

Item 3

SEDGEFIELD BOROUGH COUNCIL

AUDIT COMMITTEE

Council Chamber,
Council Offices,
Spennymoor

Monday,
23 April 2007

Time: 6.00 p.m.

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

Apologies: Councillors Mrs. C. Potts and J.M. Smith

AC.28/06 DECLARATIONS OF INTEREST
Members had no interests to declare.

AC.29/06 MINUTES
The Minutes of the meeting held on 29th January 2007 were confirmed as a correct record and signed by the Chairman.

AC.30/06 ANNUAL AUDIT AND INSPECTION LETTER 2005/06
The Committee considered the above letter, which summarised the conclusions and significant issues arising from the Audit Commission's recent audit and inspection of the Council. (For copy see file of Minutes).

Catherine Andrew of the Audit Commission presented the report.

It was explained that the letter included details of the review on how well the Council had progressed (Direction of Travel report) and the assessment of how well the Council had managed its finances (Use of Resources scores), although most of the data related to the 2005/06 year.

The main messages for the Council from the Commission's Direction of Travel report were:

- The Council was making effective use of its corporate planning arrangements, resources, partnership working and external funding to support improvements and contribute to wider community outcomes.
- The Council was improving services in its priority areas, however, there were some areas of weaker performance which needed to be addressed.
- In 2005/06 the Council had slightly more than average Best Value Performance Indicators at the top level nationally, however, its rate of improvement was below average for district councils.

The key issues arising from the audit were:

- The Council continued to perform well, with particular strengths in financial reporting and financial standing.
- Arrangements in all areas were developing and had become embedded.
- There was an overall improvement in value for money arrangements with the Council able to demonstrate that relatively high spending is related to key priorities.

Specific reference was made to the actions the Council needed to take which included:

- Embedding improvements to target setting.
- Ensuring that recent improvements in housing services were maintained;
- Taking action to tackle sickness absence if it did not decline.

RESOLVED : That the report be received.

AC.31/06 USE OF RESOURCES AUDITOR JUDGEMENTS 2006

The Committee considered a report prepared by the Audit Commission regarding the above. (For copy see file of Minutes).

Catherine Andrew of the Audit Commission was in attendance to present the report.

Members noted that the annual Use of Resources assessment evaluated how well the Council managed and used its financial resources. The assessment focused on the importance of having sound and strategic financial management to ensure that resources were available to support the Council's priorities and improve services.

The Council's scores were as follows:

Financial Reporting	-	3 out of 4
Financial Management	-	3 out of 4
Financial Standing	-	4 out of 4
Internal Control	-	3 out of 4
Value for Money	-	3 out of 4
Overall Assessment	-	3 out of 4

It was noted that the Council had continued to perform well, with particular strengths in managing spending within budgets, in promoting external accountability through the publication of financial information and ensuring that the medium term financial strategy, budgets and capital programme were soundly based.

The Audit Commission had identified the following key actions to further strengthen arrangements:

- Ensure the cash flow statement was reviewed for accuracy and supported by exemplary working papers;
- Ensure that savings and efficiency gains were separately profiled throughout the year and monitored by Members to ensure their achievement.

Members congratulated officers for achieving such an excellent score.

RESOLVED : That the report be received.

AC.32/06

INTERNAL AUDIT PLAN FOR 2007/08

Consideration was given to a report of the Director of Resources detailing the Internal Audit Plan for the period 1st April 2007 to 31st March 2008. (For copy see file of Minutes).

The production of a comprehensive Audit Plan was an essential requirement for the delivery of an effective Internal Audit service as it identified the planned areas of audit activities, and provided the structure for the essential performance management work required to ensure the practical completion of identified projects.

The Plan had been prepared following an assessment of the staffing resources expected to be available during the year. The availability of the equivalent of 5.5 persons for 2007/08 had been assumed, of which the equivalent of 4.7 persons was available to deliver the work detailed in the Audit Plan.

It was pointed out that the vacant post of Principal Auditor had recently been filled.

The proposed Plan showed a total of 911 days, compared with the approved Plan for 2006/07 of 915 days.

Members noted that a number of corporate studies included subjects such as corporate governance, performance management, risk management, procedural compliance, the Statement of internal control and energy management as essential features of the Audit Plan.

