

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 18 March 2013

PRESENT: Councillor Larratt (Chair); Councillor Oldham (Deputy Chair); Councillors Beardsworth, Lynch, Nunn and Subbarayan.

1. APOLOGIES

Apologies were received from Councillors Palethorpe and Strachan and from the Director of Resources.

2. MINUTES

The Minutes of the meeting held on 14 January 2013 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

There were none.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

6. FINANCIAL MONITORING REPORT

The Head of Finance and Resources presented a report on the financial position as at 31 December 2013, the position on car parking income and usage and the position in relation to the Council's outstanding debts as at 31 January 2013.

It was noted that daily car parking was forecast to be £200k below budget and that a further shortfall in season ticket income of £200k was forecast as a result of corporate contracts being cancelled. In the current economic climate people were tending to purchase car parking tickets on an ad hoc basis rather than buying season tickets. Officers were looking at ways to promote Council car parks and season tickets, including to railway commuters. A report would be presented to the Committee in the summer on this issue.

The Head of Finance and Resources responded to Members' comments and questions, as summarised below:

- The forecast reduction of £600k to the Bad Debt Provision was basically a technical adjustment, effectively being a rent equalisation over ten years, leading to some of the benefit paid to the HRA being deducted from annual subsidy from the Department for Work and Pensions. With the de-pooling of service charges the amount deducted from annual subsidy has reduced;
- The Call Care service is being reviewed to ensure it can be viable going forward. As part of that process reduction in costs, relocation of the service and ways of becoming more competitive were under consideration;
- All services carry a vacancy factor and posts are reviewed when a vacancy occurs

rather than being automatically filled. There were sometimes opportunities to “act up” when vacancies occurred. Not immediately filling a vacancy generated a saving until that post was filled. Officers were mindful of the need to maintain delivery of service and of the wellbeing of staff when vacancies occurred;

- The training budget had been reducing over the last few years as the Council decreased in size. Much of the training was now carried out on-line and through e-learning packages, rather than bringing in trainers;
- New software licences related to either upgrades of existing software or new software required for changes to service provision, e.g. the welfare reform provisions. In the future, LGSS would manage IT requirements for core services, should we enter the partnership;
- More people were presenting themselves as homeless now but the numbers being placed in bed and breakfast accommodation were reducing and the management of the process had been improved;
- Commercial rents were reviewed on an annual basis. Insurance was reviewed on an on-going basis. A question was asked in respect of the costs for Northampton Alive and the Head of Finance and Resources undertook to look into the matter and to provide information to Members;
- The Head of Finance and Resources also undertook to provide Members with further information on the proceeds of mortgage repossessions, which had generated a windfall saving of £30k;
- The underspend of £804,034 on housing capital schemes could be as a result of delays to the decent homes programme resulting from the Housing Needs Review and the new allocations system. The Head of Finance and Resources would look into the matter and inform Members as he could not confirm this was the direct reason. It was noted that the underspend itself would be carried forward into 2013/14 if the projects were to continue.

RESOLVED:

1. That the contents of the report be noted as below:
 - General Fund Revenue Monitoring (Appendix 1 of the report);
 - Housing Revenue Account (HRA) Revenue Monitoring (Appendix 2 of the report);
 - General Fund Capital Monitoring (Appendix 3 of the report);
 - HR Capital (Appendix 4 of the report).
2. That the position on car parking usage and income as at 31 January 2013 be noted (Appendix 5 of the report).
3. That the latest position in relation to the Council’s outstanding debts as at 31 January 2013 be noted.

7. PERFORMANCE REPORT TO THE END OF JANUARY 2013

The Head of Finance and Resources reported on the Council’s key performance exceptions for the year to date.

The Head of Finance and Resources responded to Members’ comments and questions, as summarised below:

- The system of accountability had not changed following the re - organisation of the Performance Team twelve months previously but Directors and the Chief Executive continue to hold Heads of Service to account for performance in their service areas. Any problems are fed back through Heads of Service for corrective action to be taken. Management Board and the Cabinet still review targets and receive a

- corporate indicator system of performance for consideration;
- The Cabinet Member for Environment had attended the previous meeting of the Committee on 14 January 2013 to present a report on the Enterprise contract and a further report would be made in six months' time. The Cabinet Member for Finance stated that the Enterprise contract contained penalty clauses and some of these had been activated. Discussions were on-going with the contractor;
 - Work was underway regarding homelessness, which was a national issue, including looking at a gateway project. Much work was also underway to mitigate the effects of the welfare reforms, many of which would come into effect in April 2013, and which were an unknown quantity at this time. Members asked for a report on the effects of the welfare reforms to a future meeting.

Members considered that it would be helpful if an additional column could be added to the exception tables indicating the trend for each exception item.

RESOLVED:

That the report be noted.

8. ANTI-FRAUD ANNUAL REPORT

The Benefit Fraud Manager presented a report summarising the anti-fraud work and activity undertaken during 2012/13. Reference was also made to the high degree of uncertainty around the introduction of the proposed Single Fraud Investigation Service, which would involve NBC officers working under Department of Works and Pensions processes and procedures, which was delayed in December 2012 and would not now happen until sometime during 2014/15.

