

Item 3

SEDGEFIELD BOROUGH COUNCIL

AUDIT COMMITTEE

Conference Room 1,
Council Offices,
Spennymoor

Monday,
30 October 2006

Time: 6.00 p.m.

Present: Councillor M.A. Dalton (Chairman) and
Councillors Mrs. K. Conroy, Mrs. A.M. Fleming, B.M. Ord and J.M. Smith
B. Argyle – Independent Member

Apologies: Councillors Mrs. C. Potts

AC.13/06 DECLARATIONS OF INTEREST
Members had no interests to declare.

AC.14/06 MINUTES
The Minutes of the meetings held on 26th June and 29th September were confirmed as correct records and signed by the Chairman.

**AC.15/06 INTERIM AUDIT REPORT - AUDIT OF THE FINANCIAL YEAR
2005/2006**
Consideration was given to the above report prepared by the Audit Commission. (For copy see file of Minutes).

Sandra Swan of the Audit Commission was in attendance to present the report.

It was explained that the report summarised the results of the Audit Commission's interim visit to review the Council's systems and the operation of its key controls. The audit had been carried out to be ISA (International Standards of Auditing United Kingdom and Ireland) compliant in accordance with the new Code of Audit Practice, which set out the work to be undertaken by auditors.

Members' attention was drawn to Paragraphs 6 and 8 of the report, which outlined the work that had been completed and the main information systems identified.

It was pointed out that as in previous years, the Audit Commission had sought to place reliance on internal audit work to make the best use of the authority's audit resource and had assessed the Internal Audit Service against the ten standards required by Cipfa.

The Committee was pleased to note that all the standards had been met

and the standards were good.

RESOLVED : That the report be noted.

AC.16/06 FINAL ACCOUNTS MEMORANDUM

Consideration was given to a copy of the Final Accounts Memorandum in respect of the 2005/06 Audit. (For copy see file of Minutes).

Sandra Swan of the Audit Commission presented the report.

It was reported that the Audit Commission had completed its audit of the Council's draft Statement of Accounts and its overall conclusion was that the financial statements presented fairly the Authority's financial position as at 31st March 2006. An unqualified audit opinion had therefore been given on 29th September 2006.

Members' attention was drawn to some of the issues that had been raised during the audit, which were detailed in Appendix 1.

RESOLVED: That the report be noted.

AC.17/06 SEDGEFIELD GOVERNING PARTNERSHIPS

Consideration was given to a report prepared by the Audit Commission in respect of the above. (For copy see file of Minutes).

Sandra Swan of the Audit Commission presented the report.

It was explained that partnerships were a significant feature of public service delivery and the Audit Commission was required to consider and report on the risks associated with partnership working.

The audit had comprised of:

- A short self-assessment by the Council (Detailed in Appendix 1)
- A review of additional supporting documents
- Brief discussions.

The objectives of the audit were to support improvement by identifying areas of risk and to determine whether further audit work was needed in 2006/07.

The Committee's attention was drawn to the main conclusions detailed in Paragraphs 7 – 13 of the report.

It was noted that partnership working was ranked as one of the highest risks in the Council's risk register. Accordingly, arrangements for entering into partnership working included a proportionate cost benefit analysis of each potential option to identify performance, financial and risks that councillors could consider when authorising or refusing the Council's participation in a partnership.

It was also pointed out a partnership control framework was being developed to monitor and mitigate risk, as recommended in the Action

Plan, detailed in Appendix 2 and would be issued to all Service Heads. Its' implementation and impact would be monitored by Strategy and Regeneration Section.

RESOLVED : That the report be received.

AC.18/06

INTERNAL AUDIT SERVICE - REPORT FOR HALF YEAR ENDED 30TH SEPTEMBER 2006

Consideration was given to a report of the Head of Financial Services regarding the above. (For copy see file of Minutes)

Members were reminded that the Internal Audit Plan for 2006/07 had been approved by Overview and Scrutiny Committee 1 on 10th April 2006.

The report dealt with the first six months of audit activities, including the progress against the planned work and information on related areas of corporate governance.

It was explained that the Plan scheduled a total of 915 man days for the full year, with a half year performance of 434 days. The Appendix to the report showed that a total of 424 had been achieved for the first six months of the year.