The continuing development of risk management would be a strong focus of audit activity during 2007/08, with the identification of key strategic risks being progressed. The governance of the Council's key partnerships was also likely to be a key risk and the Audit Plan included review work in that area.

- RESOLVED :*
1. *That the Internal Audit Plan for 2007/08, as detailed in Appendix 1, be approved.*
 2. *That a half yearly progress report be submitted to a future meeting of the Committee.*

3. *That significant developments associated with the Audit Plan be reported to the Committee as necessary.*

AC.33/06

COLLECTION AND RECOVERY OF COUNCIL TAX

Consideration was given to a report of the Director of Resources regarding the collection of Council Tax and the recovery procedures in place. (For copy see file of Minutes).

It was explained that since the introduction of Key BVPIs in 2002/03, the Council's performance in respect of 'BVPI 009 – Proportion of Council Tax Collected in year' had improved year on year until 2006/07 as detailed below:

Year	%
2002/03	94.6
2003/04	94.9
2004/05	95.3
2005/06	95.4
2006/07	95.0

It was pointed out that although the figures were in the bottom quartile level of performance, the Council had taken a view over the years that there was no benefit in increasing the resources within the Council Tax Service to improve the in-year collection rate, as it had been calculated that the cost of additional staff would be greater than the cost benefit of improved cash flow. The Council was, however, very effective in collecting Council Tax 'over time' as illustrated by the table in paragraph 3.4. The Council also had a very low cost of collection in comparison to other local authorities, although data was no longer collected to confirm this.

Members' attention was drawn to Section 4 of the report, which detailed the recovery procedures as set out in the Local Government Act 1992 and pursuant regulations.

It was pointed out that in view of the Government's expectation of District Councils achieving an in-year collection rate of 98.3% and the significant growth in the size of the debit, it could be timely to consider options to improve the in year collection rate and to the possible use of any additional investment income to further improve the performance of the Council Tax Service, which would underpin the Use of Resources Assessment.

Paragraphs 5.2 and 5.3 of the report detailed options, which included promoting the take-up of direct debit, requiring all taxpayers to pay from April to January and issuing of reminders earlier in the year.

RESOLVED : *That the report be received.*

AC.34/06**ANNUAL BENEFIT FRAUD REPORT - 2006/07 FINANCIAL YEAR**

The Committee considered a report of the Director of Resources reviewing the results of investigating allegations of Housing and Council Tax benefit fraud during the 2006/07 financial year. (For copy see file of Minutes).

It was noted that during the 2006/07 financial year, the Investigations Team had received 780 cases of suspected fraud following anonymous letters and telephone calls from the public, mainly using the Benefits Hotline, tip-offs from other departments and data matching information from other agencies. The Team had been able to investigate 607 cases, including 226 received from the Housing Benefit Matching Service.

In respect of 420 cases investigated, sufficient evidence had been obtained to confirm that £399,689 fraudulent overpayments had been made, of which only £34,273 (8.6%) remained to be repaid. The investigations had also resulted in the issue of 46 sanctions in accordance with the Council's Sanctions Policy, including 10 prosecutions, 21 cautions and 15 administration penalties. Details of which were outlined in paragraph 4.3 of the report.

Members noted that the amount of benefit fraud identified during the 2006/07 financial year represented less than 1.3% of the estimated total value of benefits granted during that period which amounted to £31m.

It was pointed out that local authorities no longer received any financial incentives from the Department of Works and Pensions (DWP) to detect fraud, however, every effort would continue to be made to prevent and detect fraud. From 2007, the Fraud Team would be working towards assisting the Section to achieve the target of reducing the amount of fraud and error in benefit claims.

Officers expressed concern that the target set by the DWP for 2007/8 of finding reductions in benefits from 6,880 claims within the existing caseload of approximately 11,500 claimants was unrealistic and unachievable within the existing available resources.

RESOLVED : That the progress in investigating alleged benefit fraud during the 2006/07 financial year be noted.

AC.35/06**TIMING OF FUTURE MEETINGS**

Members were of the opinion that should they be re-elected, the meetings should continue to be held at 6.00 p.m.

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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