



Committee and Date

Audit Committee
7 December 2012
10.00 am

Item No

3

Public

MINUTES OF THE MEETING HELD ON 19 SEPTEMBER 2012

2.00pm – 4.15pm

Responsible Officer Tim Ward

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Present

Messrs P Adams, B Gillow (substitute for M Wood), C Mellings, M Whiteman and B B Williams.

Mr E Bagnall and Mr G Patterson of the Audit Commission were also in attendance.

Chairman's Opening Remarks

The Chairman welcomed Members and Substitutes of the Committee, representatives from the Audit Commission and other Officers to the meeting of the Audit Committee

1. Apologies for Absence and Substitutions

1.1 Apologies were received from Mr M Wood. (Mr B Gillow substituted)

2. Disclosable Pecuniary Interest

2.1 The Chair reminded members of their obligation not to participate in the discussion or vote on any matter in which they had a disclosable pecuniary interest.

3. Minutes

3.1 **RESOLVED:** that the Minutes of the meeting held on 21 June 2012 be approved and signed by the Chairman as a correct record.

3.2 The Audit Service Manager confirmed that the follow up report that had been requested on Contract Procedure Rules would be brought to the February meeting of the Committee

4. Review of Audit Committee Development Requirements 2012/13

4.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which set out the plan of work for the year ahead and asking members to agree a training topic for January 2013.

4.2 The Audit Service Manager reminded members that they had agreed a plan of work with appropriate training at their meeting in March and that it had been

agreed that the training topic for January 2013 would be agreed at this meeting.

4.3 The Corporate Head of Finance and Commerce commented that it may be useful to members to have a briefing on council finances as the situation would be clearer in January.

4.4 The Chair reminded members that the next training session would take place on Wednesday 24 October 2012 at 9.00pm

4.2 **RESOLVED:**

That the Committee note the report and that the training session in January would take the form of a briefing on the Council's finances.

5. Information Risk Policy

5.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which gave details of the responsibilities of the Audit Committee outlined in the new Information Risk Policy which had been approved by Cabinet.

5.2 The Information Governance Officer reminded members that Cabinet had approved the Information Risk Policy which covered the Council's governance of the information it uses for service delivery, and that the policy set out a framework which would enable the council to meet its compliance obligations. He added that the policy supports the Council's Data Protection, Information Security and Records Management policies in accordance with the LGA data handling guidelines for Local Government.

5.3 In response to a question the Information Governance Officer informed the meeting that the Senior Information Risk Owner (SIRO) reported to Cabinet.

5.4 Mr Williams asked what the level of financial penalties was and who was responsible for levying fines. The Corporate Head of Finance and Commerce informed him that the Information Commissioners Office could levy fines of up to £500,000

5.5 **RESOLVED:**

That the Committee note the report and the responsibilities of the Audit Committee contained in the Information Risk Policy.

6. Council Tax and Non-Domestic Rates Performance Monitoring Report

6.1 The Committee received the report of the Head of Customer Care and Involvement – copy attached to the signed Minutes – which gave performance monitoring information on the collection of Council Tax and National Non Domestic Rates (NNDR) for the year to August 2012

6.2 The Revenues Manager advised members that in the financial year 2011/12 48.2% of Council Tax and 48.1% of NNDR had been collected and for the same period in this financial year 48.6% of Council tax and 46% of NNDR had been collected. He went on to say that between 31 March 2012 and 1 August total council tax arrears had been reduced by £1.5 million and arrears for business rates had been reduced by £500,000. Mr Mellings congratulated the Revenues team on this reduction.

6.3 Mr Mellings asked what percentage of payers paid over 12 months rather than 10. The Revenues Manager agreed to let him have this information. He

reminded members that the opportunity to pay in 12 instalments was offer to those in hardship and as an incentive to get people to pay by direct debit. He went on to say that the rules were changing next year to allow all people the opportunity to pay over 12 months.

6.4 Mr Mellings asked in cases of hardship did officers signpost clients to other organisations for help. The Revenues Manager confirmed that all council tax staff received training and were able to give advice on where help may be sought.

