



<u>Committee and Date</u>
Audit Committee
4 February 2010
4.45 p.m.

<u>Item</u>
<b>3</b>
Public

## **MINUTES OF THE MEETING HELD ON 7 DECEMBER 2009**

9.15 pm – 11.15 pm

**Responsible Officer** Michelle Evans

e-mail: michelle.evans.lads@shropshire.gov.uk Tel: (01743) 252727 Fax (01743) 252713

### **Present**

Messrs B Gillow OBE (Substitute), C J Mellings, M Whiteman, B B Williams (Chairman) and M L Wood.

Ms Elaine Marpole of the Audit Commission was also present.

### **Chairman's Opening Remarks**

The Chairman welcomed the new Head of Audit Services to her first official meeting of the Audit Committee and he also welcomed Members of the Committee, the representative from the Audit Commission and other officers.

#### **1. Apologies for Absence**

1.1 Apologies were received from Mr P M Adams and Mr M Whiteman.

#### **2. Declarations of Interest**

2.1 Mr Gillow OBE declared a personal interest in agenda item 4 – National Fraud Initiative (NFI) 2008/09 – update on Blue Badges as his wife was in receipt of a Blue Badge.

#### **3. Minutes**

3.1 Ms Marpole reported that the figure in 13.6.1 should read £9.5m reduction, not £1.8m.

3.2 **RESOLVED:** that the Minutes of the meeting held on 17 September 2009 be approved and signed by the Chairman as a correct record, subject to the above.

#### **4. National Fraud Initiative (NFI) 2008/09 – Update on Blue Badges**

4.1 The Committee received the report of the Head of Audit Services – copy attached to the signed Minutes – which provided further information on steps taken to recover Blue Badges from the next of kin of deceased holders.

4.2 Members welcomed the progress that had been made and felt that incorporating procedures into the Registrars Service to enable them to prompt for the return of Blue Badges when a death was registered was an excellent idea.

4.3 **RESOLVED:** that the content of the update report and the proposed initiatives therein be noted.

## 5. **National Fraud Initiative (NFI) 2008/09 Former Districts and Borough Councils**

5.1 The Committee received the report of the Head of Audit Services – copy attached to the signed Minutes – which provided details of the outcomes and results arising from the National Fraud Initiative Audit 2008/09 for the former District and Borough Councils.

5.2 The Chairman suggested that Concessionary Bus Passes be recovered in the same way as Blue Badges, as mentioned in paragraph 4 above.

5.3 In response to a query the Head of Audit Services reported that the Housing Benefits Claimants to Student Loans (OBC) match identified as fraud had not been progressed due to the ill health of the claimant.

5.4 **RESOLVED:** that the content of the report and how the work undertaken contributed to the Council's stronger Counter Fraud and Anti-Corruption culture be noted.

## 6. **Internal Audit Plan 2009/10 – Half Year Report and Revised Annual Audit Plan**

6.1 The Committee received the report of the Head of Audit Services – copy attached to the signed Minutes – which provided details of the work undertaken by Internal Audit in the first half of 2009/10 and a summary of the revised audit plan for 2009/10.

6.2 **RESOLVED:** that the half year performance against the plan in 2009/10 together with the summary revised audit plan for 2009/10 be noted.

It was agreed to take agenda items 11, 12 and 13 next.

## 7. **Housing Rent Arrears**

7.1 The Committee receive the report of the Finance Manager, Housing – copy attached to the signed Minutes – which provided an update on the position in respect of arrears at the end of October 2009 and the ongoing work underway to reduce the arrears further and achieve the target collection rate for 2009/10 of 98%, as requested by the Committee at its previous meeting.

7.2 The Finance Manager explained that they were aware of the deterioration in the level of arrears but were happy that progress had been made and the direction of travel was positive.

7.3 The Finance Manager reported that the total collection rate for the end of November had been 94.9% and had risen to 95.81% so progress was now being made and they were on track to reach target.

- 7.4 The Director of Resources explained that the income team had worked to introduce different ways of paying. She with the Head of Finance (Treasury & Pensions) had written to all outstanding debtors identified by the Income Team who were paying into the old bank accounts. However despite this a number of people had continued to pay into the wrong bank accounts. Following visits by staff there were now only seven people paying into the old South Shropshire account. Further reconciliation work was on going to identify payments currently not allocated to accounts. Once all income had been correctly attributed, the Council would be in a stronger position to chase arrears.
- 7.5 In response to a query the Director of Resources explained that, for example, South Shropshire District Council's bank account incurred fees of £300 per month. It was therefore important for all outstanding payees to be contacted and their bank instructions amended so that the old account could be closed.
- 7.6 In response to a query the Director of Resources concurred that the substantial arrears by the former Districts needed to be addressed but that these should be picked up in the quarterly monitoring reports.
- 7.7 The Finance Manager reported on the bad debt provision set against former tenants which had been inherited by Shropshire Council. Members felt that information about the age of the debts should have been included.
- 7.8 In response to a query the Finance Manager explained how IT had been integrated into a single supplier which was scheduled to go live next year.
- 7.9 Members await the final figure which will be reported as a housing performance indicator at the end of the financial year.
- 7.10 **RESOLVED:** that the report be noted.

