

**NORTHUMBERLAND COUNTY COUNCIL
AUDIT COMMITTEE**

At a meeting of the **Audit Committee** held at County Hall, Morpeth on Wednesday, 26 September 2018 at 10.15 a.m.

PRESENT

Councillor G Hill (Chair)

COUNCILLORS

G Castle
A Hepple

M Swinburn

CO-OPTED MEMBERS

A Hall

A N Haywood-Smith

OFFICERS IN ATTENDANCE

B Haigh
C Mellons
A Mitchell
K McDonald
K Norris
B Scarr

Corporate Fraud Manager
Ernst & Young, External Auditor
Chief Internal Auditor
Group Assurance Manager
Democratic Services Officer
Executive Director of Finance & Deputy Chief Executive

ALSO PRESENT

Councillor N Oliver, Portfolio Holder for Corporate Services & Cabinet Secretary

Other Councillors: C Seymour

15. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Grimshaw, Purvis, Rickerby and Towns.

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16. MINUTES

RESOLVED that the minutes of the meeting of the Audit Committee held on Wednesday, 25 July 2018, as circulated, be confirmed as a true record and signed by the Chair subject to the following amendment:

Page 4, item 13, first bullet point to read:

- It had been carefully considered as to whether Active Northumberland fell within the accounting 'group boundary' and it was stated it did not, to which Mr Haywood-Smith, Independent Member, dissented.

17. REPORT OF THE EXTERNAL AUDITOR

Annual Audit Letter for the year ended 31 March 2018

Mrs C Mellons, External Auditor EY, introduced the above report (a copy of which is attached to the signed Minutes as Appendix A).

Mrs Mellons said there was nothing new to report in terms of content but referred to page 21 of the report which was about looking forward and highlighted a few changes which would take place in the year ending 31 March 2019.

Members asked questions and responses were provided as follows:

- No further adjustments below the reporting threshold had been found that had not already been reported. In general Northumberland County Council was one of the best prepared authorities.
- With regard to planning materiality, there was guidance about how it was applied. This was the third year of auditing the pension fund and, because there was not a high spread of investments, all of them had to be investigated but that did not change the scope of EY's audit work.
- Dilapidation of property was considered every year and management looked at it within the accounts.
- Significant risks highlighted on page 16 were around some of the more significant decisions taken. EY had looked at the Council's governance process and constitution to see that the Council had followed its own procedure. Sensitive issues were ordered to a lower level of materiality.

The Cabinet Member for Corporate Services & Cabinet Secretary thanked everyone for their hard work which had been carried out within a compressed timetable.

RESOLVED that the draft be received and the information be noted.

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18. REPORTS OF THE EXECUTIVE DIRECTOR OF FINANCE & DEPUTY CHIEF EXECUTIVE

Corporate Fraud Team - Counter Fraud Annual Report

The above report provided members with an update on work undertaken by the Corporate Fraud Team within the Council during the year ended 31 March 2018 (a copy of which is filed with the signed Minutes as Appendix B).

Mr Haigh, Corporate Fraud Manager, summarised the report which provided details of internal suspected fraud, external fraud referrals and key risk areas of proactive counter fraud work.

In response to questions the following information was provided:

- The Right to Buy process for Karbon Homes was the same as that conducted for Homes for Northumberland except they also had the Right to Acquire up to a maximum of £9,000.
- A tenancy fraud forum was set up 18 months ago to share best practice and enhance fraud awareness. Discussions were taking place with Homes for Northumberland to discuss an exercise about 'unknown tenants' and the possibility of properties being sub-let or empty. An exercise would also be undertaken to ascertain if fraudulent applications were being made on the homefinder list. It was acknowledged that housing officers did carry out detailed checks but fraud investigators had more experience in identifying fraudulent applications.
- Sanctions and formal cautions had been issued to tenants who had properties elsewhere and officers had engaged with HfN to see if it would be worthwhile to carry out this exercise on a two yearly basis.
- The Council's charges to Karbon Homes did cover all costs incurred with 100% profit being made.
- It was acknowledged that fraudulent use of blue badges was a sensitive issue and expired badges were not always being cancelled from the system with family members continuing to use them after the badge holder had passed away. Parking Enforcement Officers could check data on badges, ie. if it was in date and if it belonged to a male or female but would need to contact the office for further information as they did not have access to live data.
- It was not always obvious why a person held a blue badge as it was not necessarily for a physical impairment.
- The fraud team were aware of queries surrounding the possibility of parking permits being issued to non-residents in Ponteland.
- Assurance was given that the fraud team had worked as efficiently and effectively as possible on items discussed with the resources available.
- Procurement was an area of huge risk and, although the team was keen to look at it, they had not yet done so due to limited resources. The team was now only half the size of what it had previously been and covered a larger area of work.
- Precise figures of follow ups resulting from tips from the public or follow ups instigated from work patterns were not available but could be sought for a future meeting if required.

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- With regard to publicity, it was a balance between showing how much fraud was being investigated or not drawing attention to it.
- All referrals involving housing benefit and passported benefits were forwarded to the DWP. In most cases housing benefit was claimed with council tax but if the national fraud hotline had any referrals for council tax they were not passed to local authorities. In May 2019 there would be an option to revert back to joint working and that would be analysed to see if it would be beneficial.
- A number of referrals arose from members of staff still being paid after they had left the Authority. The system currently in place was to follow this up if staff did not report it after 3 months. It was noted that this was a particular problem in schools and had been flagged up.
- If members had referrals they could report them to the fraud hotline or email team members direct. Cases about homelessness could also be referred directly to the homelessness team.

The Executive Director of Finance & Deputy Chief Executive said the Corporate Fraud Team was a small team that worked very well and focussed on the right issues. From November/December housing benefit would be known as universal credit which was why joint working had been requested and the next 2 years would be a testing time. With regard to procurement, there was a big difference between deliberate misrepresentation for personal gain and breach of internal procedures, which was very difficult to prosecute.

The Chief Internal Auditor praised the work carried out. She said that elsewhere she had seen good use made of an approach of identifying a “counter fraud blueprint” which ranked the order of the most prevalent issues and focussed on areas which recovered more money. She suggested that figures could be split into cashable and non-cashable to show areas of most value.

The Cabinet Member for Corporate Services emphasised the importance of investigating any issue which was reported.

RESOLVED that the progress in work undertaken by the Corporate Fraud Team since the last report and the steps being taken to recover any monies owed to the Council be noted and thanks be conveyed to the team for the valuable work done.

19. URGENT BUSINESS

The Chief Internal Auditor stated that Audit Committee guidance had been refreshed by CIPFA and suggested some informal sessions be held with members to explain this. She said that the value of the committee was to work in a non political way and highlight how governance and control could be improved.

RESOLVED that some suggested dates be circulated for members to indicate their preference.

CHAIR:

DATE:

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