

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

RESOURCES AND PERFORMANCE PANEL – AUDIT AND RISK COMMITTEE

Minutes of a Meeting of the Resources and Performance Panel – Audit and Risk Committee held on Tuesday 26 November 2013, at 6.00 pm, in The Committee Suite, King's Court, Chapel Street, King's Lynn

PRESENT:

Councillors P Beal (Chairman)
R Bird, M Chenery (*substitute for Councillor A Wright*), D J Collis,
P Cousins, I Gourlay, H Humphrey, C Manning (Vice-Chairman),
D Tyler, G Wareham and T de Winton

Portfolio Holders:

Councillor N Daubney, Leader and Portfolio Holder for Resources
Councillor Mrs E Nockolds, Portfolio Holder for Health and Well Being

Apologies for absence were received from Councillors A Morrison and A Wright

ARC67: **MINUTES**

The Minutes of the Resources and Performance Panel – Audit and Risk Committee meeting held on 29 October 2013 were confirmed as a correct record and signed by the Chairman.

ARC68: **DECLARATIONS OF INTEREST**

There were none.

ARC69: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business to report.

ARC70: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

Councillors M Langwade and J Moriarty for ARC73, ARC74, ARC75.

ARC71: **CHAIRMAN'S CORRESPONDENCE**

The Chairman had no correspondence to report.

ARC72: **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

The Committee noted the responses made by Cabinet at its meeting held on 5 November 2013 to the recommendations made by the Resources and

Performance Panel – Audit and Risk Committee at its meeting held on 29 October 2013 in respect of the following item:

- Mid Year Review Treasury Report 2013/2014.

ARC73: **ANNUAL AUDIT LETTER – YEAR ENDING 31 MARCH 2013**

Mr R Murray, Ernst & Young presented the Annual Audit Letter and highlighted the following points:

- The purpose of the Annual Audit Letter.
- Executive Summary.
- Key findings: Financial Statement Audit, Value for Money Conclusion, Whole of Government Accounts, Annual Governance Statement, Certification of Grants Claims and Returns, Audit Fees.
- Control Themes and Observations.

Members were advised that the estimated fee was £22,992 higher than the scale fee in respect of the following work undertaken:

- Additional audit work on the housing and council tax benefit, National Non-domestic rates (NDR) and council tax systems which were changed part way through 2012/13 (£9,770),
- Dealing with elector correspondence (£1,050).
- Additional audit work on certain aspects of the audit (£12,172) which included: accounting for the collection fund, classification of grants received, classification of assets held for sale, consolidated income and expenditure classification and the consideration of the related prior year adjustment and classification of leases.

Mr Murray explained that Ernst & Young's proposed fee had been discussed with the Chief Financial Officer and the Deputy Chief Executive and was subject to review by the Audit Commission who would determine a final scale fee which would not exceed £90,480.

In response to questions from Councillor de Winton on the additional audit fees incurred by the Council, Mr Murray explained that there were a number of factors which led to an increase in the audit fees, but that Ernst & Young would work with officers to try to ensure that there would be no additional fees in future years.

Councillor Humphrey referred to page 10, last paragraph and asked for clarification. In response Mr Murray explained that in auditor's terms this was a double negative and advised that no significant deficiencies in internal control were reported.

In response to questions from Councillor Chenery regarding the number of hours spent on the audit work, Mr Murray explained that he did not have the exact figures to hand but that it was in the region of 10 weeks.

Councillor Wareham asked if the audit fees had been reduced by 40% last year and the current year. In response, Mr Murray explained that this was correct. He explained that when there was a change of auditors it was not unusual for additional work to be undertaken which would mean additional fees. The Deputy Chief Executive explained that it had been anticipated that the first audit with Ernst & Young would incur additional fees, therefore £20,000 had been allocated at the close down of accounts.

The Chairman, Councillor Beal thanked Mr Murray for attending and presenting the Annual Audit Letter to the Committee.

RESOLVED: Members noted the Annual Audit Letter for year ending 31 March 2013.

ARC74: BENEFITS INVESTIGATIONS UNIT HALF-YEAR REPORT

The Fraud Investigations Manager presented the report which provided Members with information regarding the work undertaken during the first half of 2013/2014 financial year.

The Committee was advised that the administration of the national Housing Benefits Scheme by the Council was the biggest single service provided by the Council. In 2012/2013 just over £52 million was paid to 14,671 claimants on low incomes to enable them to pay their rent and council tax payments. It was highlighted the number of people currently claiming was 14,582, with an estimated Housing Benefit cost for 2013/2014 of £41,676,378. On fraud, the Council's Benefit Investigations Unit had the task of preventing and detecting benefit fraud.

