

SEDGEFIELD BOROUGH COUNCIL

AUDIT COMMITTEE

Conference Room 1,
Council Offices,
Spennymoor

Monday,
2 June 2008

Time: 5.30 p.m.

Present: Councillor D. Chaytor (Chairman) and
Councillors J.G. Huntington, Mrs. C. Potts and B. Stephens
B. Argyle - Co-opted Member

Apologies: Councillors T. Brimm and C. Nelson

AC.1/08 **DECLARATIONS OF INTEREST**
Members had no interests to declare.

AC.2/08 **ELECTION OF VICE CHAIRMAN**

RESOLVED : That Councillor J.G. Huntington be elected as Vice-Chairman for the 2008/09 municipal year.

The Chairman expressed his appreciation of the work undertaken by the Vice-Chairman during the past year and he looked forward to working with him in the new municipal year.

AC.3/08 **STATEMENT OF RESPONSIBILITIES OF AUDITORS AND OF AUDITED BODIES**

The Committee considered the above statement prepared by the Audit Commission to clarify the roles and responsibilities of auditors and audited bodies. (For copy see file of Minutes).

Paul Heppell from the Audit Commission was in attendance to present the above report.

It was explained that the term 'audited body' covered both the members of the body (elected members in local authorities) and its management (senior officers of the body).

Members noted that the responsibilities of auditors were derived from statute, principally the Audit Commission Act 1998 and the Code of Audit Practice.

Audited bodies were responsible for making sure that proper arrangements were in place to ensure that public business was conducted in accordance with the law and proper standards and that public money was safeguarded and properly accounted for and used economically, efficiency and effectively.

It was noted that had it not been for these two factors, the overall fee for

2008/09 would have reduced.

The report gave details of the responsibilities of auditors and audited bodies in relation to the audit of financial statements, the securing of economy, efficiency and effectiveness in the use of resources and the certification of grant claims and returns. It also set out how the results of audit work would be reported.

RESOLVED : That the report be received.

AC.4/08

AUDIT AND INSPECTION PLAN FOR 2008/09

The Committee considered a report setting out the audit and inspection work to be undertaken by the Audit Commission during 2008/09. (For copy see file of Minutes).

Paul Heppell of the Audit Commission was in attendance to present the report.

It was explained that the Plan was based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment. It reflected:

- Audit and inspection work specified by the Audit Commission for 2008/09.
- Existing national risks relevant to local circumstances
- Local risks and challenges.

It was noted that as a result of Local Government Re-organisation in County Durham, 2008/09 would be the final year of operation for Sedgfield Borough Council and the proposed work detailed in the Plan had been tailored to reflect that position. There would be no corporate assessments in County Durham during the year

The inspection programme was designed to support the development of the new unitary Council by assessing key areas of activity that were important in improving the quality of life in the county. On the basis of the Commission's previous work and analysis of key issues, 'sustainable communities' had been identified as an important area for inspection activity.

Specific reference was made to table 1 on page 27, which set out the planned fee for 2008/09. It was pointed out that the fee of £129,000, which took account of the significant audit risks attached to Local Government Review and the Council's proposed LSVT of its housing stock, had only increased by 3% when compared with to the planned fee for 2007/08. It was noted that had it not been for those two factors, the overall fees for 2008/09 would have reduced.

Members' attention was drawn to the tables on Pages 34 and 38, which gave a summary of inspection activity and listed the planned outputs.

RESOLVED : That the report be received.

AC.5/08**ANNUAL BENEFIT FRAUD REPORT - 2007/08 FINANCIAL YEAR**

The Committee considered a report of the Director of Resources, which reviewed the results of investigating allegations of Housing and Council Tax Benefit fraud during the 2007/08 financial year. (For copy see file of Minutes).

It was explained that Council was committed to preventing and detecting fraud and a reduction in the level of fraud was a key priority of the Benefits Section.