It was noted that:

- As a result of investigating sub-letting this year eight properties had been recovered for re-letting and discrepancies had been identified and resolved in five other properties. Using private sector partners this year with Credit reference data had helped to make it easier to identify risks by making it possible to drill down into the available data on properties and tenants;
- A pilot project starting on 21 March 2013 will use fraud officers and credit reference data to identify people on the housing register who are due to be allocated a property but whose circumstances have changed or were misrepresented stopping the fraud from entering the system in the first place.
- The service attempted to work with Wellingborough Homes and Corby Borough Council but was unsuccessful in a bid for finances from the LGA. A further funding bid has been made to the DCLG to continue to move this work forward and eventually set up an information hub. It is planned that other local authorities will join this local hub where data and good practice can be exchanged. East Northamptonshire and Daventry Councils have already been invited to participate.
- The time taken from beginning an investigation to completing a prosecution takes on average twelve months, however there are alternatives to prosecution which can be taken, such as Cautions and administrative penalties which can reduce the timeframe to a few weeks.
- New housing legislation is being enacted which would increase the powers available to local authorities in respect of housing fraud issues and the ability to prosecute offenders. Officers are looking into the impacts of this and the effective deterrent it can bring.

RESOLVED:

That the report be noted.

9. CERTIFICATION OF GRANTS AND RETURNS 2011-2012

The External Auditor presented his report for consideration. The report confirmed the change of auditor from the Audit Commission to KPMG from 1 September 2012, with the certification work completed by the Audit Commission prior to that date forming the basis of the report.

A minor technical qualification had been identified on the Housing and Council Tax Benefit Claim but this had no effect on the amount claimed. No amendments to any grant claims were required and grants and returns had been submitted on a timely basis, with working papers of good quality.

The External Auditor stated that following the discovery of a minor error where benefit had been underpaid further testing had taken place and three errors had been identified in total. These had been corrected and the correct benefit was being paid. With between 50,000 and 70,000 transactions made annually in this area plus all other transactions the overall figure of error was approximately 2.5%. As the errors could have resulted in overpayments rather than underpayments a letter of qualification had been sent to the Council. The External Auditor stated that sending such a letter was a common occurrence with local authorities. Further testing would take place in 2012/13 to ensure that the same errors were not still occurring.

RESOLVED:

That the KPMG report on the certification of Grants and Returns 2011/12 be noted.

10. EXTERNAL AUDIT PLAN 2012-13

The External Auditor presented the external audit plan prepared by KPMG, the Council's external auditors, for consideration.

It was noted that KPMG's provisional fee included a period of 3 weeks set aside for the audit, which was shorter than the time of most previous external audits of the Council. The fee was 40% lower than for the previous audit as a result of the Audit Commission tendering process nationally. The fee did not allow scope to accommodate anything which was not correct when provided to KPMG and if the auditor had to come back for further information an additional fee would be charged. The External Auditor stated that there had not been any difficulties with the information provided by the officers in recent years.

It was noted that KPMG proposed to use their Global Services team, based offshore in India, for parts of the audit and NBC officers would need to be assured as to the security of information transferred to and from that team and also that there would be no delays to the audit on doing so. The External Auditor gave details of the security arrangements which would be in place for this part of the work, as set out in the report.

The External Auditor referred to two key audit risks – transfer to LGSS and the new Fixed Asset system. He stated that KPMG would require assurances in respect of both issues and suggested that the Internal Auditor should be asked to look at both areas. The External Auditor suggested that there were no significant concerns regarding the transfer of services to LGSS but this was a major change and so presented a risk. It was noted that the SLAs for the services to be transferred stated that the current levels and standards of service had to be maintained. Many staff would not change their place of work on day one which would help to prevent disruption to services. NBC would retain the responsibility for the

management of services, which would be provided through LGSS after the transfer, via staff who would be employed by NCC. The s151 officer role would continue but would work for LGSS.

RESOLVED:

That the Audit Plan 2012/13 be noted.

11. INTERNAL AUDIT PROGRESS REPORT 2012/13

The Internal Auditor presented a summary of the progress made against the approved internal audit plan for 2012/13 up to the date of this Committee meeting (18 March 2013).

It was noted that since the last update final reports had been issued in three areas (Budgetary Control, Debt recovery and IBS Creditors) and all were classed as Low Risk.

The Internal Auditor stated that the Council's management had requested that an investigation be undertaken into car parking to challenge the service and see if was being provided as effectively as possible.

It was noted that some of the investigations planned for the current year had been deferred due to the changes to services being made as a result of LGSS. The Internal Auditor stated that he had received assurances from the officers in respect of those deferred services.

The Internal Auditor stated that with the transfer of services to LGSS the role of NBC would change, to become more of a commissioning body, with the skills required being those of project and contract management rather than service provision.

The Internal Auditor was currently looking at the whole process of NBC transferring to LGSS and the project management and would probably look at the business case for the transfer to LGSS in the future.

RESOLVED:

That the report be received.

The meeting concluded at 7:35 pm