

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on 29 May 2014.

PRESENT: Councillors Clark, (Chair), N J Walker, (Vice Chair) and Junier

ALSO IN ATTENDANCE: Councillor S Khan
H Fowler, Tees Valley Audit and Assurance Service (TVAAS)
D Wilkinson, Deloitte LLP

OFFICERS: M Barker, S Harker, B Roberts, J Savage, N Sayer and P Slocombe

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors McIntyre and P Sharrocks.

DECLARATIONS OF INTERESTS

There were no Declarations of Interest at this point in the meeting.

14/1 POINT OF ORDER

A Committee Member queried whether the Corporate Affairs and Audit Committee was constituted in accordance with paragraph 1.2 of the Council's Constitution. The Chair sought legal advice and it was confirmed that the Corporate Affairs and Audit Committee had been established in accordance with the Constitution at the Council's Annual Meeting on 14 May 2014.

**14/2 CORPORATE AFFAIRS COMMITTEE - 5 MARCH 2014
AUDIT AND GOVERNANCE COMMITTEE - 25 MARCH 2014**

The minutes of the meeting of the Corporate Affairs Committee held on 5 March 2014 were taken as read and approved as a true record.

The minutes of the meeting of the Audit and Governance Committee held on 25 March 2014 were taken as read and approved as a true record.

14/3 SUSPENSION OF COUNCIL PROCEDURE RULE NO 10 - ORDER OF BUSINESS

In accordance with Council Procedure Rule 10, the Committee agreed to vary the order of business to deal with the items in the following order: Agenda item 5, Agenda item 4, Agenda item 6, Agenda item 7, and Agenda item 8.

14/4 ACTION PLAN: GOVERNANCE REVIEW

The Director of Resources presented a report to update Members on the proposed Action Plan in relation to the Governance Review undertaken by the External Auditor, Deloitte.

The Council's Governance arrangements were based on the Society of Local Authority Chief Executives' (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) advice. Deloitte submitted a report to the Audit and Governance Committee on 25 March 2014 outlining a series of recommendations to strengthen the Council's Governance arrangements. An Action Plan in response to the Auditor's recommendations was attached to the submitted report.

The Director of Resources provided an explanation of the recommendations, the actions to be taken to address the issues, and the timescales for implementation.

The Technical Officers and Information Governance Groups had been reviewed and a new

Council Scheme of Delegation had been approved at the Annual Council meeting on 14 May 2014.

New Governance arrangements had been implemented to assist with greater involvement and collaboration across the Leadership Team. The Leadership Team met fortnightly and senior officers would ensure they had a clear Forward Work Programme to facilitate the early identification of issues requiring financial and other input.

The current arrangements for the role of the Section 151 Officer did not comply with the SOLACE/CIPFA Statement. However, Council business items would be dealt with by the Leadership Team, of which the Chief Finance Officer was an active member. The Chief Finance Officer would record and document the content of feedback in relation to revised Corporate Executive Management Team arrangements as necessary. A quarterly meeting would be held to consider the approach between the Chief Executive and the Executive Director, Commercial and Corporate Services. These arrangements would satisfy the SOLACE/CIPFA Statement.

As recommended by the External Auditor, a new Corporate Affairs and Audit Committee had been established. Arrangements would be made to appoint two Independent Members to the Committee via open advertisement.

In relation to the management of the Council's Estates, an operational plan to meet strategic direction, agreed by the Corporate Executive Management Team, would be developed in partnership with Deloitte. The Estates Strategy would be aligned to the Council's overall Strategic Plan and set out the rationale for asset disposals with a clear set of criteria for an offer to be accepted, as well as documenting mechanisms for accepting offers that did not meet the criteria, where there was an alternative reason for accepting the offer.

A review of the Finance function would be undertaken to produce a service specification outlining key service deliverables to ensure corporate compliance with legislative requirements and to support budget holders and managers. The new structure had been agreed within the Change Programme.

The current budget monitoring system facilitated the production of a high level monthly report on key issues where spend was compared against budget. Consideration was underway in respect of a new finance system to replace SAP which would enable reports to be produced online within two weeks of the quarter end.

The Auditor had recommended that the Council should undertake an analysis of the value of debt not collected after twelve months which was recovered before twenty four months had passed since the invoice date. In addition, the Council's provisioning and debt write-off policy should be reconsidered in light of the analysis. However, the Director of Resources confirmed that bad debt was already reviewed on a regular basis and was only written off as a last resort, for example when it was uneconomical to recover it, when a debtor was bankrupt or could not be traced. Bad debt provision had been reviewed as part of the 2013/2014 final accounts and a review of the policy had been undertaken. An update report would be produced following completion of the Final Accounts in August 2014.

