

Medway Council
Meeting of Audit Committee
Thursday, 19 March 2015
7.00pm to 7.55pm

Record of the meeting

Subject to approval as an accurate record at the next meeting of this committee

Present: Councillors: Jarrett, Maple and Osborne

Substitutes: Councillors:
Clarke
Iles

In Attendance: Neil Davies, Chief Executive
Stephanie Goad, Assistant Director Communications,
Performance and Partnerships
Perry Holmes, Assistant Director, Legal and Corporate
Services/Monitoring Officer
Alison Russell, Head of Internal Audit and Counter Fraud
Michael Turner, Democratic Services Officer
Phil Watts, Chief Finance Officer
Janice Wellard, Fraud Manager
David Eagles, Engagement Leader, BDO

854 Record of meeting

The record of the meeting held on 15 January 2015 was agreed and signed by the Chairman as a correct record.

With regard to minute no 665, members were advised that initial discussions had taken place with the Director of Children and Adult Services regarding the letter to schools requested at the last meeting. The letter would be sent before the next meeting of the Committee took place.

855 Election of Chairman

As the Chairman was not present members were asked to appoint a Chairman for the meeting.

Decision:

The Committee agreed to appoint Councillor Clarke as Chairman for this meeting.

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The Chairman remarked that this was Alison Russell's (Head of Internal Audit and Counter Fraud) last meeting of the Audit Committee. He commented on the significant improvements to the audit function Alison had made as head of service and wished her well for the future. Other members echoed these comments.

856 Apologies for absence

Apologies for absence were submitted from Councillors Mackinlay and Mackness.

857 Urgent matters by reason of special circumstances

There were none.

858 Declarations of disclosable pecuniary interests and other interests

Disclosable pecuniary interests

There were none.

Other interests

The Assistant Director Communications, Performance and Partnerships disclosed that she was a Director of Medway Norse.

859 External Audit Plan

Discussion:

The Engagement Leader for BDO, the Council's external auditor, introduced this report which set out the Audit Plan for the Council's external auditor for the year ending 31 March 2015. This plan summarised the work that BDO proposed to undertake in respect of their audit for the 2014/2015 financial year.

Reference was made to past difficulties in finalising the financial statements and the unacceptability of returning to this situation. An assurance was sought that there was sufficient capacity to close down the accounts in accordance with the timetable. The Chief Finance Officer commented that lessons had been learned from previous experiences and he was confident there was the capacity to complete the closure of accounts in line with the timetable. The Engagement Leader for BDO concurred with this view.

Decision:

The Committee:

- (1) agreed to accept the proposed annual audit plan for 2014/15, as set out at Appendix 1 to the report.

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- (2) noted the contents of the Planning Letter 2015/16, as set out as Appendix 2 to the report.

860 External Audit Grant Claim Report

Discussion:

The Engagement Leader for BDO introduced a report which presented the work carried out by BDO, the Council's external auditor, in respect of the certification of grant claims for the financial year ended 31 March 2014.

A discussion took place regarding problems with the software used by the Council for housing benefit reconciliation. Members were advised that these problems were not unique to Medway and the software provider had not yet resolved the issue. In BDO's experience every software programme used by local authorities led to similar difficulties with reconciliation. It was agreed that officers would investigate whether the Local Government Association could lobby for improvements to the software if it was the case that a large number of councils used the same provider as the Council.

Decision:

The Committee noted the external auditor's grant audit report for 2013/2014, as set out at Appendix 1 to the report, including the proposed Action Plan to achieve further improvements to the accuracy of the grant claims submitted to government departments.

861 2015/2016 Internal Audit Annual Plan

Discussion:

The Head of Internal Audit and Counter Fraud introduced a report regarding the proposed 2015/16 Internal Audit Plan.

A member asked for an assurance that, following the restructuring of the Internal Audit team, there would be sufficient capacity to deliver the Plan. The Head of Internal Audit and Counter Fraud believed that there would be sufficient resources to deliver the Plan.