6.5 Mr Mellings commented that a lot of the older debts seemed to roll on from year to year and asked at what stage these debts would be written off. The Revenues Manager commented that this matter would need to be addressed at some point.

6.6 The Chair commented that it would be useful to have an extra column in the tables in the appendix which showed against which year payments were allocated. The Revenues Manager commented that it should be possible to do this.

6.7 **RESOLVED:**

That the contents of the report be noted.

7. Benefit Overpayment Performance Monitoring Report

7.1 The Committee received the report of the Head of Customer Care and Involvement – copy attached to the signed Minutes – which gave performance monitoring information on the recovery of housing benefit overpayments for the year 2011/12

7.2 The Revenues Manager advised members that the total amount of housing benefit overpayment outstanding at 31 July 2012 was £3.6 million compared with £3.7 million at 31 July 2011.

7.3 The Chair asked what effect the change to universal credit would have. The Revenues Manager advised him that the DWP would become responsible for the payments and therefore for the recovery of any new overpayments. He went on to say that the Council would still be responsible for the collection of remaining overpayments.

7.4 Mr Mellings requested a further breakdown of the debt analysis showing current and previous years debts, it was agreed to supply this in future reports.

7.5 **RESOLVED:**

That the contents of the report be noted

8. Housing Rent Arrears Annual Update 2011/12

8.1 The Committee received the report of the Financial Advice Manager – copy attached to the signed Minutes – which provided Members with an update on the rent collection rate for 2011/12 and for the first quarter of the current financial year.

8.2 The Financial Advice Manager advised the meeting that the final quarter collection target of 99% had been achieved and that the collection rate for the

first quarter of this financial year was above the comparable period for the previous 3 years.

8.3 Mr Adams commented that the collection rate in the first quarter was always low and asked what the reason for this was. The Financial Advice Manager commented that historically this had always been the case but there was no discernible reason why this should be the case.

8.4 The Financial Advice Manager informed members that the Council was participating with the DWP on a pilot scheme for direct payment of housing benefit and that initially 400 tenants had signed up to participate with more joining the scheme. He went on to say that participating tenants were being encouraged to set up direct debits to pay their rent and that to date 177 had chosen to take this option. Mr Whiteman asked whether the participation in the scheme was voluntary. The Financial Advice Manager confirmed that it was.

8.5 **RESOLVED:**

That the Committee note the content of the report.

9. Annual Treasury Report 2011/12

9.1 The Committee received the report of the Section 151 Officer– copy attached to the signed Minutes – which gave members details of Treasury activities for Shropshire Council for 2011/12

9.2 The Corporate Head of Finance and Commerce took members through the report drawing their attention to the fact that the Treasury Team had outperformed their investment benchmark for 2011/12 by 0.63% and that performance for the last 3 years was 0.46% above benchmark. She went on to advise the meeting that there was an under spend of £0.684 million compared to budget which had arisen through a £97,000 shortfall arising from the lower than budgeted interest rates being offset by an under spend of £0.781 million due to no long term general fund borrowing being undertaken in 2011/12.

9.3 The Corporate Head of Finance and Commerce reminded members that the Council expected to receive all of the £1 million that Bridgnorth District Council had invested in the Icelandic Bank. She went on to say that the first payment had been received in June but that the timings of future payments had not been confirmed but it was expected that the next payment would be received in December 2012 with annual payments thereafter, the final payment being received in December 2019. Members welcomed this information.

9.4 Mr Adams asked for clarification of prudential indicator C2 detailed in Appendix C. The Corporate Head of Finance and Commerce undertook to circulate an explanation by email after the meeting

9.2 **RESOLVED:** that members note the contents of the report

10. Risk Management Annual Report to Audit Committee 2012

10.1 The Committee received the report of the Risk Management Team Leader – copy attached to the signed Minutes – which set out the work undertaken by the Risk Management Team during the last year.