Middlesbrough Managers needed to have sufficient knowledge and expertise to use the new accounting system and operate an effective budget monitoring process. A full training and needs analysis and training programme would be developed as part of the implementation programme for the new system. In addition a review of all Human Resource, Finance and Procurement processes would be undertaken to ensure they complied with, and supported the Middlesbrough Manager.

The Director of Resources confirmed that he had regular scheduled meetings with the Head of Internal Audit. In respect of a regular private meeting between the Corporate Affairs and Audit Committee and both the Internal and External Auditors, this would be built into the Governance arrangements following clarification on the legal implications of such meetings in terms of how the Local Authority operated.

AGREED as follows that:

1. The proposed Action Plan in relation to the Governance Review was endorsed by the Corporate Affairs and Audit Committee.
2. An update on the Action Plan would be presented to the Corporate Affairs and Audit Committee at a future meeting.

14/5

FRAUD PREVENTION - PROGRESS REPORT

The Benefits Manager, Client Unit, presented a report to update Members on the counter fraud measures applied within the Revenues and Benefits Service and also the resources used to assist fraud detection.

The Benefit Fraud Team had been employed by Mouchel Business Services since June 2011 and the nature of the Team's work had changed significantly over this time in both the quantity of the investigations undertaken and the reduced need to investigate certain types of fraud activity due to improvements in financial details provided by the Department for Work and Pensions (DWP).

On a national basis, a number of fraudulent claims were made by customers who failed to declare changes on their state benefits. In July 2011, the DWP introduced an automated system to inform Housing Benefit departments of changes in a customer's Working Tax Credit at the same time that customers were told of their award. In February 2012 this was extended to incorporate all state benefits. This eliminated the possibility of customers failing to declare such changes and had a significant impact on the number of cases requiring fraud officer involvement.

As a result of these changes and the continued reduction in funding provided by Central Government to administer the Benefit Service, the number of Investigation Officers was reduced by one full time officer in 2012 and again in 2013, leaving three Investigation Officers in post. The nature of investigations was also reviewed to concentrate on fraudulent claims which might result in a potential prosecution due to the level of any Housing Benefit or Council Tax Benefit overpayment, rather than resource intensive operations which often resulted in relatively small returns.

Since 2012, the Benefit Fraud Officers made an initial judgement call on the seriousness of the allegation and the likelihood of being able to prove fraud beyond reasonable doubt. The number of successful prosecutions remained comparable to those detected in 2011/2012 (52 prosecutions in 2011/2012, 46 prosecutions in 2012/13 and 40 prosecutions in 2013/2014). The highest ever level of fraud detection within the Benefit Service occurred in 2011/2012 and therefore any comparisons to that financial year needed to consider this in context.

During the last year, the assessment of both Housing Benefit and Council Tax Support claims had also altered. There had been a change in emphasis and customers were now asked to call into the benefit office wherever possible to make a new claim or report any changes in their circumstances. This appeared to act as a deterrent as customers were less likely to report a fraudulent change in their circumstances or make a new claim if they were seeing advisors face to face. During the period 1 April 2013 to 31 March 2014, 40,088 customers were seen by a benefit advisor, which assisted the anti-fraud measures put in place throughout the service.

As a result of the Government's welfare reforms and in particular Universal Credit, all Local Authority fraud teams would transfer to the Single Fraud Investigation Service. Officers would become DWP employees and fraud investigation would be undertaken by this team instead of the Local Authority. Middlesbrough had recently been informed that its officers would transfer in June 2015. The exact details of how the service would operate were still to be clarified but it was highlighted that potentially the Authority would have little influence on which claims would be investigated from this date onwards. The Local Authority would make a referral and the Single Fraud Investigation Service would advise within five working days whether or not they intended to proceed with an investigation.

AGREED that the information in relation to current and future fraud investigation arrangements was received and noted.

14/6 **APPOINTMENT OF INDEPENDENT MEMBERS**

Members discussed the process for appointing to the two current vacancies for Independent Members on the Corporate Affairs and Audit Committee.

AGREED that:

- (i) An open advertisement would be placed inviting applications for the two vacancies.
- (ii) The Chair would liaise with Officers regarding the selection process.

14/7 **DATES AND TIMES OF FUTURE MEETINGS**

AGREED that:

(i) the Governance Officer would arrange the next meeting of the Corporate Affairs and Audit Committee in June or July 2014 and advise all Members of the Committee of the date and time.

(ii) future meetings of the Corporate Affairs and Audit Committee would be held at 10.00 am on the following dates:

18 September 2014
4 December 2014
5 February 2015
5 March 2015