

**CORPORATE AFFAIRS AND AUDIT COMMITTEE**

A meeting of the Corporate Affairs and Audit Committee was held on 5 March 2015.

**PRESENT:** Councillors Clark, (Chair), C Hobson (as substitute for Mrs H Pearson), OBE, Junier, McIntyre, P Purvis, P Sharrocks and N J Walker

**ALSO IN ATTENDANCE:** H Fowler, Tees Valley Audit and Assurance Service (TVAAS)  
A Ross, Deloitte LLP

**OFFICERS:** M Padfield and S Lightwing

**APOLOGIES FOR ABSENCE** were submitted on behalf of Councillor Mrs H Pearson, OBE.

**DECLARATIONS OF INTERESTS**

There were no declarations of interest at this point in the meeting.

**1 ANNOUNCEMENT**

With regret, the Chair announced that Councillor Maleor Williams had sadly passed away in hospital. Members observed a minute's silence as a mark of respect.

**2 MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE - 30 JANUARY 2015**

The minutes of the meeting of the Corporate Affairs and Audit Committee held on 30 January 2015 were taken as read and approved as a true record.

The External Auditor updated Members with regard to the outstanding objection to the Council's accounts. A response had been received from the Audit Commission which the External Auditor was considering and a final conclusion would be issued shortly. The External Auditor also confirmed that the training session with Middlesbrough Council staff which had taken place on 12 February 2015 had been successful.

**3 DRAFT ANNUAL INTERNAL AUDIT PLAN**

The Internal Auditor presented a report to seek the comments of the Corporate Affairs and Audit Committee on the draft Internal Audit Plan 2015/2016.

The Plan was presented in draft format to allow Members to contribute to the consultation process by commenting on the areas selected for review and the overall scope of the Plan. Consultation had commenced and was ongoing with the Chief Executive, Directors, the Chief Financial Officer and the External Auditor. Once consultations were completed, a final version of the Plan incorporating any revisions, would be presented to the Corporate Affairs and Audit Committee for approval. Progress against the Plan would be reported to the Committee throughout the financial year.

The proposed Internal Audit Plan 2015/2016 was attached at Appendix 1 to the submitted report and set out how internal audit resources would be deployed between a number of assurance categories including corporate assurance, internal control compliance reviews, counter fraud and financial systems. The number of audit days was currently set at 1065, which was a slight increase on 2014/2015 from 994. However, this might change depending on any revisions to the current draft Plan. Although there would be a further reduction on the overall internal audit budget for next year, the Internal Auditor was confident that the current proposed number of days could be delivered within budget by allocating resources appropriately.

Audits would focus on the key risks to the Council and the key issues and there would be a mixture of audits that were cross-cutting across the Council for example risk management and performance management. There was a range of individual assignments specific to

Directorates, such as Children's Safeguarding and Children's Disability Services. Some areas where there was less risk or less impact were only audited every few years. It was suggested that the routine and specific audits could be highlighted in the Plan to indicate which was in which category.

The Internal Auditor confirmed that although the TVAAS had been publicised, none of the Middlesbrough Academies currently bought their services. The Service would make renewed efforts to advertise itself.

It was noted that an audit of Safeguarding Children would be undertaken after the OFSTED inspection. However, Members indicated that they were keen to ensure that a full audit of this area was carried out by TVAAS.

The Internal Auditor clarified that the audit in relation to Housing Regeneration (Gresham) was likely to relate to how the scheme had been delivered and how the funding had been spent. The exact scope would be defined at the time of the audit. The Internal Auditor also confirmed that audits could be added to the Plan throughout the year in any areas where concerns were raised.

**AGREED** that the draft Internal Audit Plan 2015/2016 was received and noted.

#### 4 **INTERNAL AUDIT - PROGRESS REPORT**

A report was presented to update Members on the main findings arising from internal audit work carried out since the annual report was submitted to Members.

A brief summary of all internal audit reports issued in final since the last update was provided at Appendix 2 to the submitted report. No further Priority 1 recommendations had been made as yet as a result of the 2014/2015 audit work and there were no outstanding Priority 1 recommendations from previous years. In addition to the final audit reports issued at Appendix 2, TVAAS staff had been involved in a number of other areas of work that did not result in the issue of a formal report but were listed in the submitted report.

The current status against each of the performance measures was detailed at Appendix 1 to the submitted report. The main indicator was the Plan completion which was currently 58%. TVAAS aimed to have all audits finished by the end of April. Although slightly behind target at the current time, the Internal Auditor indicated that the Service could cover the material system areas. Auditor productivity was improving and was currently 134 days per year, as opposed to 114 days a few years ago.

Appendix 3 to the submitted report detailed how the contingency time had been allocated and the requested variations to the 2014/2015 Audit Plan. Details of the audits that it was proposed to defer to the 2015/2016 Plan were also shown at Appendix 3. The Internal Auditor confirmed that the reasons for deferral were sound and acceptable and that those audits still considered to be relevant would be rolled forward into next year's plan.

**AGREED** that the information provided was received and noted.

#### 5 **INTERNAL AUDIT - COUNTER FRAUD REPORT**

The Internal Auditor presented a report to update Members on the impact of fraud on the UK by summarising the main findings from the Audit Commission's annual report on Protecting the Public Purse (PPP) 2014.

The Audit Commission was due to close at the end of March 2015 and its counter fraud responsibilities would transfer to several organisations. However it was hoped that the annual report would continue in some format going forward. Fraud cost the UK public sector more than £20 billion per annum and the most recent estimates suggested that local government alone lost more than £2 billion. Money lost to fraud represented a loss to the public purse and reduced the ability of local government bodies to

provide services to people who needed them.

A summary of the findings of the PPP 2014 report was included in the submitted report and highlighted that benefit and welfare tended to be the main areas for fraud but there had also been a rise in social care and insurance frauds as well as in maintained schools.

Middlesbrough had many counter fraud arrangements in place which were detailed in the submitted report. It was suggested that an Elected Member could be nominated as a Fraud Champion as recommended by the PPP report.

The investigation of benefit fraud in Middlesbrough was carried out by the Benefit Fraud Team under the Mouchel contract. In 2013/2014, as consequence of fraud investigations, a total of £343,476 in overpaid housing and council tax benefits was discovered. It was noted that formal action was only taken when the evidence was sufficient to show beyond doubt that an offence had been committed.

The National Fraud Initiative (NFI) was a data matching exercise that compared information held by and between approximately 13,000 organisations including Councils, the Police, hospitals and almost 100 private companies. The purpose of the exercise was to identify potentially fraudulent claims, errors and overpayments. The Council had to take part in the initiative and it was very resource intensive. Whilst the exercise did not result in high financial gains for Middlesbrough Council, participating the exercise provided some level of assurance regarding the anti fraud controls in place. As a result of the NFI, Middlesbrough recovered almost £94,000 in overpayments, which could have arisen as a result of fraud or error.

**AGREED** that the information provided was received and noted.

## 6 **EXCLUSION OF PRESS AND PUBLIC**

**ORDERED** that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as defined in Paragraphs 1 and 2 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

## 7 **APPENDIX 1**

The information presented at Appendix 1 was noted.

## **THANKS**

Councillor Clark thanked Members, the External and Internal Auditors and Officers for their contributions to the Committee during his time as Chair and wished everyone well for the future. In return, the Vice Chair paid tribute to the Chair and thanked him also.