- 10.2 The Risk Management Officer informed the meeting that considerable time had been spent over the past few months developing the PerformancePlus system which enabled one system to provide the necessary finance, performance and risk information in one reporting structure. She went on to explain that the system allowed risks to be updated as often as required but a monthly prompt to review risks was sent by email.
- 10.3 The Risk Manager advised members that the Risk Management Team had taken part in the CIPFA/ALARM benchmarking exercise and that the team had been assessed as operating at the top level in all 7 sections, being in first or joint first position in 5 sections.
- 10.4 The Risk Manager advised members that the Risk Management Team had been responsible for managing the risks for both the Olympic Torch Relay event and the Diamond Jubilee Pageant and that risks were managed through robust risk registers across all work streams and the provision of weekly RAG reports.
- 10.5 In closing the Risk Manager advised members that the work of the Risk Management team was being recognised nationally as they had been short listed for three awards and the fact that the Team Leader had been elected to the board of ALARM.
- 10.6 Members congratulated the Risk Management Team on an excellent report and on being nominated for the awards.
- 10.7 The Chair asked with regard to the newly configured risk software systems how risks above that tolerance levels would be linked. The Risk Manager advised him that email alerts were generated which went to the strategic risk owner which would enable them to be monitored.
- 10.8 Mr Mellings asked that a report be brought to a future meeting on how assurances will be provided for ip&e activities.

10.9 RESOLVED: that the report be received and noted

11. External Audit Annual Governance Report

- 11.1 The Committee received the report of the District Auditor – copy attached to the signed Minutes – which summarised the findings from the 2011/12 audit that was substantially complete. It included the messages arising from the audit of the Council's financial statements and the results of work undertaken to assess the Council's arrangements to secure value for money and use of resources.
- 11.2 The District Auditor confirmed that he proposed to issue an unqualified opinion on the financial statements but that he had identified an unadjusted error in respect of Long Term Debtors of £99,000 and on speaking to managers had been informed that they did not propose to adjust the statements, but would look to adjust this in 2012/13. He went on to say that if the Audit Committee concurred with this course of action an explanation would need to be given in the representation letter.
- 11.3 The District Auditor confirmed that he intended to issue an unqualified value for money conclusion which would state that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its' use of resources.

11.4 RESOLVED:

- A. That the letter of representation, attached at Appendix 4 to the report, on behalf of the Council be approved.
- B. That the Committee's response to the proposed action plan, attached at Appendix 5 to the report, be agreed.

12. External Audit Pension Fund Annual Governance Report

12.1 The Committee received the report of the District Auditor – copy attached to the signed Minutes – which summarised the findings from the 2011/12 audit of the Pension Fund financial statements.

12.2 The District Auditor informed the meeting that this report had been taken to a meeting of the Pension Fund Committee and had been brought to the Audit Committee for information. He went on to say that he proposed to issue an unqualified opinion on the financial statements

12.2 **RESOLVED:** that members note the report

13. Audited Annual Statement of Accounts 2011/12

13.1 The Committee received the report of the Corporate Head of Finance and Commerce – copy attached to the signed Minutes – which presented to members the final audited out turn position for the financial year 2011/12

13.2 The Corporate Head of Finance and Commerce informed members that there had been no material changes to the main accounting statement since the version reported to the committee in June , although a number of minor typographical errors have been corrected, additional disclosures or minor corrections had been made within the Notes to the Accounts, and the Group Accounts had been amended to reflect audit changes made to the company accounts included within the Group and to include a number of other minor amendments.

13.2 RESOLVED:

- A. that the Statement of Accounts be approved and that the Chairman of Council signs them in accordance with the requirements of the Accounts and Audit Regulations 2011
- B. that the Corporate Head of Finance and Commerce be authorised to make any minor adjustments to the Statement of Accounts prior to the 30 September 2012

14. National Fraud Initiative 2010/11 - Update

14.1 The Committee received the report of the Audit Services Manager – copy attached to the signed Minutes – which provided members with an update of the outcomes arising from the National Fraud Initiative (NFI) 2010/11 exercise and the outcomes to date on the results of the Council Tax Single Person discount investigations whose matches were released in 2011/12.

14.2 The Audit Service Manager informed members that the estimated financial saving from the 2010/11 exercise was currently identified as £206,655, the largest part of which, £154,906, related to housing benefit matches with single person discount savings of £35,334 being identified. She went on to say that investigations were on-going which may result in additional savings.