Members noted that the target originally set for the Council in 2007/08 by the Department of Work and Pensions (DWP) was to find reductions in benefits from 6880 claims within the existing caseload of approximately 11,5000 claimants. Following the loss of personal data between Government departments in autumn 2007, the target was subsequently reduced to 3150, based on results for the first 6 months. The Council achieved 3248 reductions, resulting in a top rating of 4, in terms of the DWP Performance Standards.

It was reported that during the 2007/08 financial year, the Investigations Team had received 671 cases of suspected fraud following anonymous letters and telephone calls from the public, mainly using the Benefits Fraud Hot Line, tip offs from other departments and data matching information from other agencies. The Team had been able to investigate a total of 505 cases, including 186 received from the Housing Benefit Matching Service.

In respect of 345 cases, sufficient evidence had been obtained to confirm that fraudulent overpayments, valued at £295,957, had been made, of which only £30,821 remained to be paid. The investigations had also resulted in the issuing of 87 sanctions in accordance with the Council's Sanctions Policy, 13 prosecutions, 69 cautions and 5 administration penalties, details of which were outlined in paragraph 4.3 of the report.

Members noted that the Council continued to work with the Department for Work and Pensions and a further 29 cases were being processed.

It was reported that a number of directed surveillance activities had been carried out during the year in accordance with the Regulations of Investigatory Powers Act 2000.

Reference was also made to the results of a joint operation that had been undertaken in the year between the Fraud Investigation Team, the Taxi Licensing Section, the Vehicle and Operator Services Agency, HM Revenue and Customs and Durham Constabulary.

It was estimated that the Council granted approximately £32.5m housing benefits during the 2007/08 financial year and the amount of benefit fraud identified during the year represented less than 0.9%.

The Committee's attention was also drawn to the paragraphs 5.4 to 5.6,

which set out the cost of providing the fraud service.

It was noted that the costs of providing the Council's Benefit Service, which included the Fraud Prevention and Detection activity, was contained within an Administration Grant provided by the Government and there was no cost falling on the Borough Council for the service. The cost of the Fraud Team was a relatively small element of the overall cost and much lower than the 30% recommended by DWP, making performance all the more commendable.

It was pointed out that arrangements had been made for the outcome of the investigations to be publicised in a future edition of 'Inform'.

RESOLVED : That the progress in investigating alleged benefit fraud during the 2007/08 financial year be noted.

AC.6/08

INTERNAL AUDIT SERVICE - ANNUAL REPORT 2007 - 08

Consideration was given to a report of the Director of Resources regarding the above. (For copy see file of Minutes).

It was explained that the Accounts and Audit Regulations 2006 required the Council to 'maintain an adequate and effective system of internal audit of accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

Members were reminded that the Internal Audit Plan for 2007/08 had been approved by the Audit Committee at its meeting on 23rd April 2007. The Plan had scheduled a total of 911 days for the full year, however actual audit work carried out during the year totalled 805 days. The reason for the shortfall was that the Section had been operating with staff vacancies during the year, however, work had been prioritised to ensure greater emphasis on those areas of higher risk. The programme of regularity audit for 2007/08, which formed the core of the Audit Plan, had been substantially completed. 59 formal audit reports had been issued during the period, of which 25 confirmed that satisfactory arrangements were in place.

Appendix A to the report provided a brief summary of actual audit work carried out and of matters that had been identified as part of the work undertaken by the Internal Audit Section.

Members' attention was drawn to the revised Code of Practice for Internal Audit, which had been issued by CIPFA in 2006. It was pointed out that Internal Audit regularly reviewed its service against the Code of Practice to ensure continued compliance. The latest assessment had been undertaken in April 2008, and indicated that the Section continued to be effective and sufficiently compliant with the Code of Practice to ensure that the opinion given in the annual report could be relied upon for assurance purposes.

Appendix B to the report identified those areas of partial or non-compliance with the Code, which amounted to only 20 individual criteria, out of a total of just under 200.

RESOLVED : That the contents of the Internal Audit Service Annual Report 2007/08 be noted.

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