Reference was made to the review of financial management arrangements at the Corn Exchange and members welcomed the fact that lessons learned would be applied to other areas where cash was handled.

Decision:

The Committee approved the 2015/16 internal audit programme.

862 Internal Audit Programme

Discussion:

The Head of Internal Audit and Counter Fraud introduced a report which advised Members of progress in delivering the approved 2014/15 work programme, and presented outcomes completed since the last meeting of the Audit Committee.

Members were advised that the transitional period before the new Internal Audit Team's restructuring had been completed would be used to complete some of the probity reviews and this would help to reduce the pressures facing the new team.

A member referred to the fact that the contract to a third party to manage the local welfare provision scheme was ending at the end of March. A concern was expressed that if responsibility for issuing grants was spread across the council, as opposed to one provider, then this could lead to a lack of consistency and not provide value for money. The Council's longer term plans and what the resulting risks may be were also queried. In addition the point was made that the new arrangements needed to be cost effective. The Committee were advised that this issue could be looked at as part of the planned consultancy work and if there were any significant issues these would be reported to the Audit Committee.

With regard to the overall opinion on the change management aspects of the Better for Less programme and the project management toolkit that the arrangements needed strengthening, the point was made that, given the financial pressures facing the Council, further transformational programmes would be needed for the future (perhaps on a permanent basis) and it was important lessons were learned from the Better for Less programme.

Regarding the review of the Medway Adult and Community Learning Service and a comment that current corporate guidelines did not require pre-authorisation for imprest payments/non-purchase orders a member queried why this was the case. The Committee was advised that the overall report on this issue would address this point.

Decision:

The Committee agreed to note progress on the 2014/15 audit programme, and the outcome of Internal Audit's work.

863 Corporate Fraud

Discussion:

The Fraud Manager introduced a report which informed Members of matters relating to corporate fraud, including outcomes of investigations and fraud referrals received by Audit Services.

Reference was made to the review of the Free School Meals service and it was clarified that this would focus on the effectiveness of data matching and processes rather than look at individual cases.

Regarding the number of calls received on the fraud telephone hotline, members were advised that whilst a large number of calls were received the vast majority related to benefit fraud.

Reference was made to the table which showed Benefits, Council Tax Reduction and Single Person Discount overpayments identified and recorded during the 3rd Quarter 2014/15 (with comparison to the same quarter in previous financial years) and a member asked for clarification about the significant variations between quarters and whether this meant under reporting was happening. In response the Committee was advised that the figures related to overpayments *identified* in each quarter but the overpayments themselves may have originated in earlier quarters. A suggestion was made that, for the sake of completeness, the table showing overpayments identified and recorded should also show amounts recovered. Members were informed that, as overpayments were recovered by a variety of means, it was almost impossible for the Corporate Anti Fraud Team to establish the actual figures.

Decision:

The Committee agreed to note progress in investigating fraud in accordance with the approved Anti Fraud and Corruption policy.

864 Investigations Relating to Internal Financial Irregularities

Discussion:

Members considered the remaining information as set out in the report at agenda item 11, that had not been covered earlier in the meeting.

A member asked if the school featured in the second case had been subject to a probity review. Officers undertook to follow this up and provide an answer.

Decision:

The Committee agreed to note the outcome of the irregularity investigations and the actions taken, as set out at Annex A to the report.

865 Exclusion of the press and public

The press and public were excluded from the meeting during consideration of the remaining two allegations/initial issues as set out in the exempt material contained within the appendix to agenda item 10 (Investigations Relating to Financial Irregularities) because consideration of this matter in public would disclose information falling within paragraphs 2 and 7 of Part 1 of Schedule 12A to the Local Government Act 1972 as specified in agenda item 11 (Exclusion of Press and Public) and, in all the circumstances of the case, the Committee considered that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Chairman

Date:

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