14.3 The Audit Service Manager informed members that the council had taken part in a pilot of real-time data matching and as part of this had submitted additional pension data to be matched against Benefits Agency Records for deceased claimants, which resulted in an additional 106 potential cases for investigation. She went on to say that this did not identify any significant savings since the matches were largely due to timing differences from the date of data upload to the notification of death. The Audit Service Manager advised members that the Council had agreed, subject to resources and further information to be a pilot for the new flexible batch and real-time services.

14.2 **RESOLVED:** that the contents of the report be noted

15. Internal Audit Annual Plan 2012/13

15.1 The Committee received the report of the Audit Services Manager – copy attached to the signed Minutes – which set out proposed revisions to the Internal Audit Plan arising from staffing changes, income fluctuations, recruitment difficulties and uncertainty around the audit needs of the council moving forward.

15.2 The Audit Service Manager advised the meeting that it was proposed that the new audit plan would provide 2,485 days across the councils services and external clients and that it had been decided to purchase additional support from external providers in line with the Councils future plans. She confirmed that the changes had been discussed with, and agreed by the Section 151 Officer.

15.3 Mr Adams asked about the level of charges made by external suppliers. The Audit Service Manager informed him that there was a mix of fees dependent on the skill requirement. She went on to say that the framework contract that the work is being accessed through will be reviewed for April 2013.

15.4 **RESOLVED:** that the Internal Audit Plan for 2012/13 be approved and adopted.

16. Counter Fraud Plan 2012/13

16.1 The Committee received the report of the Audit Services Manager – copy attached to the signed Minutes – which set out the counter fraud work plan.

16.2 The Audit Service Manager reminded members that as part of the Local Government Fraud Strategy councils were required to assess and understand fraud risks and hold a fraud risk register, and that considering fraud risks as part of an organisation wide risk assessment programme means that local authorities are able to assess their overall vulnerability to fraud, identify areas that are most likely to be affected and target counter fraud resources accordingly.

16.3 The Audit Service Manager commented that in times of pay cuts and economic uncertainty there is a greater incentive for some people to commit fraud and that this coupled with the concern of fewer resources and cost cutting may result in gaps in the control framework appearing and being breached, had led to the Council re-evaluating its fraud risks for 2012/13 in order that Internal Audit resources continue to focus on those areas most susceptible to fraud.

16.4 The Audit Service Manager advised Members that the fraud risk assessment would be subject to annual review and that this will be used to inform future counter fraud work.

16.4 **RESOLVED:** that the Committee approve the Counter Fraud Work Plan

17. The National Fraud Initiative Checklist for Members

17.1 The Committee received the report of the Audit Services Manager – copy attached to the signed Minutes – which laid out a checklist for members to understand how the National Fraud Initiative (NFI) is being used within the council and to enable them to identify if the benefits of participation are being maximised.

17.2 The Audit Service Manager reminded members that participation in the NFI exercise was an integral part of the Council's counter fraud arrangements and was an essential component of an effective Counter Fraud, Bribery and Anti-Corruption strategy.

17.3 The Audit Service Manager commented that following completion of the check list it was felt that whilst the approach to the NFI was good there were two areas identified which would further identify the effectiveness of the approach - The appointment of a specific member with counter fraud responsibility and the continuing identification and agreement of data sets for real time matching .

17.2 **RESOLVED:** that members approve the NFI draft checklist as attached as appendix A to the report and recognise the Chairman as the lead member for counter fraud activity.

18 Date of Next Meeting

18.1 The next meeting of the Committee would be held on Friday 17 December 2012 at 10.00am in the Wilfred Owen Room.

19. Exclusion of Press and Public

19.1 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 item 20 shall not be conducted in public on the grounds that it involves the likely disclosure of exempt information defined by the categories specified against the items.

20. Internal Fraud and Special Investigation Update – September 2012 (Exempted by Categories 2, 3 and 7)

20.1 The Committee received the exempt report of the Senior Group Auditor – copy attached to the signed Minutes – which provided a brief update on current fraud and special investigations undertaken by Internal Audit.

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

Signed..... (Chairman)

Date.....7 December 2012.....