## **8. Sales Ledger Performance Monitoring Report**

- 8.1 The Committee received the report of the Head of Exchequer Services – copy attached to the signed Minutes – which provided performance monitoring information on the collection of income through its Sales Ledger system for the year ending 31 October 2009.
- 8.2 The Head of Exchequer Services explained that this report was being presented in response to the last meeting and showed the current position with the Council's Sales Ledger system. She confirmed that income collection targets had been met.
- 8.3 In response to a query the Director of Resources explained that Community Services had a greater percentage of aged debt because older people were often asset rich but cash poor and that any debts could be recovered from their estate.
- 8.4 **RESOLVED:** that the report be noted.

## **9. Council Tax, National Non Domestic Rate and Housing Benefit Overpayment Performance Monitoring Report**

- 9.1 The Committee received the report of the Head of Exchequer Services – copy attached to the signed Minutes – which provided performance monitoring information on the collection of Council Tax and National Non Domestic Rates (NNDR) for the year to 26 October 2009.
- 9.2 The Head of Exchequer Services explained that benefit overpayments by former District and Borough Councils no longer sat within Sundry Debtors. These debts would be easier to recover from those in receipt of benefits in the future. The significant arrears from District and Borough Council's were being reviewed and some sums may be written off.
- 9.3 The Head of Exchequer Services explained that recovery had been delayed until September to allow old accounts to be paid off and to ensure that systems were reconciled. She was confident that year end targets would be met. Individuals agreeing to pay by direct debits had been allowed to pay set instalments until March, which made it easier for collection and reconciliation.
- 9.4 In response to a query the Director of Resources explained the impact of not achieving targets. She also explained the position in relation to rent relief for empty properties.
- 9.5 In response to a query, the Director of Resources explained that if more Council Tax Income was generated in the future, the less the Council would receive in Revenue Support Grant.
- 9.6 The Head of Exchequer Services advised members to concentrate on in year collection rates. She reported that they had not chased the prior year's debt as early as they usually would have done, but that they were collecting it now.
- 9.7 **RESOLVED:** that the report be noted.
- 10. External Audit Update Against Plan 2008/09**
- 10.1 The Committee received the report of the Audit Commission Manager – copy attached to the signed Minutes – which provided a summary of progress made on the 2008/09 audit together with information on the planning for the 2009/10 audit year.
- 10.2 The Audit Commission Manager reported that final accounts for 2008/09 had all been signed off on 30 September 2009 and that the Annual Governance Report had been accepted. She updated the Committee on the issue of the objector who now had to decide whether to accept the Audit Commissions' reason for rejecting their objection.
- 10.3 The Audit Commission Manager reported that progress had been made with the Housing Benefit update and follow up work had been proposed for later in the year. Housing Benefit claims had been audited and signed off with no qualifications.
- 10.4 A report following the Audit Commission's work in relation to Local Joint Committees had been drafted and contained one or two recommendations.
- 10.5 The Audit Commission Manager reported that she would start planning the 2009/10 audit work now that the 2008/09 work was substantially completed. She confirmed that a draft work plan would be presented to the next meeting.

10.6 In response to a query the Audit Commission Manager explained that 2008/09 was the first year that a separate audit had been undertaken for the Local Government Pension Fund, which must now be treated as a separate audit entity.

10.7 **RESOLVED:** that the report be noted.

## 11. Annual Review of Counter Fraud and Anti-Corruption Strategy

11.1 The Committee received the report of the Head of Audit Services – copy attached to the signed Minutes – which outlined the Council’s Strategy and its commitment to stand against all forms of Fraud and Corruption.

11.2 The Head of Audit Services explained that the Council’s strategy had been reviewed against best practice and some minor amendments had been suggested (highlighted in red on Appendix A to the report). The Strategy now included reference to housing benefit fraud and the role of external audit had been clarified.

11.3 In response to a query the Director of Resources confirmed that the Strategy formed part of the Council’s Constitution and had been drawn to Members’ attention during their training on Standards.

11.4 **RESOLVED:** that the Committee supports the Counter Fraud and Anti-Corruption Strategy as part of the Council’s stance against Fraud and Corruption.

## 12. Annual Review of Internal Audit Terms of Reference

12.1 The Committee received the report of the Head of Audit Services – copy attached to the signed Minutes – which proposed some minor changes to the Internal Audit Terms of Reference (highlighted in red on Appendix A to the report) in relation to the Head of Audit Services’ change of title.

12.2 In response to a query the Director of Resources clarified paragraph 24 and informed the Committee that caution was required when the Head of Internal Audit was consulted on significant proposed changes in internal control systems and the implementation of new systems. However, this could be done without prejudicing the objectivity of any later review.

