

The Chief Internal Auditor advised that a summary of audits commenced/ongoing and completed during the period April to September 2015, were detailed in Appendices A and B of the report.

The Table in paragraph 4.2 of the report, showed an analysis of work completed in relation to the plan (1,296 available days).

In respect of the issues set out in paragraph 4.4 of the report, ie outlining the vacancies in the Internal Audit Section presently that were not being filled due to savings that were required under the MTFs, it was inevitable explained the Chief Internal Auditor, that the commitment to deliver the above number of days for the financial year for 2015/16 will not be achieved, with a shortfall in this year being circa 90 productive days.

Referring to the attached Appendix A, the Chief Internal Auditor advised that a total of 22 reviews had been completed so far to date, 20 (91%) of which had been closed with either a substantial or reasonable assurance opinion level. Of the remaining 2 reviews (9%), although necessary, they did not culminate in an overall audit opinion.

With regard to performance and Performance Indicators that the joint service compiled annually as part of the Welsh Chief Auditors Group benchmarking exercise, these portrayed that the service was operating in the top quartile of local authorities that took part in this exercise.

The Chief Internal Auditor concluded her report, by advising that due to the issues outlined immediately above, there was likely to be a shortfall of productive days being delivered of around 90 days.

RESOLVED: That Members gave due consideration to the Internal Audit Outturn Report covering the period April to September 2015, to ensure that all aspects of their core functions are being adequately reported.

222. UPDATED FORWARD WORK PROGRAMME - 2015/16

The Corporate Director – Resources submitted a report, in order to present Members with an update on the 2015/16 Forward Work Programme attached to the report at Appendix A.

This Programme, the Chief Internal Auditor explained, helps assist the Audit Committee to give due consideration to all aspects of its core functions.

She added that one further item would be submitted before the Committee at its January meeting, namely the Annual Improvement Report that would firstly be considered by both Cabinet and Council at their meetings scheduled in December 2015.

RESOLVED: That Members noted the updated Forward Work Programme, to ensure that all aspects of its core functions are being adequately reported

223. URGENT ITEMS

None.

The meeting closed at 4.18 pm