Progress on the areas of work requiring the continuing involvement of the Internal Audit staff were outlined as follows:

Regularity audit

The programme of regularity audit for the half year, which formed the core of the Audit Plan, had been substantially completed.

There had been 31 'formal' audit reports issued during the period, with 15 confirming that satisfactory arrangements were in place. With regard to the 16 reports issued where recommendations had been made, there were 23 recommendations classed as being of 'high importance', 3 of 'medium importance' and 4 of 'low importance'.

It was pointed out that all recommendations had been made following detailed discussions and with the agreement of the appropriate service managers and had been implemented in accordance with agreed action plans.

Corporate Governance

It was reported that the Council's Key Performance Indicators were reported to Strategic Working Groups and appropriate Overview and Scrutiny Committees. Reference was made to the recent Data Quality Assessment, which had reinforced the need for departmental performance management and continuing internal audit examination.

Financial Management Information

It was noted that the Financial Management Information system continued to be developed and enhanced to provide high quality and timely budgetary information to all managers.

Risk Management

It was pointed out that internal audit had a close involvement in the development of the Council's approach to risk management. Efforts to embed risk management into the Council's processes had continued. An electronic risk register had been procured and some progress had been made in its use.

Statement of Internal Control

Members were reminded that the Statement of Internal Control for 2005/06 had been considered by Audit Committee on 26th June 2006. Development of the important features of the system would continue through 2006/07 to ensure a satisfactory position was maintained in respect of all departments. Outstanding matters from 2005/06 requiring further work related to Housing Property works, value for money, establishment control systems and the new leisure management information and cash receipting system. Good progress was being made in all the above areas.

Energy Management

It was pointed out that the substantial increases in the cost of electricity and gas required a sophisticated procurement approach and Internal Audit resources were being deployed to ensure value for money on energy contracts. An Energy Task Group had recently been established to process energy efficiency around the Council, however, there were still concerns over the lack of energy monitoring activities by the Council.

The Committee was then given details of departmental and corporate issues that had been reviewed.

- RESOLVED :*
- 1. That the half yearly progress report be received and a full year report be considered at an appropriate future meeting of the Committee.*
 - 2. That any relevant audit matter be reported to the quarterly meetings of Audit Committee.*

AC.19/06

HOUSING BENEFIT FRAUD REPORT - APRIL - SEPTEMBER 2006

Consideration was given to a report of the Head of Financial Services regarding the above. (For copy see file of Minutes).

It was reported that the Council was committed to preventing and detecting fraud and a reduction in the level of fraud was one of the Benefits Section's key priorities.

The Council had dedicated housing benefit fraud team consisting of the following:

- Senior Benefits Officer (Fraud and Investigations)
- Investigations Officers (2)
- Intervention Officers (2)

➤ Clerical Assistant

A Housing Benefit Anti-Fraud Policy had also been introduced to ensure a consistent and rigorous approach was followed to prevent and detect fraud. As well as ensuring that arrangements were made to ensure that overpayments would be recovered, the policy stated that specific outcomes known as sanctions could be imposed on claimants who had submitted fraudulent benefit claims. Those sanctions were:

- Prosecution
- Issue of a formal caution
- Issue of an administration penalty (fine)

Members noted that investigations during the first six months of the 2006/07 financial year had resulted in the issue of 11 sanctions - 3 prosecutions, 6 cautions and 2 administration penalties and arrangements had been made to recover the overpayments from all of the claimants. The amount of benefit fraud identified for the period represented less than 1.2% of the total value of benefits granted during that period.

The Committee was of the opinion that the Council must continue to investigate cases of potential fraud despite the fact that it no longer received any financial incentives from the Department of Works and Pensions to detect fraud.

It was, however, requested that details of the cost of the Fraud Investigation Service be provided to a future meeting, together with relevant Performance Indicator information.

- RESOLVED :*
1. *That the progress in investigating alleged benefit fraud in the first half of the 2006/7 be noted.*
 2. *That the report be presented to the Audit Committee in April 2007.*

AC.20/06

COUNCIL TAX

It was requested that a report be submitted to a future meeting of the Committee regarding the amount of Council Tax collected and the action taken in respect of non payment.

ACCESS TO INFORMATION

Any person wishing to exercise the right of inspection, etc., in relation to these Minutes and associated papers should contact Mrs. Gillian Garrigan, Spennymoor 816166 Ext 4240 ggarrigan@sedgefield.gov.uk

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