12.3 In response to a query the fourth bullet point under paragraph 29 was clarified; employees would be asked to produce the actual asset or physical property.

12.4 **RESOLVED:** that the proposed changes to the Internal Audit Terms of Reference be noted.

## 13. Annual Review of Audit Committee Terms of Reference

13.1 The Committee received the report of the Director of Resources – copy attached to the signed Minutes – which identified minor proposed changes to the Audit Committee’s Terms of Reference (highlighted in red on Appendix A to the report) in relation to inviting the Leader and/or Portfolio Holder to meetings of the Audit Committee for particular items.

13.2 It was agreed that the final paragraph under the heading 'Meetings' be moved to the 'Membership' section to reflect that External Audit had an open invitation to all meetings of the Audit Committee.

13.3 In response to a query the Director of Resources confirmed that there was sufficient time to produce the year end accounts by the end of June.

13.4 **RESOLVED:** that the proposed changes to the Audit Committee Terms of Reference be noted, subject to the minor amendment detailed in paragraph 13.2 above.

#### **14. Annual Governance Reports – Action Plan Update**

14.1 The Committee received the report of the Director of Resources – copy attached to the signed Minutes – which outlined the work undertaken in relation to the items identified as requiring action by the Audit Commission in the Annual Governance Reports.

14.2 The Director of Resources reported that the Assistant Chief Executive Legal and Democratic Services had sought legal advice about winding up the Community Asset Trust (CAT) which had been set up by the former North Shropshire District Council. It had been advised that as the CAT had not been set up as a charitable body, Corporation Tax may be liable. A meeting was to be held with HM Revenue and Customs to consider how to take this forward.

14.3 In response to a query, the Director of Resources informed the Committee who the Director and Company Secretary of the CAT were. Both had been alerted to the issue and a meeting would take place with them to discuss the best way forward.

14.4 In response to a query, the Director of Resources explained that the future income for the CAT is not known with certainty although originally NSDC had expected it to generate £3½ million income over time. If Corporation Tax could not be avoided, the tax liability would also apply to future income.

14.5 In response to a query in relation to the fixed asset revaluation of the former District and Borough Councils, the Director of Resources explained that action had been taken by Property Services to update the fixed Asset Register so as to reflect the assets inherited from the former Councils.

14.6 **RESOLVED:** that the responses provided to the action plans in the Annual Governance Report be noted.

#### **15. Audit Committee Self Assessment Checklist**

15.1 The Committee received the report of the Director of Resources – copy attached to the signed Minutes – which requested Members to consider and comment on the self assessment checklist in order to demonstrate the effectiveness of the Audit Committee and to identify any further improvements that could be made to the Committee's overall effectiveness.

15.2 In response to the question, 'does the Committee input into the external audit programme?' It was agreed that an item would be introduced as a discussion item at a future meeting to enable the Committee to suggest items to be

included for internal/external audit. All suggestions would be considered jointly by the Director of Resources and the Audit Commission Manager.

- 15.3 A query was raised as to whether the Internal Audit recommendations (page 3) should come under the heading 'Internal Audit Process'. It was agreed that this would be reviewed and that a report in respect of all fundamental recommendations made, as a result of Internal Audit work, be provided to the Committee at least annually.
- 15.4 It was confirmed that the External Audit Plan should be presented to the Committee each November as part of the External Audit process.
- 15.5 In response to a query the Head of Audit Services explained that there was a tick against the "no" column in relation to the Whistle-blowing strategies, as these strategies were considered by the Standards Committee in Shropshire rather than the Audit Committee.
- 15.6 It was suggested that the issue about private meetings with external/internal audit be clarified in order to explain that the regular attendance of the Audit Commission at Committee meetings provided the opportunity for the Chairman and other Members of the Committee to request a private meeting, if necessary. The Audit Commission Manager reported that private meetings with auditors occurred as good practice in the NHS, but she was not aware whether these had ever taken place in local government.
- 15.7 **RESOLVED:** that the report be noted.

**16. Date of Next Meetings**

- 16.1 It was noted that the next meeting would take place at 4.45pm on 4 February 2010.
- 16.2 It was agreed that Audit Committee training would take place at 4.45pm on 9 February 2010.

**17. Exclusion of the Press and Public**

- 17.1 It was **RESOLVED** that under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to Agenda items 18 and 19 shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the category specified against them.

**18. Minutes (Exempted by categories 1, 2 and 3)**

- 18.1 The Director of Resources updated the Committee in relation to Paragraph 5.
- 18.2 **RESOLVED:** that the Exempt Minutes of the meeting held on 17 September 2009 be approved and signed by the Chairman as a correct record.

**19. Fraud Update (Exempted by category 1)**

- 19.1 The Audit Manager gave a verbal update.

Signed.....(Chairman)

Date.....4 February 2010.....