The Fraud Investigations Manager explained that since 1996 the Audit Commission had run the National Fraud Initiative (NFI), a data matching exercise which matched electronic data within and between participating bodies to prevent and detect fraud. Specified datasets were submitted to the NFI by Internal Audit at particular times via a secure web link. They were then cross matched to the same datasets, in the same format, submitted by other public bodies. Any matches were then returned to the relevant bodies for investigation. The last data submission took place in 2012 and the results were released on 29 January 2013, with returned matches involving datasets on Payroll, Trade Creditor payments history. Trade Creditors standing data and insurance claims.

The Committee was informed that the NFI also matched the various datasets to Housing Benefit Claims and those results were investigated by the Benefits Investigation Unit and were included in the results reported in section 3 of the report.

The Fraud Investigations Manager explained that from April to September 2013, 363 referrals had been received. Of those referrals 108 had not been investigated, 52 were passed to the Department of Work and Pensions (DWP) and 203 referrals were investigated. Of the 203 cases that were formally

investigated, 22 cases resulted in fraud being proven where formal action was taken. Some prosecution cases had been reported within the press.

In addition to the above, 7 cases were offered and accepted an Administrative Penalty.

Members were advised that 5 other cases were offered and accepted a Simple Caution. The purpose of a Simple Caution was to deal quickly and simply with less serious offenders, to save unnecessary appearance in a criminal court and to reduce the chances of re-offending.

In summary, the Fraud Investigations Manager explained that of the 203 cases investigated, 65 cases completed resulted in a 'positive outcome/saving.' This recorded the number of benefit claims corrected, following the Investigation Unit's intervention where Housing and Council Tax Benefit/Support cases had either been stopped, or corrected and identified an overpayment that was not fraudulent.

It was highlighted that the Investigations Unit did still generate income in addition to the government funding through the costs awarded against proven cases and the repayment of overpayments of benefit. The percentage of monies recovered from the overall amount outstanding of overpayments in the first half of 2013/14 was 15.59%.

The Committee was informed that the NFI matches returned to the Council in January 2013 were distributed by the Audit Manager to the relevant officers to investigate. The reports received from the NFI as part of the 2012/13 exercise had been summarised at Appendix C, together with the progress made against each report.

The Fraud Investigations Manager explained that due to timing differences on the part of the NFI, Council Tax and Electoral Registration data were dealt with separately and the matches relating to Single Person Discount were released in February 2012. This has been the largest area of NFI matches outside that involving the Benefits Investigation Unit. A total of 1,111 matches were returned from NFI and 899 had been investigated and closed. It was noted that work would continue on the 212 matches that had not been fully investigated and closed.

With regard to the update on the Single Fraud Investigation Service (SFIS), Members were informed that it had been recommended by the SFIS project team that SFIS should be implemented as a single organisation within Department of Work and Pensions. Four pilots had been implemented from November 2012. It was proposed that SFIS would be implemented in a phased approach during 2014/15 and the Committee would be updated as further information was released and it became clear who would be responsible for Housing Benefit fraud investigations in the future and what the grant position would be.

In response to questions from Councillor Gourlay regarding fraud cases, the

Fraud Investigations Manager explained that multi-identity fraud cases occurred in larger cities, but could happen in West Norfolk. All such cases would be investigated jointly with the Department of Work and Pensions.

Councillor Humphrey referred to page 16, paragraph 4.3 and asked if there was a long term recovery plan or whether the overall amount outstanding of overpayment was written off. In response, the Fraud Investigations Manager explained that the Council sought to recover all overpayments. The Deputy Chief Executive added that debt was only written off after a significant period of time but not on fraud overpayments.

In response to further questions from Councillor Humphrey, the Deputy Chief Executive explained that the outstanding amounts of overpayments were shown as debtors on the Balance Sheet.

Following questions from Councillor Chenery on the percentage of cases relating to urban and rural areas, the Fraud Investigations Manager explained that she did not have the figures to hand but that referrals were processed for both rural and urban areas.

The Chairman, Councillor Beal thanked the Fraud Investigations Manager for the detailed report.

RESOLVED: The Committee noted the report.

ARC75: **COMMITTEE WORK PROGRAMME**

The Committee considered its Work Programme.

RESOLVED: That the Committee's Work Programme be noted.

ARC76: **DATE OF NEXT MEETING**

Committee Members noted that the next meeting of the Resources and Performance Panel – Audit and Risk Committee would take place on **Tuesday 7 January 2014 at 5.30 pm** in the **Committee Suite, King's Court, Chapel Street, King's Lynn.**

The meeting closed at 6.28 pm